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# NEVADA DEPARTMENT OF TAXATION

<http://tax.nv.gov>



## **Tax Bulletin TCT 16-0004** **Issue Date: June 27, 2016** **Transportation Connection Tax**

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### **Introduction**

This bulletin provides information regarding the excise tax imposed on the fare charge for passenger transportation for transportation network companies (TNCs), common motor carriers and taxicabs defined in NRS 706.

### **Statutes and/or Regulations referenced**

NRS 372B

### **Overview:**

#### **What is the Transportation Connection Tax?**

NRS 372B.140 through NRS 372B.160 imposes a transportation connection tax which is an excise tax on the connection between passengers and TNCs, common motor carriers and taxicabs which occurs within the borders of Nevada.

#### **Who is responsible for the Transportation Connection Tax?**

The tax is collected from the company creating the connection, not on the passenger(s). Only connections made by a TNC, common motor carrier, or taxicab company are subject to the transport. The tax is charged to, and collected from, TNCs, common motor carriers and taxicab companies and remitted to the Department of Taxation. If a person or operator is engaged as a "contract motor carrier," there is no transportation connection tax liability. Furthermore, the provisions do not apply to common motor carriers or contract motor carriers that are providing transportation services pursuant to a contract with the Department of Health and Human Services entered into pursuant to NRS 422.2705.

#### **What is the excise tax rate for the Transportation Connection Tax?**

The excise tax rate is 3% of the total fare and the funds generated are placed in the State Highway Fund up to a certain point and then into the General Fund.

### **The Transportation Connection Tax is charged on what amount?**

The tax is imposed on the total fare charged for the transportation, which must include, without limitation, all fees, surcharges, technology fees, convenience charges for the use of a credit or debit card and any other amount that is part of the fare.

The amount of tax is based on the value of the transaction and the transportation provided is incidental. The tax is on the business created when a passenger is connected with a company that provides a transportation service when that connection occurs inside Nevada.

### **Is the Transportation Connection Tax a tax on transportation?**

The tax in NRS 372B is not, and is not intended to be, a tax on transportation. NRS 372B is meant to tax the business that occurs when a passenger and a vehicle willing to transport that passenger are placed together at the same place at the same time. Only the distinct point when the passenger is able to make a "connection" with the vehicle is the tax imposed. Such a connection must invariably occur at a distinct point in time at a physical location that is easily discernible. The business opportunity the company creates for itself by arranging for the connection between passenger and vehicle is the target of the tax. It is the business transaction and its amount that is being taxed, not the transportation itself.

### **Does the Transportation Connection Tax apply to interstate travel?**

The taxable event is the business transaction – the connection between the passenger and the carrier- in Nevada. Since the tax is imposed on the connection, and not on the actual travel, whether the travel is interstate or intrastate does not affect the calculation of the tax. The transportation connection tax is not a sales tax, is not based on gross receipts, is not charged to the passenger, does not tax the sale of transportation, but the tax is imposed on a specific taxable event act which occurs within the State of Nevada.

### **Examples of when the Transportation Connection Tax does and does not apply:**

1. A passenger connects with a bus traveling from Ely to Las Vegas down US-95. Nevada collects 100% of the business transaction and 100% of the trip is located within Nevada.
2. A passenger connects with a bus in Sacramento, CA for a trip to Salt Lake City, UT. Even though 63% of the trip (410 miles of a 649 mile trip) is within Nevada, Nevada collects 0% of the business transaction because there is no taxable event that occurs in Nevada.

3. A passenger connects with a bus in Elko, NV for a trip to Salt Lake City, UT. Nevada collects a tax based on the entire business transaction despite only 47% of the trip (109 miles of a 230 mile trip) occurs within Nevada.
4. A passenger purchases a ticket in Las Vegas, NV for a later trip between Sacramento, CA and Portland, OR. Nevada collects 0% of the business transaction, despite the fact the ticket was sold in Nevada because the connection, the taxable event, does not occur in Nevada.

These examples show the taxable event is the connection between the passenger and the carrier. The transportation itself is not taxed.

For more detailed information regarding the transportation connection tax please visit our website at: <http://tax.nv.gov/FAQs/transportationconnectiontax/>

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