



Deonne Contine, Executive Director
State of Nevada
Department of Taxation
1550 College Parkway, Suite 115
Carson City, NV 89706-2020

15 October 2015

SENT VIA FACSIMILE 775-684-2020

Re: Potential Subjection to Commerce Tax
Enacted in Senate Bill No. 483

Dear Ms. Contine:

Please allow me to introduce myself. My name is Deborah Gambone, and I am the Compliance Manager for Aon Insurance Managers (USA), Inc. ("Aon"), located in Burlington, Vermont. Aon provides a variety of management and accounting/financial services to a number of clients, all of which are Traditional licensed insurers, Captive Insurers or Risk Retention Groups. Many, but not all, of our clients are domiciled in the State of Vermont.

Yesterday, an Advisory Letter was sent to one of my co-workers in Aon's Arizona office, who then promptly forwarded the Letter to me. The Letter is a Notice issued by the Department of Taxation and is entitled, "Notice of Nevada State Tax Law Changes". The Notice goes on to discuss the Commerce Tax, who would be subject to such a tax, and how those subject to the Commerce Tax may use such liability as a credit toward their Modified Business Tax. The Letter closes with relevant State contact information.

I called the Nevada State Department of Taxation Call Center, and spoke with an individual named Heidi. Although eager to help, Heidi was unable to answer my question regarding this new tax and whether it would apply to Insurance companies in general, and to Risk Retention Groups in particular. After checking with her supervisor, Heidi admitted that the Call Center had no information on this particular point, and advised that I write a letter to you and request a written opinion as to the applicability of the Commerce Tax upon Insurers and Risk Retention Groups.

As I am sure you are aware, insurance companies in general pay Premium Taxes upon their written premiums in lieu of Income or Other Revenue Taxes. I have reviewed the Nevada Revised Statutes, and have found that Nevada recognizes such an arrangement in "*NRS 680B.037, General tax on premiums: Tax in lieu of other taxes. Payment by an insurer of the tax imposed by NRS 680B.027 is in lieu of all taxes imposed by the State or any city, town or county upon premiums or upon income of insurers and of franchise, privilege or other taxes measured by income of the insurer.*" Further, our insurance entities file an Annual Insurance Tax Return, they are taxed at a rate of either 3.5% or 2% depending on whether the entity is a licensed insurer or a Risk Retention Group (both rates are greater than the general business rate of 1.475%), they are regulated by the Department of Insurance, and do not file a Modified Business Tax Return.

Given the foregoing, please advise as to whether Insurance companies and Risk Retention Groups will be subject to the Nevada Commerce Tax and its requisite annual Commerce Tax Return.

Sincerely,

Deborah Gambone
Compliance Manager