



# Department of Taxation

## Commerce Tax Presentation



Deonne E. Contine, Executive Director  
Sumiko Maser, Chief Deputy Executive Director  
Paulina Oliver, Deputy Executive Director

## **What do I need to do to determine my Commerce Tax liability.**

- 1) Determine if you are a business entity subject to the Commerce Tax.
- 2) Determine your Nevada Gross Revenue (NGR).
- 3) Determine your NAICS code. The NAICS code is necessary to determine the tax rate.
- 4) Subtract \$4,000,000 from your NGR to determine your taxable revenue, then multiply that number by your tax rate.

## Business Entity Subject To Commerce Tax:

Sec. 4 of SB 483

Each entity **engaged in a business** is subject to the tax, whether they are corporations including S corporations, partnerships, proprietorships, limited liability companies, business associations, joint stock companies, holding companies, and business trusts.

Engaged in business broadly defined (Sec. 6):

- Commencing, conducting or continuing a business
- The exercise of corporate or franchise powers regarding a business
- Liquidation of business when entity was conducting the business

## Business Not Subject To Commerce Tax:

Sec. 4(2) of SB 483

- Natural person unless it is required to file a 1040 form C, E or F
- Governmental entity
- 501(c) or Chapter 82 or 84 non profit
- Credit Union
- Certain non business trusts including REITs and REMICs as defined in IRS Code
- Passive entities
- Entities organized solely to manage intangible investments
- Entity participating in exhibition in Nevada that is not required to obtain a business license pursuant to NRS 360.780.

## Commerce Tax - Who Must File

- All business entities subject to the Commerce Tax even if there is no tax liability
- All corporations required to file an initial or annual list with the Secretary of State even if there is no tax liability



# Commerce Tax – Filing Returns

- ✓ Annual filing Frequency: Due date is 45<sup>th</sup> date after June 30, starting August 15, 2016 based on actual revenue for July 1-June 30.
- ✓ A business entity must use the same accounting method as it uses for federal income tax purposes.
- ✓ SB483 allows for a grace period until February 15, 2017 whereby no interest or penalty will be assessed for failure to comply with the Commerce Tax unless the failure was intentional or due to willful neglect.
- ✓ In subsequent years, a taxpayer may request an extension to file for up to 30 days.
  - No penalty will be assessed if approved, but interest will accumulate.

# Gross Revenue Defined

Section 8 or SB 483

The total amount realized by a business entity from engaging in a business in this State without deduction for:

- ***cost of goods sold***
- ***other expenses incurred in operating the business***

# Gross Revenue Does Not Include

Section 8(3) of SB 483

- Intellectual property revenue from the sale or exchange of the right to use trademarks, trade names, patents, copyrights, or other similar property.
- Value of Cash discounts
- Value of goods and services to a customer on a complimentary basis
- Amounts realized from certain tax free transactions under IRC §118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031 and 1033
- Amounts indirectly realized from a reduction of an expense
- The value of property or service donated to an organization under IRC § 501(c)(3)
- Amounts not considered revenue under GAAP





# Deductions from Gross Revenue

## Section 21 of SB 483

- Dividends and distributions
- Industry Specific Deductions
  - Gaming, Mining, Liquor Suppliers, Insurance Companies, Health Care, Employee Leasing Companies, Entity that manages or operates a property owned or leased by Federal Government or that houses military personnel.
- Receipts from a passive entity in which the business entity has an ownership interest
- Pass-through revenue (defined in Sec. 11 of SB 483)
- Dividends and interest from federal and state bonds or securities
- Bad debts, returns or refunds to customers, sale of accounts receivable if the underlying debts were included in revenue calculation

# Deductions from Gross Revenue

## Section 21 of SB 483

- Pass-through revenue (defined in Sec. 11 of SB 483)
  - Revenue required by law or fiduciary duty to be distributed to another person or governmental entity
  - Taxes collected from 3<sup>rd</sup> party and remitted to taxing authority
  - Reimbursements for advances that are made but not related to sale of goods or services
  - Amounts mandated by contract to be paid to others in specific circumstances
    - Sales commissions paid to non employees (like real estate)
    - contractors payments to sub contractors are not included in revenue calculation for contractor but would be included in revenue of subcontractors.
  - Amounts lawyers hold in trust accounts or amounts paid to another attorney who provided legal services and who is not part of the firm and reimbursements from a claimant for expenses of the claimant's case.
  - Affiliated group revenue transfers. An affiliated group has two or more businesses controlled by (50% ownership/possession)one or more common owners or members of the group.

## Nevada Gross Revenue

Revenue related to your Nevada transaction

- Tangible personal property sold to a consumer who is in Nevada - it is where it is received by the customer in Nevada (similar to sales tax rules)
- For revenue related to the sale of services, it is the location where the benefit is received by the purchaser. (i.e. is the purchaser located in Nevada, is the service provided by a Nevada business for a Nevada benefit.)
- For real property if the real property is located in Nevada.

## Commerce Tax: Gross Revenue includes

- Gross revenue from the sales of property or services
- Gross revenue from transportation services if both the origin and destination points are in Nevada
- Gross royalty income from property located in Nevada
- Gross receipts from any other business function in Nevada

## Tax Rates based on NAICS Code

- 26 different NAICS categories for purposes of the Commerce Tax each with a different tax rate.
- A business entity's category depends on the type of business it is primarily engaged in.
  - If an entity has more than one type of business activity, it is the category where the highest percentage of the revenue comes from.
- The business entity must report their NAICS category on the annual Commerce tax return.

Sections 24-49 of SB 483 set forth the rate of the Commerce Tax for the industry in which a business entity is primarily engaged as follows:

NAICS Category	INDUSTRY	Tax Rate
11	Agriculture, Forestry, Hunting	.063%
21	Mining, Quarrying, Oil and Gas Extraction	.051%
22/517	Utilities and Telecommunications	.136%
23	Construction	.083%
31-33	Manufacturing	.091%
42	Wholesale Trade	.101%
44-45	Retail Trade	.111%
481	Air Transportation	.058%
484	Truck Transportation	.202%



NAICS Category	INDUSTRY	Tax Rate
482	Rail Transportation	.331%
483, 485-488, 491-492	Other Transportation	.129%
493	Warehousing and Storage	.128%
511, 512, 515, 518	Publishing, Software, Data Processing	.253%
52	Finance and Insurance	.111%
53	Rental & Leasing	.25%
54	Professional, Scientific or Technical Services	.181%
55	Management of Companies and Enterprises	.137%
561	Administrative and Support Services	.154%
562	Waste Management and Remediation Services	.261%

NAICS Category	INDUSTRY	Tax Rate
61	Education Services	.281%
62	Health Care and Social Assistance	.190%
71	Arts, Entertainment and Recreation	.24%
721	Accommodations	.20%
722	Food Services and Drinking Places	.194%
81	Other Services	.142%
Unclassified	Unclassified Business	.128%



## How Do I Determine My NAICS?

- Taxpayers use NAICS codes currently
- <https://www.census.gov/eos/www/naics/faqs/faqs.html#q1>
- NAICS search tool at <http://www.naics.com/search/>



[Home](#) [Targeted Lists](#) [Data Append Services](#) [Reference Products](#) [Market Research](#) [Resources](#)

### NAICS Identification Tools

*Finding your NAICS and SIC Codes has never been easier!*

#### NAICS Keyword Search

Submit

Enter Keyword or NAICS Code to Search  
[Click here for Search Tips](#)

#### Company Lookup tool

Search Business Listings

Search Businesses by Phone Number or Address,  
Identify DUNS Number, NAICS/SIC Codes & More

How Do I Determine NAICS?

## NAICS Keyword Search

legal services | ×

Submit

Enter Keyword or NAICS Code to Search

[Click here for Search Tips](#)

## How Do I Determine NAICS?

[Return to Lookup Tools](#)

Learn about our [NAICS and SIC Lists](#) and [Data Append Services](#).

NAICS Title	NAICS Code	Common Keywords
<a href="#">Offices of Lawyers</a>	<a href="#">541110</a>	<a href="#">Legal aid services</a>
<a href="#">All Other Legal Services</a>	<a href="#">541199</a>	<a href="#">Paralegal services</a>
<a href="#">Commercial Photography</a>	<a href="#">541922</a>	<a href="#">Video taping services for legal depositions</a>
<a href="#">All Other Professional, Scientific, and Technical Services</a>	<a href="#">541990</a>	<a href="#">Arbitration and conciliation services (except by attorney, paralegal)</a>

## Other SB 483 Changes Related to the Commerce Tax

Sec. 68 of SB 438

Effective July 1, 2016:

- An MBT deduction of 50% of the Commerce Tax paid is allowed against the Modified Business Tax liability by the entity that paid the Commerce Tax.
  - Credit good for 4 calendar quarters following payment of the Commerce Tax
  - Credit cannot be more than the MBT liability



**Please visit our Web Site at**

**<http://www.tax.nv.gov>**

**or one of our offices at the following locations:**

**Northern Nevada:**

**Main Office**

1550 College Parkway, Suite 100  
Carson City NV 89706

Phone: (775) 684-2000  
Fax: (775) 684-2020

**Reno District Office**

Kietzke Plaza  
4600 Kietzke Lane, Bldg L, Suite 235  
Reno, NV 89502

Phone: (775) 687-9999  
Fax: (775) 688-1303

**Southern Nevada:**

**Las Vegas District Office**

Grant Sawyer Office Building  
555 E. Washington Ave, Suite 1300  
Las Vegas, Nevada 89101

Phone: (702) 486-2300  
Fax: (702) 486-2372

**Henderson District Office**

2550 Paseo Verde Pkwy, Suite 180  
Henderson, Nevada 89074

Phone: (702) 486-2300  
Fax: (702) 486-3377

**Taxpayer Call Center: (866) 962-3707**