



# Tax and License Division

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# Topics of Discussion

- What is the Tax and License Division
- Office Locations
- Areas of Operation
  - Compliance
  - Collections
  - Licensing
  - Indian Gaming
- T&L Facts

# Tax and License Division

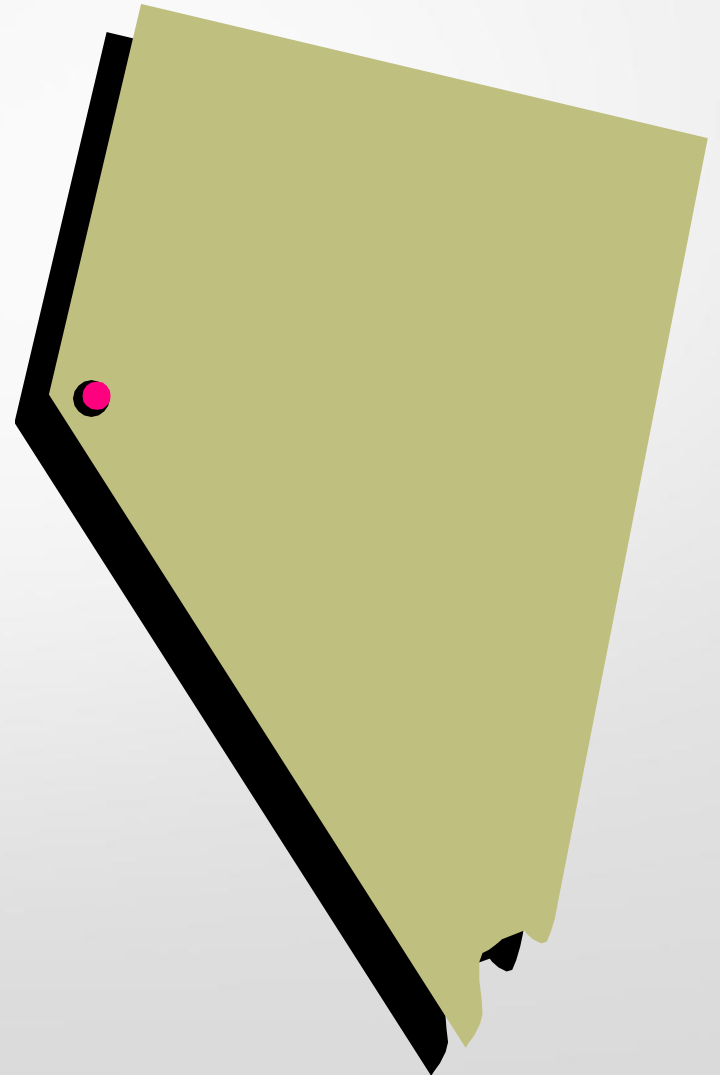
- The Tax and License Division currently has 21 professional staff, including three CPAs, and an administrative staff of six. The division is split into the following three sections:
  - Collections – Collects, deposits, distributes and dedicates all gaming taxes, fees, penalties, interest and fines.
  - Compliance – Performs compliance reviews of all Group II locations and restricted locations offering live entertainment.
  - Licensing – Issues all gaming licenses approved by the Commission and maintains license database.

# Management Staff

- Dan Douglas, Chief (Las Vegas)
- Scott MacDonald, Deputy Chief (Carson City)
- Tina Spickerman, Supervisor (Las Vegas – Compliance)
- Tammi Owens, Supervisor (Carson City – Compliance)
- Lance Ferrato, Supervisor (Carson City – Collections and Licensing)
- Andy Lane, Special Agent (Las Vegas – Compliance)
- Matt Wilcks, Senior Agent (Carson City – Compliance)
- Jocelyn Mendez, Senior Agent (Las Vegas – Compliance)

# Tax and License Office Locations

- Carson City (Main Office)
  - Compliance
  - Collections
  - Licensing
  - Indian Gaming
- Las Vegas
  - Compliance



# Compliance

- The compliance unit consists of 2 supervisors, 1 special agent, 2 senior agents, and 13 compliance agents
- Monitors over 500 licenses
- Objectives:
  - Revenue is properly reported
  - Determine compliance with Statutes, Regulations, and Internal Controls through performance of:
    - Compliance reviews
    - Interim contacts
    - Revenue reviews
- Review of Group II (nonrestricted locations)
  - Gross gaming revenue less than \$6,517,000 (as of 07.01.18)
  - Operations that consist primarily of a race book or sports pool or both, that accepts less than \$73,368,000 (as of 07.01.18) in wagers
- Review of manufacturers, distributors, operators of a slot route, operators of an inter-casino linked system, operators of a mobile gaming system, manufacturers of interactive gaming systems, and service providers
- Review of restricted locations offering taxable live entertainment
- Perform scheduled financial statement reviews (ER101)
- Perform device counts at restricted and nonrestricted locations

# Compliance Review

## Preparation and Planning

- Inquire with other divisions for any derogatory information
- Review of investigative summaries
- Review prior work papers
- Tax returns (percentage fees, expired vouchers, and live entertainment)
- Develop strategy (10 weeks to perform review)

# Compliance Review

## Opening Contact

- Perform covert observation of funds removed from slot machines and table games
- Present opening letter and document request (licensee has ten (10) business days to provide the documents)
- Observe the count of funds removed from slot machines and table games
- Observe a cash count of funds on property (cage, vault, safe, etc.) and determine adequate bankroll
- Walk through procedures including interviews and observations of the following:
  - Jackpot payout procedures
  - Cash controls
  - Sensitive key controls
  - Promotional offers



# Compliance Review

## Fieldwork

Field work begins after the ten (10) day waiting period for requested documents. Field agents perform procedures on site and on a sample basis, including:

- Reconciliation of reported taxable revenue
- Review of financial statements
- Detail testing of document flow and transactions
  - Perform statistical analysis

# Compliance Review Completion

- Present findings to the licensee
- Prepare documents summarizing the results of the review
  - Regulation Violation Letter
    - Letter is sent to licensee certified mail with a required thirty (30) day response
  - Outline for Review Committee
    - Presented to our assigned Board Member for review and signature
  - Statement of Determination
    - Statement documenting assessment or refund and is mailed to the licensee
- All workpapers undergo two levels of review

# Interim

Performed in the middle of the review period for high risk licensees. Field agents will perform limited procedures including:

- Convert observation of funds removed from slot machines and table games
- Observe the count of funds removed from slot machines and table games
- Walkthroughs
- Limited statistical analysis
- Follow up on previously noted noncompliance

# Revenue Review

Performed when a no restricted license is surrendered. Compliance agents perform reduced procedures to include:

- Reconciliation of reported revenue
- Detail testing of document flow and transactions
- Calculate refund of prepaid fees and unused tax credits

# Collections

The collections and licensing units consist of 1 Supervisor and 6 administrative staff and are responsible for the following:

- Collecting taxes/fees
- Tax forms
- Deposits
- Accounting
  - Refunds are issued for overpayment of taxes/fees and are processed through the Controller's Office
  - Processing audits
  - Cash and Surety bonds
- Accounts receivable management
  - Write offs
  - Delinquencies (NRS 463.270)
- Statistical reports
  - Standard financial statements (NGC-17 and NGC-17a)
  - Operator of a slot route report (NGC-36)
- Holiday/Special event applications
- Temporary closures (Regulation 9.010)
- Approval to charge a fee for admission to an area in which gaming is conducted (Regulation 5.210)

# Collecting Taxes and Fees

- Monthly, quarterly, and annually taxes and fees are due depending on license type:
  - Nonrestricted - Monthly, quarterly, and annually
  - Restricted - Quarterly and annually
  - Miscellaneous - Annually
- Licensees receive two courtesy reminder emails when forms/fees are due:
  - 1<sup>st</sup> email - Sent the first day of each month stating all forms/fees due
  - 2<sup>nd</sup> email - Sent the day before forms/fees are due
- Delinquent filings
  - When a tax filing/ payment becomes delinquent staff begins the collections process:
    - One day after due date - Delinquent notification sent via email
    - Five business days after 1<sup>st</sup> email - Delinquent notification sent via email
    - Seven business days after 2<sup>nd</sup> email - Certified letter sent
    - Seven business days after letter - Letter hand delivered to location by Agents
    - Phone calls - In addition to delinquent notifications collections staff make phone calls to licensee throughout the collection process
  - If all forms/fees have not been received within 30 days of the due date the license is deemed surrendered and all gaming operations must cease

# Gaming License Fees and Tax Rate Schedule

- Nonrestricted gaming license
  - Slot machines
    - Annual Tax (NRS 463.385) – \$250 per slot machine
    - Quarterly License Fee (NRS 463.375) – \$20 per slot machine
  - Games
    - Annual License Fee (NRS 463.380) – Fee varies depending on number of games
    - Quarterly License Fee (NRS 463.383) – Fee varies depending on number of games
  - Percentage fees (NRS 463.370)
    - 3.5% of the first \$50,000 during the month, plus
    - 4.5% of the next \$84,000 plus
    - 6.75% of revenue exceeding \$134,000

# Gaming License Fees and Tax Rate Schedule (Cont.)

- Unredeemed slot machine wagering vouchers
  - Monthly (Regulation 6.110(12)) - 25% of the value of unredeemed slot machine wagering vouchers
  - Quarterly (NRS 463.369) - 75% of the value of unredeemed slot machine wagering vouchers
- Live entertainment tax (NRS 368A.200)
  - If all of the following criteria are met:
    - License more than 50 slot machines, more than 5 games, or any combination thereof
    - An admission charge is collected
    - Maximum occupancy of at least 200
    - 9% of admission charges are collected



# Gaming License Fees and Tax Rate Schedule (Cont'd)

- Restricted gaming license
  - Slot machines
    - Annual tax (NRS 463.385) – \$250 per slot machine
    - Quarterly license fee (NRS 463.373) –
      - \$81 for each slot machine up to 5 machines
      - \$405 plus \$141 for each slot machine in excess of 5 but not more than 15
  - Live entertainment tax (NRS 368.200A)
    - If all of the following criteria are met:
      - An admission charge is collected
      - Maximum occupancy of at least 200
      - 9% of admission charges are collected

# Gaming License Fees and Tax Rate Schedule (Cont'd)

- Distributor (NRS 463.660) - \$500
- Manufacturer (NRS 463.660) - \$1,000
- Operator of a slot machine route (NRS 463.3855) - \$500
- Operator of an inter-casino linked system (NRS 463.3855) - \$500
- Operator of a mobile gaming system (463.3855) - \$500
- Operator of an information service (NRS 463.3856) - \$6,000
- Wire Service (NRS 463.450) - 4.5% of fees collected from users for dissemination of live broadcasts
- Operator of a pari-mutuel system (NRS 464.015) - \$500
- Operator of interactive gaming (NRS 463.764) - Initial fee is \$500,000, which is for two years. The annual fee thereafter is \$250,000
- Service provider (NRS 463.677, Regulation 5.240 and Regulation 5A.220) - \$1,000
- Manufacturer of interactive gaming systems (NRS 463.760) - \$25,000
- Manufacturer of equipment associated with interactive gaming (NRS 463.760) - Initial Fee is \$50,000, which is for one year. The annual fee thereafter is \$25,000

# Online Tax Form Filing (OTF)

- In accordance with Regulation 6.030 all taxes and fees are collected via our Online Tax Form Filing System (OTF)
- OTF users have the ability to create, submit, pay, and amend tax filings as necessary
- Each location is assigned one location administrator which is vetted by Tax and License staff following these procedures:
  - User submits a 'Location Administrator Request Form' via our website
  - Request is reviewed by staff as all location administrators must be a Commission approved licensee or registered through the Employee Registration Unit
  - Staff contacts user via phone and verifies:
    - Date of birth
    - Social security number
    - Email address
- Location administrators have the ability to set up subordinate users

# Tax and Fee Reporting

- It is the responsibility of Tax and License to ensure that all collections are allocated to the correct general ledger accounts and reported to the Controller's office correctly this process includes:
  - Deposits
    - Tax and License processes deposits for both fees paid through online filing and manual payments
  - Cash receipts
    - Report all deposits received by Tax and License to the Controller's Office
  - Journal vouchers
    - Allocate all collections received in a deposit to the appropriate general ledgers
  - Monthly and annual reconciliations
    - Controller's office reconciliation - Ensures all collections were correctly allocated and reported with the Controller's Office
    - Zero balance account reconciliation - Ensures all funds received through Wells Fargo were accounted for appropriately

# Distributions

- County distributions are mandated by statute and are made monthly to counties for the following:
  - Each county receives a share of the annual games tax paid by nonrestricted licensees NRS 463.320(2)(b)
  - Each county licensed for a race track receives a proportionate share of pari-mutual revenue collected NRS 463.320(2)(c)

# Licensing

Licensing staff is responsible for the following:

- Attend Board and Commission meetings
  - Record outcomes
- Issue licenses
- Diagrams
- Account closures
- Trusts
- Location details
- Owners and conditions
- NGC-09 License verification
- Licensing history
  - 1983 - current is computerized
  - 1960 - 1983 is contained on microfiche, microfilm, cards and files

# Agenda, New Accounts, and License Maintenance

- Monthly review of Investigative reports
  - Upon Board recommendation, entry begins
  - Upon Commission approval, final entries are made and reviewed
  - New accounts are activated upon payment and licenses are issued
- Changes to licenses are self-reported by licensees
  - Changes in licensees titles and/or separation of licensees from company
  - Biographical changes, e.g., address, contacts, etc.
- Annual license verification is required by all licensees (NGC-09 – License Verification)
  - Completed through OTF

# Account Closures

Licensees are required to report closures to the Tax and License Division. Once notification of closure has been received staff follows the below process:

- Nonrestricted locations:
  - Notify appropriate staff of closure so an audit may be completed:
    - Group II locations – Compliance staff
    - Group I locations – Audit Division staff
  - Confirm last day of gaming play
  - Perform data entry and close accounts
- Restricted/Miscellaneous locations:
  - Confirm last day of gaming play
  - Perform data entry and close accounts



# Trusts

Pursuant to NRS 463.172, licensees have the ability to request a transfer of interest from their personal holdings to an inter-vivos trust.

- Licensing Supervisor reviews proposed trust
- Trust is forwarded to the Attorney General's Office – Gaming Division for review and recommendation
- Licensing Supervisor prepares a determination letter
- If approved, licensee must notify the Board when the transfer is complete
- Records updated

# Diagrams

Licensing staff is responsible for maintaining floor diagrams of all restricted accounts and any conditioned nonrestricted accounts.

- Active locations must request changes to their floor diagram prior to making changes
- Proposals are reviewed and determination letters are sent accordingly
- Staff also works in conjunction with Electronic Services when violations are noted in the field

# Indian Gaming

- Gaming Compacts
  - 8 active compacts
  - 4 operating
- Monitor operation for compliance with compact
- Collect Reports and billing

# Tax and License Facts

- Collected \$866,305,681 in gaming fees and taxes for Fy18
- As of June 30, 2018, there were 170,646 licensed gaming devices
- As of June 30, 2018, there were 2,895 licenses issued and active
  - Restricted - 1,961
  - Nonrestricted Group 1 - 144
  - Nonrestricted Group 2 - 299
  - Slot Route Operator - 52
  - Manufacturer/Distributor - 363
  - Other - 76
- Reviews performed during Fy18
  - Compliance - 160
  - Revenue - 11
  - Interim - 13
  - Audit cycle 2.18



Questions?