

**PROPOSED TEMPORARY REGULATION OF THE  
NEVADA TAX COMMISSION**

**LCB File No. T004-18**

November 6, 2018

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: NRS 360.090 and 362.120;

A REGULATION relating to taxation; establishing an adjustment to a deduction in the net proceeds of minerals; clarifying the amount to be deducted as a claimable expense for contracting services.

Existing law allows for deduction of contracted services for a mine. There is a rebuttable presumption that not less than 20% of the cost of contracting is attributable to the cost of services and activities currently that would not be deductible as an expense if the mine conducted the services or activity themselves.

With the sun-setting of the prepayment system during the 2017 legislative session with regards to net proceeds there was allowed as deduction in NRS 362.120 (g) the actual cost of hospital and medical attention and accident benefits and group insurance for employees actually engaged in mining operations within the State of Nevada was allowed as a deduction. With this the rebuttable presumption of 20% being disallowed as a deductible expense should be changed to reflect the allowance of this deduction.

**Section 1.** Section 362.050(4) is hereby amended to read as follows:

**NAC 362.050 Deductions: Operating costs.** [Effective January 1, 2016.] ([NRS 360.090, 362.120](#))

4. If a cost is partially deductible and partially nondeductible, the deductible portion must be allowed. In determining the portion of such costs which is allowable as a deduction, a reasonable allocation must be made based upon available information. For the purposes of paragraph (b) of

subsection 1, ~~there is a rebuttable presumption that not less than 20 percent of the cost of contracting for all or part of a mine's operations is attributable to the cost of services and activities that would not be deductible if provided or performed directly by the operator of the mine.~~ *Cost of services and activities that would not be deductible if provided or performed directly by the operator shall not be claimed as a part of the deduction allowed per paragraph (b) of subsection 1. The operator shall make an adjustment for these costs and upon request or audit by the department shall provide documentation proving the adjustment excludes costs that would not be deductible if provided or performed directly by the operator, or the operator shall presume that not less than 10 percent of the cost of contracting is attributable to costs that would not be deductible if provided or performed directly by the operator.*