



Nevada Tax Notes

The Official Newsletter of the Department of Taxation

Issue No. 181 January 2013

Index of Articles

Cell Phone Retailers	1
Returned Merchandise	2
Federal Income Tax	2
What Tax Rate Do I Use?	2
Liens	3
Denial of Permit	3
Calculation Errors	3
Bartering	4
Cash Versus Accrual	4
Claiming Bad Debt	4
Local Government Services	5
Off Highway Vehicles	5
Unusual Tax Facts	5
Correspondence	6
Ask the Advisors	6

Office Closures

New Year's Day
Tuesday – January 1, 2013

Martin Luther King Jr.'s Birthday
Monday – January 21, 2013

Presidents' Day
Monday – February 18, 2013

Call Center
(866) 962-3707

Hours:
Monday through Friday
8:10 am to 11:50 am
1:00 pm to 4:45 pm
Pacific Time

Industry Spotlight:

CELL PHONE RETAILERS

A cell phone retailer sells cell phones, tablets, and/or modems that may or may not include a service contract. A service contract can be any subscription or purchase of service (purchase of minutes or data amounts) from a telecommunication company. The retailer may be a franchise, an independent business, or owned by the telecommunication company itself.

If the retailer sells only the phone or equipment, and it does not include the service contract, then the retailer will charge sales tax on the retail price of the phone. Any cash discounts will be deducted from the price subject to tax. Any discounts reimbursed by a third party like an instant rebate or coupon will not be deducted from the sales price when calculating the sales tax due per [NRS 372.065](#).

If a retailer sells the phone or equipment as part of a bundle with a service contract, then the retailer will charge sales tax on the cost of the phone to the retailer not the full retail price.

Example: a retailer may pay its supplier \$200.00 for a cellular phone, however in order to enhance sales, the retailer offers a year's worth of service for \$99.00 a month, plus a free cellular phone to the customer. The sales tax is computed on the amount the retailer paid for the phone, \$200.00. The telecommunications / cellular activation services that are part of the "bundled" sale of the phone and the plan are not subject to sales tax. For more information, see [NRS 372.045](#).

Some telecommunication companies charge the sales tax on the first month's bill instead of at the time of purchase. Although this is acceptable, the retailer needs to be aware that they are liable for the sales tax unless they can **prove** the telecommunication company is taking over the duty of collecting and remitting the sales tax. It is highly recommended the retailer get something in writing from the telecommunication company stating the telecommunication company is collecting and remitting the sales tax.



MAIN OFFICE

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Carson City, Nevada 89706
Phone: (775) 684-2000
Fax: (775) 684-2020

LAS VEGAS DISTRICT OFFICE

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555 E. Washington Avenue, Suite 1300
Las Vegas, Nevada 89101
Phone: (702) 486-2300
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HENDERSON FIELD OFFICE

2550 Paseo Verde Parkway,
Suite 180
Henderson, Nevada 89074
Phone: (702) 486-2300
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RENO DISTRICT OFFICE

Kietzke Plaza
4600 Kietzke Lane Building L, Suite 235
Reno, Nevada 89502
Phone: (775) 687-9999
Fax: (775) 688-1303

Returned Merchandise

When a customer returns merchandise and the full sales price of the merchandise including the sales tax is refunded to the customer, the retailer can take a deduction on their sales tax return for that sale. If the merchandise is returned on the condition the customer must purchase a more expensive item, sales tax cannot be refunded.

Example: A retailer sells a gold watch for \$10,000.00. Two years later, the customer 'returns' the watch on the condition he must purchase a watch costing more than \$10,000.00. The retailer cannot refund sales tax on this transaction nor take a deduction.

Sometimes a restocking fee is charged by the retailer. The transaction may still qualify for the deduction as long as that charge does not include compensation for increased overhead costs, refinishing or restoring the property to saleable condition, or any expense incurred before the sale.

Example: A retailer sells a computer for \$1,000.00. The customer returns the computer later that month. The store refunds the price of the computer including the full amount of the tax to the taxpayer **less** a restocking fee of \$20.00. As long as the restocking fee is for the store incurring the cost to put the item back on the shelf, the deduction can be taken.

FEDERAL INCOME TAX

It is tax season again. The Nevada Department of Taxation would like to remind you that it is not associated with the Internal Revenue Service and cannot assist you with your Federal Income Tax questions. Every year the Department receives an enormous amount of inquiries regarding Federal Income Tax.

Additionally, the State of Nevada does not impose an individual or business / corporation income tax. You **do not** need to submit copies of your Federal Income Tax returns to the Department unless you are involved in an audit or payment plan arrangement. Federal Income Tax inquiries may be researched at the official IRS website, www.irs.gov

WHAT TAX RATE DO I USE?

Reporting sales in the wrong county can become very costly for Taxpayers as there are penalties associated with incorrect reporting per [NRS 372.365](#). To avoid any issues, it is important to understand which tax rate applies. To help, the Department provides a [Sales Tax Map](#) of the state including city locations on the Department Website under Publications.

Sales Tax:

Taxpayers filing sales tax returns in Nevada are statutorily required to report sales in the county where the delivery to the purchaser, his agent or designee takes place.

Example: An employment poster was purchased from the Taxpayer in Washoe County. The poster was shipped to the customer in Clark County. The Clark County sales tax rate applies.

If a Taxpayer collects the **wrong tax rate**, the Taxpayer should do the following:

If the Taxpayer charges a **lower** tax rate, that Taxpayer must report the sales under the correct County on the Sales and Use Tax Return. They are not allowed to lower sales because they under-collected the tax.

If the Taxpayer charges a **higher** tax rate, then the difference in rates must be refunded to the customer if possible. If it is not possible, the amount must be remitted to the Department by adjusting up sales on the Sales and Use Tax Return to reflect the actual amount of taxes collected per [NAC 372.765](#). **Under no circumstances** can the Taxpayer keep the over-collected taxes for themselves.

Use Tax:

Taxpayers are required to report the price of property **purchased for storage, use or other consumption** in Nevada, in the county where the item is received unless the item was originally purchased for resale then **used** in the business. In this case, the tax is due in the county that the item held for resale was used by the Taxpayer.

Example: Taxpayer purchased a cabinet to sell in their store in Nye County. After the close of the store, the cabinet was transported to a store in Clark County and later used by the store in Clark County to hold their office supplies. The tax is due in Clark County where the item was located when it was first used for a purpose other than retention, display, or demonstration per [NRS 372.025](#).

CALCULATION CONFUSION: COMMON CALCULATION ERRORS

Taxpayer's Question: I take the sales straight off the Point of Sales Monthly Report. Sometimes I give away free magazines. I ring up the magazines in the register as a comp. I then subtract the comp total from sales because I report the magazines for use tax on the cost. The Department says I am under-reporting sales. Why???

Monthly Report	
Monthly Point of Sales Report Total Sales \$2,345.634 Sales tax 895.35 Total Sales \$2,345.634 Cash Received Cash 3,456.32 Visa \$2,345.634 MasterCard 4,245.22 Cmps 245.99 Amex 456.34 Total Sales 2,345.634	
Monthly Report Part 1	
Taxable Sales	\$19,488.45
Tax Collected	1,578.56
Total in Drawer \$21,067.01	
Monthly Report Part 2	
AMEX	766.34
Gift Cards	25.00
Comps	5.41
Total Tender \$21,067.01	

Taxpayer's Calculations from Monthly Report:

Taxable Sales - Comps = Amount reported to the Department
 \$19,488.45 - \$5.41 = \$19,483.04

Answer: The reason is due to the comp total including sales tax. If you look at the receipt below, you can see the comp sale is really \$5.00 not \$5.41.

Remember the Cash Tendered Section of your report (part of the report that displays all payment amounts by method of payment - displayed above in Monthly Report part 2) includes **ALL** tender received which may include tax and tips. Try the new calculation below.

Receipt	
Free Magazine	\$5.00
Subtotal	\$5.00
Tax 8.1%	\$0.41
Total	\$5.41
Comps	\$5.41
<i>Thank you for your patronage</i>	

New Calculations from Monthly Report:

Taxable Sales - Comps = Amount reported to the Department
 \$19,488.45 - \$5.00 = \$19,483.45

Disclaimer: Reports and receipts shown are for illustration purposes only.

Liens

If a tax or fee owed to the Department is not paid by the due date, the Department can place a lien upon all real and personal property owned by the individual in the county. The lien can include the tax or fee owed along with any penalty and interest. The Department has up to 4 years to file this lien.

This means that any person found responsible for the tax due may have a lien placed on their personal property such as their house and car. The lien also covers any future purchases of real or personal property. Additionally, the Department may, and does renew outstanding liens on unpaid debt every 5 years prior to expiration, per [NRS 360.473](#).

Denial of Permit

The Department of Taxation may refuse to issue or renew a sales tax permit if the applicant has an active or inactive account with a liability of any tax or fee administered by the Department.

For them to be denied a permit for a new business or new location, the applicant or taxpayer could be:

- delinquent in the payment of any tax, and / or penalty and interest
- not have made payments on an agreed payment plan
- not paid a deficiency determination established by the Department

Bartering

Bartering is a process by which goods or services are directly exchanged for other goods or services without using money as the medium of exchange. In the event that the bartering consists of tangible property, the value of the agreement will be considered the value of the property and is deemed taxable. However, if the bartering does not involve tangible property the value of the barter is not subject to sales tax.

Examples:

1) A business that is selling televisions decided that it needs to have the building painted. A representative contacts a painter who estimated that the cost of painting the building will be \$5,000.00. The business and the painter agreed to the price, but instead of cash the business gives the painter a television. This barter transaction is considered a sale by the business of tangible goods, one television, for \$5,000.00, which is a taxable transaction, pursuant to [NRS 372.045](#) and [NRS 372.060](#) and should be reported on the business' sales and use tax return under taxable sales.

2) Two business exchange tangible personal property from their inventory such as a sewing machine for a lawn mower. Both businesses have a taxable sale, and both must report the value of the item on their next sales and use tax return.

CASH VS ACCRUAL

Sales Tax:

Per [NAC 372.040](#), retailers who accept terms other than "cash on delivery" need to be aware that reporting sales to the Department **must** be on the accrual basis. In other words, a sale in January 2013 must be reported on your January 2013 Sales/Use Tax Return even though you may not have received the total sales price yet. Should your business be audited, and it is found that sales are reported later than the actual date of the sale; you will be charged interest on the late reported sales.

Retailers unable to collect all or part of the sales price of a sale that was reported to the Department may claim the bad debt as a deduction on the Sales/Use Tax Return that covers the period during which the bad debt is written off in your business records as long as a bad debt deduction will be taken on the federal tax return.

Use Tax:

The same is true with purchases subject to use tax. The purchase should be reported when the item is received or in some cases first used, not when the item is paid for.

CLAIMING A CREDIT FOR BAD DEBT

A bad debt is an amount owed to a business, not to include interest, finance charges or tax, for which all reasonable collection efforts have been exhausted and unsuccessful. Retailers unable to collect all or part of the sales price of any sale of tangible personal property may claim a bad debt deduction against the amount of gross receipts previously reported to the State of Nevada by taking the deduction on the return that covers the period during which the bad debt is written off, as long as the tax rate is the same.

The sales must have been included in the gross receipts reported for a previous sales tax reporting period(s) and must be eligible to be claimed as a deduction pursuant to 26 U.S.C. § 166 on the federal income tax return. Please note that a claim for bad debt is available to **retailers** only, and the retailer must have pursued collection remedies before claiming the deduction.

Example: In January 2011, a vendor makes a credit sale to one of its

customers for furniture worth \$5,000.00.

The vendor reports the sale of \$5,000.00 on its January 2011 Sales and Use Tax (SUT) return.

The vendor collects a \$1,000.00 payment on account at the time of the sale. In February, the vendor receives a payment of \$500.00, and in March it receives another payment of \$500.00 from the customer. Then the payments cease. In October, 2011 the vendor pursues collection remedies including using a collection agency but to no avail.

In September 2012, the vendor writes off the remaining balance on the account (\$3,000.00) as an uncollectible bad debt expense on its books which does not include any interest, penalties, taxes, or legal fees. At this time, the vendor is also entitled to a \$3,000.00 bad debt credit on his September 2012 SUT return filed with the Department. (He will also deduct the amount as a bad debt deduction on his 2012 federal tax return.) For more information on bad debts, see [NRS 372.368](#).

LEARN ABOUT LOCAL GOVERNMENT SERVICES (LGS)

The Nevada Department of Taxation is made up of two divisions. Most people are familiar with the Compliance Division which enforces Sales Tax, Modified Business Tax, Live Entertainment Tax, etc. However the Department also has the Division of Local Government Services (LGS). LGS is responsible for administering various property tax programs and providing oversight to the financial administration of local governments. Visit their website at http://tax.state.nv.us/DOAS_MAIN.htm .

Local Government Services

Local Government Finance

This section has administrative oversight over the financial activities of some 265 local government entities.

Go to their website page for annual reports on revenue projections, indebtedness for local government entities, election ballot templates, and the widely popular Ten Highest Assessed Taxpayers (property tax).

Centrally Assessed Properties

This section is responsible for the valuation, assessment, collection and distribution of ad Valorem ("according to value") taxes for airlines, railroads, and utilities.

Go to their website page for annual reports on tax rolls, net proceeds of minerals bulletins, and required forms.

Locally Assessed Properties

This section oversees and monitors the quality of assessments performed by county assessors.

Go to their website page for a copy of the personal property manual, agricultural land value procedures, and the rural building cost manual when using unskilled farm labor in the building of a structure.

Real Property Transfer Tax

This section coordinates the collection and administration of Real Property Transfer Tax to ensure tax is collected fairly and equitably in all counties.

Go to their website page to view the section's brochure which includes listings of the County Recorders, tax rates, and exemptions to the Tax.

Policy & Publications

Go to their website page for the Property Tax Assessment and Administration Manual which has a copy of related Nevada Revised Statutes in one printable document. Also find information on LEED (Green Buildings) Statutes in this document.

LEEDS abatement worksheets are also available.

The State Board of Equalization

The State Board of Equalization hears and determinates direct appeals from valuations of the Nevada Tax Commission and other appeals as provided by law. Go to their website page for appeal forms, withdrawal forms, board meeting dates, and agendas.

Register Your Off Highway Vehicles

Effective July 1, 2012, taxpayers are now required to register their OHV (Off Highway Vehicle) with the Nevada Commission on Off-Highway Vehicles. The Commission also handles titling. A Vehicle Identification number (VIN) inspections will have to be completed by a licensed Nevada OHV dealer or a sworn law enforcement officer if your vehicle has never been registered or titled in Nevada. The Dealer who completes the inspection may submit the application and other documents on your behalf or you may mail them yourself. The Department is no longer issuing stickers to authorized OHV dealers in Nevada.

Unusual Tax Facts

"The State can tax the air we breathe."

Fact: Air (gases) is perceived by the senses which make it tangible personal property. Sales tax is applicable to all tangible personal property not specifically exempt by Statute including air.

If you PAY for air (gases), then it becomes taxable with the exception of medical grade gases prescribed by a doctor.

Case in point: An oxygen bar sells pure oxygen to breath for recreational use. The oxygen sold in these bars is taxable.

PLEASE DO NOT SEND CORRESPONDENCE WITH YOUR RETURN

The Arizona address is a payment processing center and not a Departmental office. Do not write notes on your return or include correspondence as they will likely not be viewed by Department staff. If you have a question, need to file an amended return, or close your account, please mail correspondence to, stop by your local Nevada office or call the Call Center at 1-866-962-3707.

We have implemented several changes in the local offices so wait times are not normally very long.

Low Waiting Times:	High Waiting Times:	Busiest Office:	Low Wait Alternative:
Early Morning Late Afternoon	Lunch through 2pm End of the Month	Las Vegas Grant Sawyer	Henderson Office

“Ask the Advisors” Training

The Department will be presenting Basic Tax Training and Industry-Specific Training throughout the year. These **free** workshops include training on Sales and Use Tax, Modified Business Tax, Live Entertainment Tax, collection of taxes, resale certificates, exemptions, how to prepare amended tax returns, how to prepare for an audit, your petition rights, etc.

SOUTHERN REGION – The following workshops will be held in the **Henderson Department of Taxation Office** located at 2550 Paseo Verde Parkway, Suite 180, and will begin at 9:00 a.m. and conclude at 12:00 p.m.:

Basic Tax Training:

January 15, 2013	May 21, 2013	September 17, 2013
February 19, 2013	June 18, 2013	October 15, 2013
March 19, 2013	July 16, 2013	
April 16, 2013	August 20, 2013	

The Henderson Office will include additional presentations by the **Internal Revenue Service** (forms and filing requirements), **State Treasury, Unclaimed Property** (information on how to report unclaimed property), and **SCORE** (resources available for businesses to guide them to success). **SCORE** is a non-profit organization sponsored by the Small Business Administration.

NORTHERN REGION – The following workshop will be held in the **Reno Department of Taxation Office** located at 4600 Kietzke Lane, Bldg. B, Suite 111, and will begin at 9:00 a.m. and conclude at 12:00 p.m.:

Basic Tax Training:

- February 20, 2013
- May 15, 2013
- August 21, 2013
- October 16, 2013

The Reno Office will include presentations by the **Internal Revenue Service**.

Reservations are required as classes fill up quickly. Please call **(702) 486-2354** for Henderson classes and **(775) 687-9999** for Reno classes to reserve seating. For those not able to attend “Ask the Advisors” training, you may access the Workshop Power Point presentations on our website by clicking on [“Ask the Advisors.”](#)