



SALES & USE TAX INFORMATION 4

IMPORTANT PROVISIONS OF THE SALES AND USE TAX LAWS (NRS 372) (NRS 374) (NRS 377) AND NEVADA ADMINISTRATIVE CODE

NATURE AND RATE OF SALES AND USE TAX, LOCAL SCHOOL SUPPORT TAX AND CITY/COUNTY TAX:

Nevada sales tax, local school support tax and city/county relief tax are imposed on retailers for the privilege of selling tangible personal property at retail. Use tax is imposed upon the storage, use or other consumption in this State of tangible personal property purchased from a retailer. Use tax is not imposed when the sale of the property to the consumer is subject to the sales tax. For the most part, use tax rather than sales tax applies to property purchased outside Nevada, without tax, for transfer, delivery or shipment to a consumer located in Nevada. Sales tax is measured by gross receipts from retail sales. Use tax is measured by the sales price of the property. "Gross receipts" and "sales price" means the total amount of the sale including all receipts, cash, credits, barter or service.

WHAT IS REQUIRED OF SELLERS?

1. Every person, firm, partnership, corporation, etc., engaging in business as a seller of tangible personal property must apply to the Nevada Department of Taxation for permits. The application must be accompanied by a fee of \$15.00 for each location.
2. Separate permits must be obtained for each place of business and must be conspicuously displayed at the place for which issued and are valid until suspended or revoked by the Commission. If there is a change in location or ownership, a new permit must be obtained. Companies having retail outlets in more than one county must furnish the Department with an estimate of the percentage of gross sales allocated to each county.
3. Sales must be reported on returns to the Department at such time and for such periods as the Department may require. Returns must be filed for each period even though no taxable sales or taxable purchases were made during such period. Returns must be accompanied by remittances for the amounts of the tax due, payable to the Nevada Department of Taxation. Send check or money order. **DO NOT SEND CASH OR STAMPS.** Tax Returns can be downloaded and printed from our website at <http://tax.nv.gov/>. Please mail return to: P.O. Box 7165, San Francisco, CA. 94120-7165. You can also file your Tax Return online at <http://www.nevadatax.nv.gov/>.
4. Nevada sales and use taxes are due and payable on or before the **LAST DAY** of the month following the report period. If your return is not **SUBMITTED/POSTMARKED** and the taxes paid on or before the due date shown on the face of the return, the amount of penalty is: a) For returns with Period(s) Ending prior to and including 3-31-07 the penalty is 10%; b) For returns ending 4-30-07 and after; the amount of penalty is based on the number of days late the payment is made per NAC 360.395 (see table below). The maximum penalty amount is 10%.

Number of days late	Penalty Percentage	Multiply by:
1 - 10	2%	0.02
11 - 15	4%	0.04
16 - 20	6%	0.06
21- 30	8%	0.08
31 +	10%	0.10

A 0.75 PERCENT INTEREST per month or fraction thereof in accordance with the Nevada Statutes will also be imposed. **Deposit of your return in a mailbox is not enough. Your postage meter impression is not enough. It must be FRANKED BY THE U.S. POSTAL SERVICE.**

5. Every person or entity purchasing tangible personal property for resale that uses the property for any other reason than resale must pay Use Tax to the State on the cost of the property.
6. Persons holding seller’s permits may be liable for taxes, penalties, and interest arising out of any sales made in their place of business by operators of concessions therein, unless the concessionaires register with the Nevada Department of Taxation.

SALES & USE TAX INFORMATION 4 (cont.)

RECORDS:

1. Reference: NRS 372.735, NRS 374.740, and NRS 377, and Nevada Administrative Code.

Every seller, retailer and person storing, using or otherwise consuming in this State, tangible personal property purchased from a retailer, shall keep adequate and complete records showing:

- (a) The gross receipts from the sales of tangible personal property (including any services that are a part of the sale) made within Nevada, irrespective of whether the seller regards the receipts as taxable or nontaxable.
- (b) All exemptions allowed by law and claimed in filing returns.
- (c) Total purchase price of all tangible personal property purchased for sale or used in Nevada.
- (d) Sufficient records to show gross sales of merchandise made in each county in Nevada.

Businesses should retain all basic records per NRS 372.735 for not less than four years for businesses registered with the Department, and not less than eight years for businesses not registered with the Department. Retaining proper records will expedite an audit if you are contacted for one. The following records are the minimum that should be retained by your business:

- Sales journal: This is an accounting device that records the monthly sales. It should be supported by individual sales invoices that show all parts of the sale transaction. Sales invoices should be pre-numbered and issued in sequential order. All documents used to file the monthly/quarterly/ Sales/Use Tax returns should be kept together.
- Purchase journal/cash disbursements journal: This is a listing of all items the business purchases whether for inventory, assets or operating expenses. The journal is supported by paid vendor invoices.
- Bank records should include a check register, deposit receipt, bank statements, bank reconciliations, and if available, cancelled checks.
- Accounting records can be completed in-house or by a bookkeeping/accounting service. If an outside service is used, they should be provided the basic journals and ledgers in order to review a business's financial history. As the business grows, the accounting structure should be routinely re-evaluated.

Failure to maintain such records will be considered evidence of negligence or intent to evade the tax, and will result in the imposition of appropriate penalties.

2. The permit holder must notify the Department **IMMEDIATELY OF THE CLOSE OR SALE OF THE BUSINESS**. Refund or return of cash or other security deposited will be made after your account is cleared.
3. Pursuant to NRS 360.525, **THE PURCHASER OF A BUSINESS SHALL WITHHOLD A SUFFICIENT AMOUNT OF THE PURCHASE PRICE TO COVER ANY AMOUNT OF LIABILITY OF ANY TAX OR FEE ADMINISTERED BY THE DEPARTMENT THAT MAY BE DUE FROM THE SELLER AT TIME OF PURCHASE AND SALE**. For this reason it is very important that the buyer of the business request a "Certificate of Amount due" from the Department of Taxation before the proceeds of the sale are released. If the buyer does not take this action, the buyer will become liable for the payment of any taxes due up to the extent of the consideration paid for the business or any stock of goods.
4. The law imposes severe penalties, (including fine and imprisonment) for making false returns or otherwise attempting to evade the tax.

EXAMPLES OF TAXABLE ITEMS

(Not all inclusive list)

STATUTORY AUTHORITY NRS 372.185, 190, 374.190, 195, 377 AND 377A

- | | |
|------------------------------|---------------------------------|
| Aircraft | Jewelry |
| Antiques | Leather Goods |
| Appliances | Luggage/Handbags |
| Art Work | Medical/Dental Equipment |
| Automobile Parts | Mobile Homes/Motor Homes |
| Boats | Musical Instruments |
| Books | Office Equipment/Supplies |
| Business Cards | Off-Road Vehicles |
| Cameras/Video Equipment | Photocopy Machines |
| Camper Shells | Propane used for cooking |
| Camping Equipment | Radios |
| Carpet/Rugs | Recreational Vehicles |
| CDs | Satellite Systems |
| Clothing | Silverware |
| Computer Hardware & Software | Stereos |
| Diagnostic Equipment | Subscriptions (Books/Magazines) |
| DVDs | Toys |
| Fax Machines | Trucks/Tractors |
| Firearms | Vehicles |
| Furniture | Video Tapes (Blank/Recorded) |
| Home Furnishings | Window Coverings |