

NEVADA DEPARTMENT OF TAXATION



NEVADA TAX NOTES

Official Newsletter of the Department of Taxation

JANUARY 2010

<http://tax.state.nv.us>

ISSUE NO. 169

DEPARTMENT OF TAXATION OFFICES

NEW "CALL CENTER" # 1-866-962-3707

MAIN OFFICE

1550 College Parkway
Carson City, Nevada 89706

Phone: (775) 684-2000

Fax: (775) 684-2020

LAS VEGAS DISTRICT OFFICE

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

Phone: (702) 486-2300

Fax: (702) 486-2373

HENDERSON FIELD OFFICE

2550 Paseo Verde Parkway, Suite 180
Henderson, Nevada 89074

Phone: (702) 486-2300

Fax: (702) 486-3377

RENO DISTRICT OFFICE

Kietzke Plaza
4600 Kietzke Lane Building L, Suite 235
Reno, Nevada 89502

Phone: (775) 688-1295

Fax: (775) 688-1303

ELKO FIELD OFFICE

1010 Ruby Vista Dr., Suite 102
Elko, Nevada 89801

Phone: (775) 753-1115

Fax: (775) 778-6814

 **HAPPY NEW YEAR** 

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NEW TAXATION CALL CENTER

The Nevada Department of Taxation has implemented a new Call Center to address the thousands of calls we receive each month. The mission of the Call Center is to help eliminate the frustration taxpayers may experience when contacting the Department's District offices to resolve issues with their accounts or to answer general tax questions. If you have questions regarding Sales Tax, Use Tax, Modified Business Tax, general tax questions or need information on establishing a new account, please contact the Call Center at our toll-free number, **1-866-962-3707**. The Call Center hours are 8:10 am to 11:50 am and 1:00 pm to 4:45 pm Pacific Time. The Call Center is closed for lunch between 11:50 and 1:00 pm Pacific Time. Because the Call Center is not designed to answer all questions, taxpayers may sometimes need to call a District office directly depending on the complexity of the issue.

MODIFIED BUSINESS TAX – GENERAL BUSINESS NEW TIERED RATE EFFECTIVE 7/1/2009

The Modified Business Tax (MBT) became effective October 1, 2003, requiring employers to pay the excise tax on wages per NRS 363B.110. Exceptions to the law include Indian tribes, political subdivisions defined in NRS 612.055, nonprofit organizations that qualify under 26 USC § 501(c); and effective 7/1/05 any person who does not supply a product or service but only consumes a service. Examples may include an individual who hires a gardener, housekeeper, nanny, private trainer, chef/cook, etc.

The Modified Business Tax is an entity based return, not location based. Effective 7/1/09, the tax rates changed to a tiered rate after passage of SB429. The tiered rate is calculated as follows:

If the sum of all taxable wages, after health care deductions paid by the employer, does not exceed \$62,500 for the calendar quarter, the amount of tax is 0.5% (0.005) of the sum of the wages. If the sum of all the wages paid by the employer exceeds \$62,500 for the calendar quarter, the tax is \$312.50 (0.5%) plus 1.17% (0.0117) of the amount the wages exceed \$62,500.

For example: If the sum of all wages for the 9/09 quarter is \$101,000; the tax is \$312.50 plus \$450.45 (0.0117 x \$38,500 which is the amount exceeding \$62,500) = a total tax due of \$762.95. These changes are set to expire on June 30, 2011.

Prior to July 1, 2009 the tax rate for General Business employers covering the period July 1, 2005 to June 30, 2009 was 0.063% (0.0063).

The tax rate for Financial Institutions was not changed and continues to be at 2%.

DOMESTIC FUELS

Pursuant to NRS 372.300, any materials used to produce domestic heat by burning, including but not limited to wood, coal, petroleum, gas, and pellets are **exempt** from sales and use tax. "Presto Logs", "Dura-flame Logs", fireplace wood and kindling used to create domestic heat are also exempt. Tax will be charged on materials used to produce heat for commercial use. For example, if a restaurant purchases wood for cooking or heating, it would be subject to the tax since it is being used commercially.

RETAIL TOBACCO LICENSE REQUIREMENT

Nevada Revised Statute Chapter 370 requires retailers of tobacco products in Nevada to possess a State Tobacco License. The retailer's license authorizes the holder thereof to purchase cigarettes from any wholesale dealer holding a Nevada Cigarette Wholesale Dealer's License and sell those cigarettes at the location specified within the license. The license is renewable on or before January 1 of each calendar year. Businesses with active retail tobacco licenses were sent renewals on November 20, 2009 for the 2010 calendar year. The renewal notice must be fully completed including checking the box to renew or cancel your license. If you are cancelling this license, please provide a cancellation date. If you do not have a Tobacco Retail Dealer's License, you will need to fill out an Application for Cigarette and Other Tobacco Products Licenses, which can be found on this website under "Quick Links, Tobacco Directory". Tobacco displayed for sale in a business location which does not have a valid Retail Tobacco Dealers License is considered contraband and is subject to seizure.

WE ALL OWE IT – USE TAX

Many of us are shopping online to avoid long lines, get good deals and – not pay sales tax on our purchases? Can that be right? While that is technically correct, Use Tax is due regardless of whether you are a business or an individual, if you purchase tangible personal property from a business that does not collect Nevada Sales Tax. You owe the Use Tax (the counterpart to sales tax) when you order something tangible from an out-of-state vendor, have it shipped to Nevada (whether to yourself or to someone else as a gift) and no sales tax is on the vendor's invoice. If you make the purchase

as part of a business activity, you simply report the use tax on your monthly or quarterly Sales and/or Use Tax return. If you are not in business, you do have a couple of options to pay the use tax you owe. You can stop by one of our District offices as listed on the cover page of this publication or, better yet, you can calculate the tax you owe by multiplying the tax rate in the Nevada county where the property is being delivered by the selling price of the merchandise as shown on your invoice and send a check to the Department's Carson City Office. Make your check payable to the Department of Taxation and note on the check that it is for USE TAX and include the COUNTY'S NAME where the merchandise was delivered. By doing this, you will have met your obligation and legal responsibility, and are helping the State's revenue crisis as well.

EXEMPTIONS FOR FOREIGN DIPLOMATS

Pursuant to the Foreign Mission Act of 1982, foreign missions and their members (diplomats) are granted exemption from sales tax, and other taxes in accordance with international law and reciprocity. The Office of Foreign Missions (OFM) administers this program. Foreign diplomats are issued Personal or Official/Mission Tax Exemption cards by OFM, which identify the diplomat and specifically show the type of exemption the diplomat is entitled to. The exemption may be for a specific tax only or for sales tax, lodging tax, and other taxes. It may be an exemption to be used for diplomatic purchases only or it may be an exemption on both business and personal purchases. Each type of exemption will be identified on the card. Retailers are encouraged to contact the OFM Regional Office in Los Angeles at (310) 235-6292 if they have any questions or problems regarding a diplomatic exemption.

LEASING AND SUBLEASING

NRS 360B.067 defines a retail sale as a sale, lease or rental for any purposes other than for resale, sublease or subrent. The Nevada Tax Commission has recently approved LCB File Number R105-09, which is a new tax regulation dealing with leasing and renting of tangible personal property. Since the transaction of leasing/renting is now considered a sale, the same principles for a sale now apply to the leasing/renting of tangible property. Leasing/renting to a Nevada exempt organization (that holds a valid Sales/Use Tax Exemption Letter issued by the Department) is now exempt from sales tax in the same manner as a sale to a Nevada exempt organization is exempt. Gross receipts from leasing/renting property can be reported in the "Total Sales" - Column A of the tax return and the collection allowance is now allowed. In a sublease/subrental situation, a resale certificate must be presented to the owner of the property to avoid double taxation.

In lieu of collecting sales tax on the lease stream, a lessor (retailer) still has the option of electing to collect and remit sales tax on the cost of the property to the retailer. However, the sublease/subrental of property is a separate transaction from the original purchase. In other words if a retailer rents property for the purpose of subleasing it, whether or not tax was paid on the original purchase of the property does not affect the taxability of the second transaction. An example of this is when the original owner purchases property and pays sales tax on the property at the time of purchase. If the owner leases the property to another retailer for the purpose of subleasing, sales tax is still owed on the gross lease charges of the subleasing transaction. This is the same principle as when a retailer buys property for resale but uses the property before it is sold; use tax is owed on the use of the property, and sales tax is owed on the subsequent sale of the property because they are two separate transactions.

Please look for additional examples and more information in future editions of Nevada Tax Notes. The new regulation's full text can be found on this website under "Hot Topics".

CLARIFICATION OF CHARGES FOR FREIGHT

The Department has received several calls requesting clarification on the taxability of freight. Pursuant to and in accordance with the directives of Assembly Bill 403 from the 75th Session of the Nevada State Legislature, effective May 22, 2009; if **separately stated**, charges for transportation, shipping and/or postage are **not** taxable. NRS Chapter 360B, Sections 290, 425 and 480 will be amended to incorporate these Legislative changes into the Chapter.

Note – Charges for handling, crating and packaging **are taxable** regardless of whether they are separately stated.

The cost of transportation of the property to the retailer, **before its sale to the purchaser**, is considered part of the sales price per NRS 372.025.

OVERVIEW OF HOW SALES AND USE TAX REVENUES ARE DISTRIBUTED

Sales and use tax rates vary by county; however, basic components of the sales tax rate remain consistent for each county.

The minimum Statewide Tax Rate is 6.85% and can be broken down as follows:

2.00% **Sales Tax** is distributed to the State General Fund.

2.60% **Local School Support Tax** is distributed back to the school district wherein the business is located. If the business is located out of state, the monies are distributed to the State Distributive Schools Fund.

0.50% **Basic City-County Relief Tax** is distributed back to the county where the business is located. If the business is located out of state, the monies are distributed to counties and cities based on a population formula.

1.75% **Supplemental City-County Relief Tax** is distributed to all qualifying local governments according to a statutory formula.

6.85% **Minimum Statewide Tax Rate**

Some of the counties such as Elko, Esmeralda, Eureka, Humboldt and Mineral county's sales and use tax rates equal the Minimum Statewide Tax Rate of 6.85%. Counties with sales and use tax rates that exceed the Minimum Statewide Tax Rate of 6.85% have additional taxes that have been added through special and local acts. A breakdown of the tax rate, description, distribution and county's imposing the additional rate can be found at

http://tax.state.nv.us/documents/SUT_Rates_7_09.pdf.

The Statewide map identifying sales tax rates by county can be found at

http://tax.state.nv.us/documents/Sales_Tax_Map.pdf.

Some new or expanding businesses are participating in incentive programs with the Commission on Economic Development. If approved, these businesses may receive sales and use tax deferrals or sales and use tax abatements on the purchases of capital equipment. These accounts pay the 2.00% sales tax rate and receive an abatement on the balance of the sales tax applicable for the county where the business is located. (NRS 372.397, NRS 374.357, NAC 372.040)

Businesses located in Tourist Improvement Districts may have funded the building of the project through a Sales Tax Anticipated Revenue Bond or STAR Bond. Up to seventy-five percent of the Minimum Statewide Tax Rate of the sales tax revenue generated within the Tourist Improvement District reverts back to the municipality to make payments on the bonds. The breakdown according to the components of the Minimum Statewide Tax Rate is:

75% of 2.00% **Sales Tax**

75% of 2.25% **Local School Support Tax (Base)**

75% of 0.50% **Basic City-County Relief Tax**

75% of 1.75% **Supplemental City-County Relief Tax**

STAR Bonds receive 75% of the Local School Support Tax at the former Local School Support Tax rate of 2.25%, not the current rate of 2.60%. STAR Bond proceeds do not apply to the portion of sales and use tax revenue that has been added through special and local acts imposed by the municipalities. More information regarding STAR Bonds can be found in the April 2009 Tax Notes at

<http://tax.state.nv.us/documents/TAX%20NOTES%20APR%202009%20No%20166%20Final.pdf>

WHAT IS A NEVADA DEPARTMENT OF TAXATION "TID" NUMBER?

The Taxpayer Identification Number (TID), is a number issued by and is unique to, the Department of Taxation. TID numbers are randomly assigned when account registration information is first entered into the Department's computer system. TID numbers identify business tax types administered by the Department including: Sales Tax, Consumer Use Tax, Modified Business Tax (MBT) both General Business and Financial, Liquor Excise Tax, Other Tobacco Products, Cigarette Tax, Tire Tax, Live Entertainment Tax, Bank Excise Tax, Insurance Premium Tax and Short-Term Lessor Tax. The 10-digit TID identification number does not replace or supersede the 9-digit Federal Employer Identification Number (FEIN), issued by the U. S. Federal Government.

REGISTERING TO FILE ONLINE WITH "NEVADATAX"

The Nevada Department of Taxation has an online website where you can safely and securely register, file a return or pay an outstanding liability. Registering to file online is simple; you will need to have your current 10 digit Taxpayer's Identification Number (TID), a recent payment amount, and general knowledge of your business. Go to the NevadaTax website at <https://www.nevadatix.nv.gov/> or click on the quick link on this Website and select "Enroll Nevada Tax". Follow the steps to enter your user and business information; verify the business TID and a recent payment amount.

Once the information is verified, you will be sent two e-mails. One email confirming your user name and the second with a temporary password. You will then return to <https://www.nevadatax.nv.gov/> and click on "Returning User", type in your chosen user name and the temporary password you received in the e-mail. The system will prompt you to retype the temporary password for verification and ask you to choose a new password. Once you do this, you will be registered to use the Department's online filing system 24/7. Please be sure to save your username and password information for future use, which will help you save your time and effort.

SECRETARY OF STATE NOW ADMINISTERING THE STATE BUSINESS LICENSE

The 2009 Legislature approved AB 146 and effective October 1, 2009 the Nevada Secretary of State's office began administering and issuing the State Business License. The business license is required for all entities conducting business in this State.

A new business portal will soon be provided at the Secretary of State's office which will offer a "One-Stop Shop" for businesses incorporating in Nevada.

The State Business License will be available to businesses online; in order to apply, pay the license fee, and/or be issued a State Business License go to www.nvsos.gov. All businesses are encouraged to visit this website to learn more about the new process and find answers to questions about State Business License requirements. Online payment options are being expanded to include debit card, e-check, credit card or a trust account.

The Secretary of State looks forward to better serving Nevada businesses.

CLAIMING A CREDIT ON YOUR ACCOUNT

If you made an error on a Sales Tax, Use Tax or Modified Business Tax return and have a credit coming to you, **do not** take the credit until you have received **written notification** from the Department, **and verified** the credit. The credit can be verified through your online account or through a review of your own records. If you need instructions on how to amend a return, please go to the FAQ's Tab on our website.

ADVISORY FOR FILING RETURNS

Due to the monthly and quarterly tax filing requirements, our offices are extremely busy the last few days of the month with people filing their tax returns. It is recommended, whenever possible, that you time your visits to the office for other than the last few days of the month to avoid a long wait.

CLAIMING A CREDIT FOR BAD DEBTS

Retailers unable to collect all or part of the sales price of any sale of tangible personal property may claim a credit against the amount of sales tax previously paid to the State of Nevada by taking the deduction on the return that covers the period during which the bad debt is written off. 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.

Please note that a claim for bad debt is available to **retailers only**.

GOING PAPERLESS WITH TAX RETURNS

Want to receive less paper? Help the environment? On this Website click on "Go Paperless" under Quick Links. You can request that we no longer mail you tax returns for Sales/Use Tax, Use Tax, and Modified Business Tax. You can also file online with NevadaTax at <https://www.nevadatax.nv.gov> or download the forms from this Website by clicking on the "Common Forms" Tab.

"ASK THE ADVISORS" TRAINING WORKSHOPS

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 11:30 a.m.:

Tuesday, January 19, 2010 — Basic Tax Training

Tuesday, February 16, 2010 — Basic Tax Training

Tuesday, March 16, 2010 — Basic Tax Training

NORTHERN REGION – The following workshops 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 noon:

[Wednesday, January 20, 2010 — Basic Tax Training/Online Registration and Filing](#)

[Wednesday, March 20, 2010 — Basic Tax Training/Construction/Contractors](#)

Reservations are required as classes fill up quickly. Please call (702) 486-2354 for Henderson classes and (775) 688-1740 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 this Website by clicking on “Ask the Advisors.” At this site you may also view the workshops scheduled for the year.

HOLIDAY CLOSURES

The Department of Taxation District Offices will be closed the following days in the First Quarter of 2010:

- Friday • January 1, 2010 • New Year’s Day
- Monday January 18, 2010 • Martin Luther King Jr. Day
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- Monday • February 15, 2010 • President’s Day

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