



2013-2014 Tax Expenditure Report

**Report to the Governor and the Director of the Legislative Counsel Bureau
For transmittal to the Legislature and appropriate interim committee
or committees of the Legislature
NRS 360.137**

**Report prepared and compiled by the Nevada Department of Taxation through efforts by
Nevada Department of Administration
Nevada Department of Motor Vehicles
Nevada Gaming Control Board
Nevada Department of Taxation, Local Government Services Division
Local Governments throughout Nevada**

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Introduction

The 77th Legislative Session approved Assembly Bill 466 on June 12, 2013 ("AB 466"). The provisions require the Executive Director of the Department of Taxation to prepare a report of tax expenditures to the Governor and the Legislature in November of each even numbered year. This inaugural version of the expenditure report covers tax expenditures for the 2013-2014 biennium.

AB 466 was codified as follows.

NRS 360.137 Duty of Executive Director to submit tax expenditure report; contents; requests for information.

1. On or before November 10 of each even-numbered year, the Executive Director shall submit a tax expenditure report to the Governor and the Director of the Legislative Counsel Bureau for transmittal to the Legislature and the appropriate interim committee or committees of the Legislature.

2. The report required by subsection 1 must provide, for each tax expenditure:

- (a) A description of the tax expenditure;
- (b) The year in which the tax expenditure was enacted;
- (c) The purpose for which the tax expenditure was enacted;
- (d) A summary of any amendments to the tax expenditure since it was enacted;
- (e) To the extent that pertinent information is available, estimates of:

(1) The fiscal impact to this State and local governments of the tax expenditure during each fiscal year of the biennium in which the report is prepared;

(2) The number of taxpayers receiving benefit from the tax expenditure; and

(3) The revenue that would result from repeal of the tax expenditure; and

(f) A statement of:

(1) Any pertinent information which is not available to prepare the estimates required by paragraph (e); and

(2) The reasons for the unavailability of that information.

3. Each agency, bureau, board, commission, department, division, office and other governmental entity of the State of Nevada, each county treasurer and county assessor and each entity receiving the benefit of a tax expenditure, shall respond fully and appropriately to any request for information made by the Executive Director for use in the report required by this section not later than 30 days after such a request is made, to the extent that the requested information is not confidential, privileged or otherwise protected from disclosure by any provision of state or federal law.

4. As used in this section, "tax expenditure" means any law of this State that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including, without limitation, tax abatements, tax credits, tax deductions, tax deferrals, tax exemptions, tax exclusions, tax subtractions and preferential tax rates.

Tax Expenditure Defined

In short, a tax expenditure is created when a tax is imposed but some group, business or individual is relieved from paying the tax or a portion of the tax. Pursuant to NRS 360.137 “tax expenditure” means any law of this State that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including, without limitation, tax abatements, tax credits, tax deductions, tax deferrals, tax exemptions, tax exclusions, tax subtractions and preferential tax rates.

Purpose of the Tax Expenditure Report

This report provides a review of all tax deductions, tax abatement, tax credits, tax deferrals, tax exemptions, tax exclusions, tax subtractions and preferential tax rates. These types of tax expenditures provide special benefits to favored individuals or businesses. The purpose of this report of tax expenditures is to provide some information that will allow the public and policy makers to identify and analyze tax expenditures and to periodically make criteria-based decisions on the efficiency and fairness of the tax expenditure and determine whether the expenditures should be continued.

NRS 360.137(2) provides that the report must include the following:

- (a) A description of the tax expenditure;
- (b) The year in which the tax expenditure was enacted;
- (c) The purpose for which the tax expenditure was enacted;
- (d) A summary of any amendments to the tax expenditure since it was enacted;
- (e) To the extent that pertinent information is available, estimates of:
 - (1) The fiscal impact to this State and local governments of the tax expenditure during each fiscal year of the biennium in which the report is prepared;
 - (2) The number of taxpayers receiving benefit from the tax expenditure; and
 - (3) The revenue that would result from repeal of the tax expenditure; and
- (f) A statement of:
 - (1) Any pertinent information which is not available to prepare the estimates required by paragraph (e); and
 - (2) The reasons for the unavailability of that information.

How to Use This Report

Organization:

This report has been designed to allow for a quick overview of Nevada’s current tax expenditures. The tax expenditure flows in the order of the Tax Type. The on line version of the Tax Expenditure Report is saved as a Portable Document Format “PDF” and is equipped with a search box to allow for quick search.

The body of the expenditure report is organized alphabetically by tax type. Each expenditure is described by the expenditure name, agency that administers the tax type, a description of the expenditure, the year it was enacted, the purpose of the expenditure, the beneficiary of the expenditure, the Statute, year(s) in which the Statute was amended, the number receiving the benefits and the expenditure amount. The report also contains a section that explains the expenditure when additional information is necessary.

Tax Type/ Expenditure Name:

The Tax Type is a general reference to the type of tax. The expenditure names and description have been summarized to help with the ease of the understanding of the expenditures. If researching a specific expenditure it is recommended that the Statute be read in its entirety to get a complete understand of the expenditure. All of the applicable Nevada Revised Statutes "NRS" and Nevada Administrative "NAC" can be found at <http://www.leg.state.nv.us>.

Category:

The categories reflected in the report mirror those expenditure categories required to be included as provided in NRS 360.137.

Description:

The description is a brief summary of how each expenditure is intended to apply and is generally pulled from the statutory provisions that enacted the expenditure.

Expenditure Amount:

The revenue impact of a tax expenditure is intended to measure indirect "spending" through the tax system with respect to that one provision, or alternatively the amount of relief or subsidy being provided through that provision. The dollar impact is NOT the amount of revenue that could be gained by repealing the tax expenditure. There are four main reasons for this:

- Many tax expenditures are taken over a period of years and can also be carried forward if there is insufficient tax liability to offset. In these cases, even if the tax expenditure were eliminated, there would remain some unused multi-year and carried forward tax expenditures that could be claimed over time.
- The estimates do not incorporate behavioral changes that may occur if a tax expenditure were eliminated.
- Each provision is estimated independently. A tax expenditure beneficiary may qualify for a tax reduction under more than one law.
- Government may not be able to collect the full liability for some tax expenditures for administrative reasons.

For these reasons, and because tax expenditures interact with each other and the rest of the tax system, caution should be used when summing the revenue impacts.

Finally, where available, the amount of the expenditure is pulled from the taxpayer filed returns which include reporting for the expenditure. If no reporting data is available, in some cases estimates for certain sales and use tax exemptions were made based on aggregated federal data. As of the date of this report, data for those estimates was not yet available for FY 2014. Accordingly, the report does not contain estimates for certain sales and use tax expenditures for FY 2014. Additionally, for many tax types no data is available because the taxpayer is not required to report its exemptions and no reliable data exists to form an estimate as to the value of the expenditure.

If no data was available for the amount of the expenditure, the report data page will state the reason for the unavailability. If the expenditure amount was based on economic estimates, the report data page will also so indicate.

Purpose:

Interpretation as to the legislative purpose in enacting an expenditure was not provided in the report absent a clear legislative intent provided in statute.

Who Benefits:

Where possible, this report provides information about the beneficiaries of tax expenditures using the number of taxpayers who filed returns for a specific tax type or by using a number derived from analysis of economic data or data provided by sources that implement the expenditure.

Summary of Amendments:

The Summary of Amendments section is a summary of each time the provisions have been amended by the Legislature. To determine the legislative history, you may access the online version of the Nevada Revised Statutes and click on the relevant link following the statutory provision. If no link is available, please contact the Nevada Research Library for information on how to conduct legislative history research.

Summary of Findings

In aggregate, there are 243 tax expenditures over 16 tax types. The combined expenditure amount for the 2013-14 biennium is **\$3,772,233,059.62**. The combined amount is comprised of **\$2,262,543,462.91** for FY 2013 and **\$1,509,689,596.71¹** for FY 2014. The charts below and the attached pie charts summarize the number and amount per expenditure category and tax type.

¹ **The expenditure amounts and beneficiaries for 2014 do not include amounts for estimates that were done for 2013 because the data similar to the data used in 2013 was not yet**

Nevada Tax Expenditure by Category

Fiscal year 2013

Expenditure Category	Number in Category Who Benefit from Expenditure	Expenditure Amount for 2013
Abatement	985,189	\$154,733,123.96
Subtraction	71,579	\$17,900,761.78
Credit	421	\$37,624,792.61
Deduction	120,467	\$431,530,170.69
Exclusion	31	\$307,107.95
Exemption	3,149,567	\$1,614,682,953.64
Preferential Tax Rate	59	\$5,764,552.28
	Total Expenditure amount for 2013	\$2,262,543,462.91

Fiscal year 2014

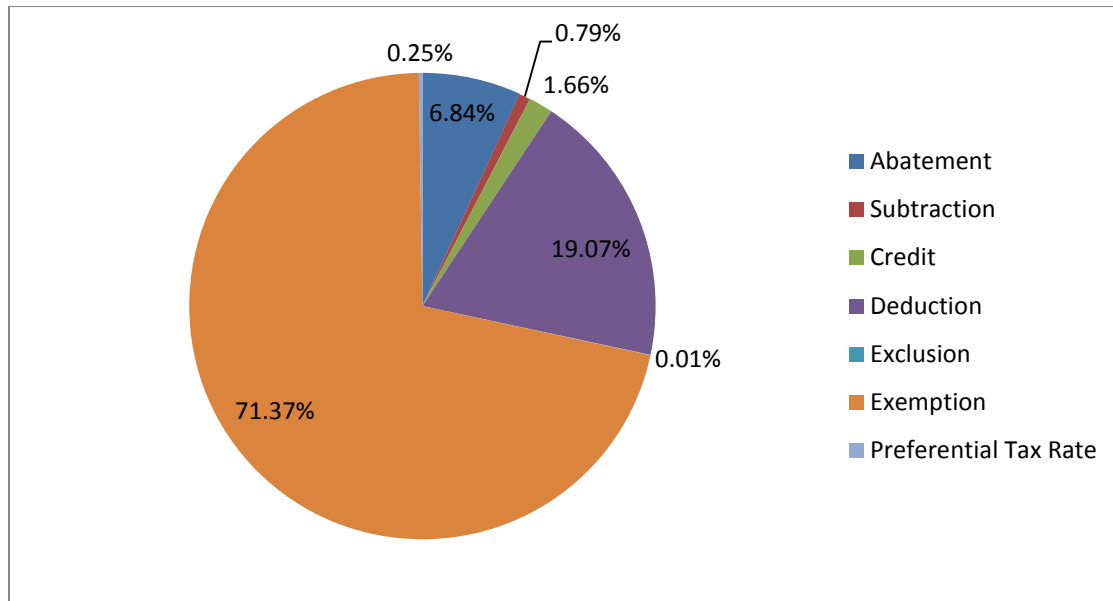
Expenditure Category	Number in Category Who Benefit from Expenditure	Expenditure Amount
Abatement	951,693	\$197,661,644.87
Subtraction	71,681	\$18,383,243.20
Credit	237	\$36,522,038.33
Deduction	120,296	\$466,545,009.24
Exclusion	30	\$469,626.95
Exemption	384,815	\$783,942,357.71
Preferential Tax Rate	67	\$6,165,676.41
	Total Expenditure amount for 2014	\$1,509,689,596.71

Total for 2013 - 2014
Biennium

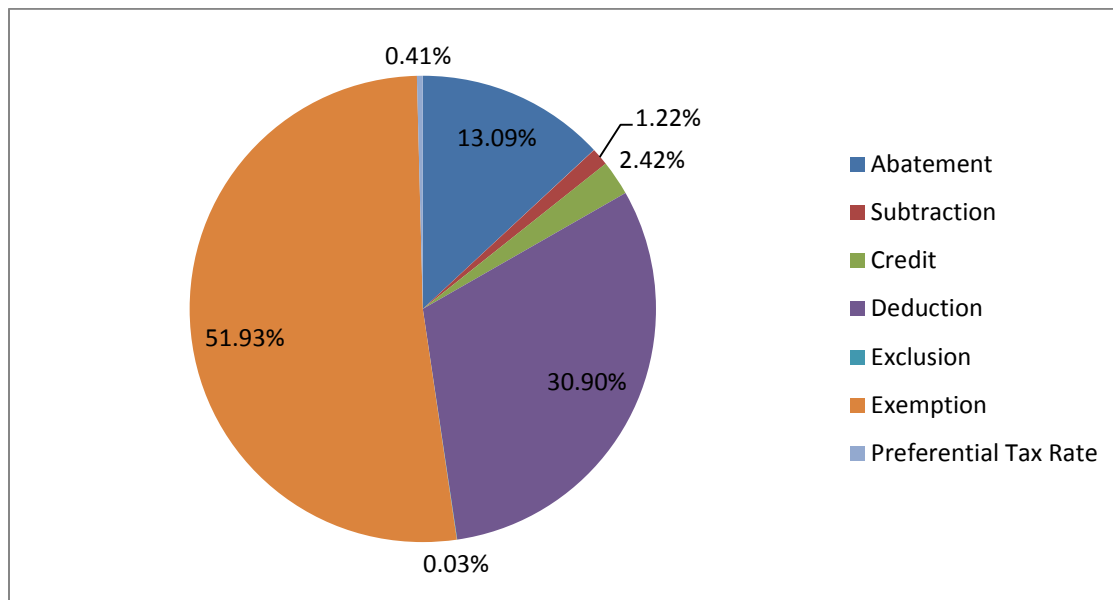
\$3,772,233,059.62

available at the time this report was prepared. The lack of estimates for 2014 accounts for the lower amounts of expenditures and the lower beneficiary numbers for that year.

Expenditure Percentage by Category 2013



Expenditure Percentage by Category 2014



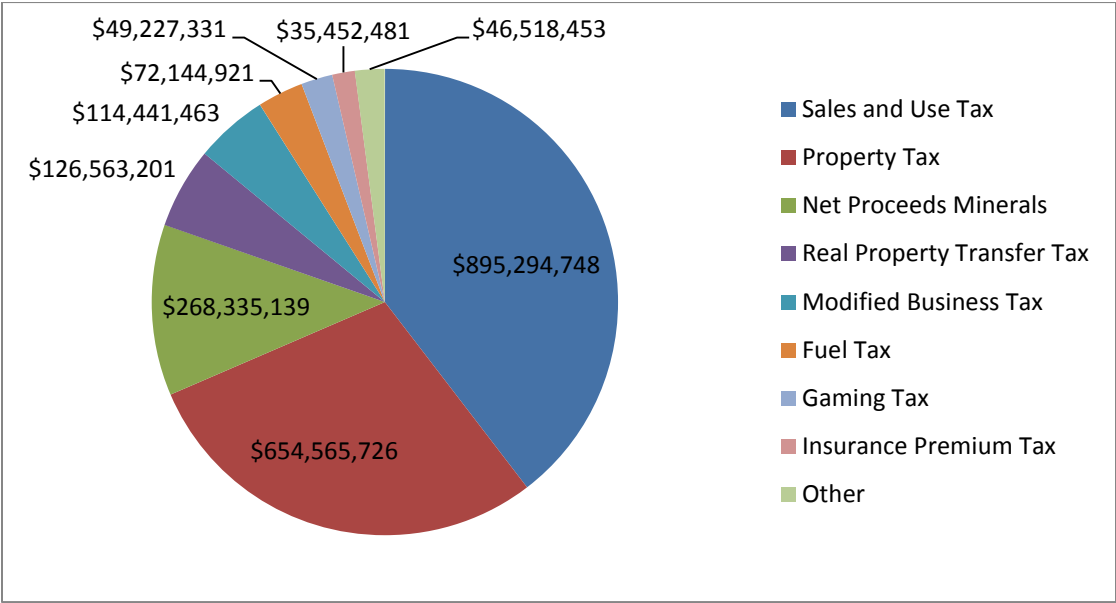
Nevada Tax Expenditure by Tax Type 2013

Expenditure Tax Type	Expenditure Amount for 2013
Sales and Use Tax	\$895,294,748
Property Tax	\$654,565,726
Net Proceeds Minerals	\$268,335,139
Real Property Transfer Tax	\$126,563,201
Modified Business Tax	\$114,441,463
Fuel Tax	\$72,144,921
Gaming Tax	\$49,227,331
Insurance Premium Tax	\$35,452,481
Other	\$46,518,453
Total Expenditure amount for 2013	\$2,262,543,463

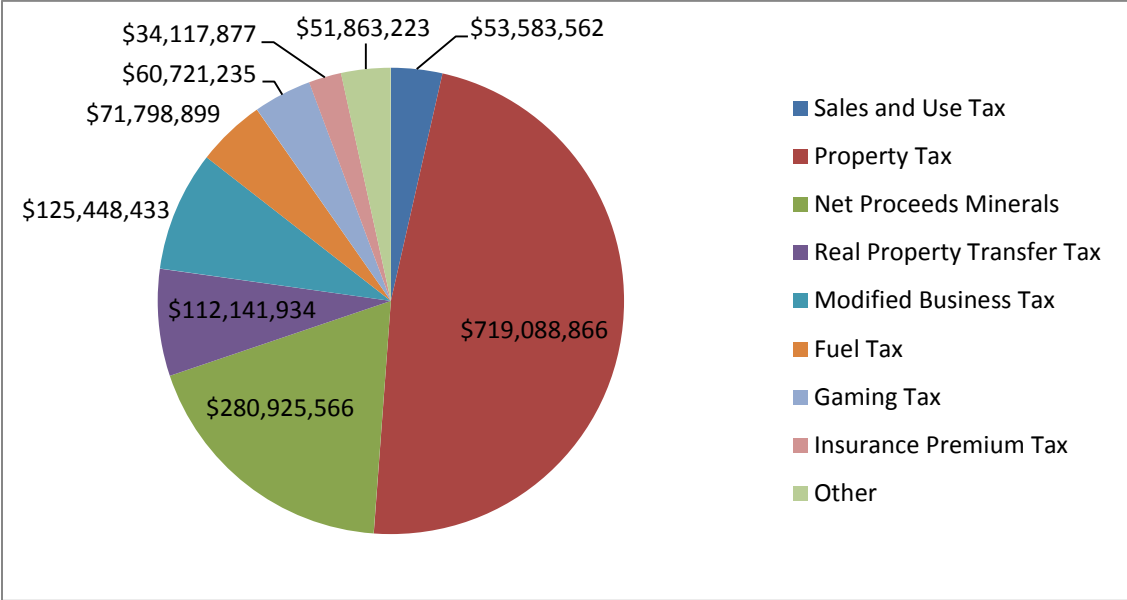
Nevada Tax Expenditure by Tax Type 2014

Expenditure Tax Type	Expenditure Amount for 2014
Sales and Use Tax	\$53,583,562
Property Tax	\$719,088,866
Net Proceeds Minerals	\$280,925,566
Real Property Transfer Tax	\$112,141,934
Modified Business Tax	\$125,448,433
Fuel Tax	\$71,798,899
Gaming Tax	\$60,721,235
Insurance Premium Tax	\$34,117,877
Other	\$51,863,223
Total Expenditure amount for 2014.	\$1,509,689,597
Total for 2013 - 2014 Biennium	\$3,772,233,060

Expenditure Percentage by Tax Type 2013



Expenditure Percentage by Tax Type 2014



Acknowledgments

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