

NEVADA DEPARTMENT OF TAXATION BIENNIAL REPORT

January 2009

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Nevada Tax Commission

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Pursuant to NRS 360.105, the Department of Taxation submits the following Biennial Report.

Part One of the report addresses problem areas of compliance and collection along with proposed methods for improvement.

Part Two addresses complaints received from taxpayers, including a description of the type and number of complaints received and what is being done to decrease them.

PART ONE – Problem Areas of Compliance and Collection and Methods for Improvement:

COMPLIANCE DIVISION

Problem 1: Discovering Unregistered Accounts – Sales, Use, Business and Excise Tax:

Many new businesses, as well as existing businesses in Nevada are unaware of Nevada's tax laws, including registering for the proper State permits and licenses; and the reporting, collection and/or payment of the various taxes administered by the Department. There are also businesses from other states, such as construction contractors, tobacco wholesalers, wineries, sales representatives, etc. that do business in Nevada but do not contact the Department for information regarding Nevada tax laws.

Improvement Methods:

1. The Unified Tax System (UTS) includes a Data Warehouse/Non Registrant Discovery Module which allows the Department to compare IRS and Employment Security (ESD) information against the Taxation database to discover unregistered businesses. A recent comparison was completed and a potential number of unregistered businesses were discovered. Letters were sent in an effort to determine whether or not they are in compliance and the results are still being tallied.
Another component of the program will be matching ESD's reporting of wages and checks against the Department's database to determine if a business has a Modified Business Tax Account. If they don't, letters will be sent to the businesses for verification. This is an ongoing process.
2. The Department is looking into the possibility of comparing the Secretary of State's registration database with Taxation's. This effort will allow for the discovery of taxpayers who incorporated in this State and may not have properly registered with Taxation. If a business uses a Nevada address they are still required to be registered with the Department.
3. An initiative has been proposed by one of the Department's contractors, Revenue Solutions Inc. (RSI) which will aid additionally in the discovery of businesses and individuals who are evading taxation. RSI is the contractor that developed and implemented our Auditor programs, Data Warehouse and DiscoverTax programs. They are proposing a number of new capabilities using existing software tools to expand the Department's capabilities. Some of the improvements from this project will include improved audit selection tools, provide a debt collection/prioritization using a statistical analysis tool that will expand our collection capabilities, obtain new sales/purchase data from existing commercial sources to include grey

market cigarette and alcohol purchases, US Customs for direct shipments in to Nevada, aircraft purchases, and develop various interfaces with local licensing jurisdictions. The contractor is also proposing a non-traditional funding source for this proposal by which they will be paid a percentage from the additional revenues that are generated directly from the successes of the new programs. Their methods and supporting software will be a direct fit into the system architecture already in place and comes with no additional staffing or upfront costs to the State. A hard look by the next Legislature is needed to get this program up and running in order to collect additional revenues for the State.

4. The Department's online registration system "Nevada Tax" enables taxpayers to register and/or renew their Sales and Use Tax and Business License Permits. They can also manage and update these accounts online. They can file and pay (with E Check) their Sales and Use Tax, Consumer Use Tax, Modified Business Tax and Business License returns.
5. Kiosks with computers and printers including the web-based "Nevada Tax" functionality have been placed in the Clark County and City of Las Vegas lobbies to allow new business owners immediate access to register new businesses with the Department - a "one-stop shopping" ability. Kiosks were also placed in the Las Vegas, Henderson and Reno Tax offices to help alleviate crowding and in-office waiting time. The Reno District Office is working with the cities of Reno and Sparks to place computers and printers in their lobbies to accommodate new business owners.
6. The Department has updated Nevada tax and licensing information on the Department's website for anyone to access. This year power point presentations have been added to the webpage describing requirements for registering and reporting their tax liability.
7. The Department has been holding monthly seminars for the public in the Las Vegas and Henderson District offices; bi-monthly in the Reno District Office and soon will be holding semi-annual seminars in the Carson City District Office. For 2009 the seminars in Las Vegas and Henderson will be held twice a month instead of monthly due to the popularity and high attendance at the workshops. The seminars help new and current businesses obtain correct information for their Sales/Use and Business Tax licensing. They also provide "How To" information for reporting and record keeping requirements. In addition to basic information, there are also "industry specific" workshops. The industry type varies on a monthly basis. These seminars are publicized in the Department's quarterly publication "Tax Notes"; on the Department's webpage; displayed on posters in the Department's lobby as well as Clark County and the City of Las Vegas lobbies; and in the "Nevada Taxpayers Association" monthly newsletter. The seminar facilities can accommodate 40 participants thus reservations are requested. Seminars are always filled to capacity. An evaluation is requested from the participants at the end of each session and feedback has been very positive.
8. As in prior years, the Department upon request, will hold special workshops for interested businesses, and will also participate in seminars organized by Lorman Education Services, and various workshops held throughout the year by the Department of Business and Industry, Small Business Administration, the Internal Revenue Service and various city and county governments.
9. In 2008 a comparison of ESD Wage information was made against the Department's Modified Business Tax wage information for 10 quarters, from the 3rd quarter 2005 through the 2nd quarter 2007 and many non-reporting or underreporting registered businesses were discovered. These businesses were then sent billing notices for the amount due.
10. A four month Amnesty Program, instituted by the Governor, became effective July 1, 2008 and went through October 28, 2008. The program gave delinquent taxpayers the opportunity to pay taxes they owed the State and encouraged unregistered businesses to register in exchange for waiving their penalty and interest. The Amnesty applied to Sales and Use Tax, Modified Business Tax and Business License Fees. Approximately 289 taxpayers took advantage of the program and paid more than \$40.6 million of an estimated delinquent amount due the State of \$76 million. The total penalty and interest waived was \$14.9 million. This was the first time the Department included outstanding debt in an amnesty program. During the Special Session in June, lawmakers allocated \$4 million from the Amnesty Program to help balance the budget. The additional revenue was also a welcome increase to the State's shrinking General Fund Account and has helped minimize the effect the economic downturn has had on State services.
11. The Department of Taxation is charged with the administration of Nevada Revised Chapters 369 and 370. These chapters contain provisions which control the sale of alcohol, cigarettes and other tobacco products. The Department currently employs one Investigator for alcohol, tobacco, and other tobacco compliance issues. This position encompasses the investigation of privileged licensing violations for entities conducting

business in Nevada regardless of nexus. Inspections are also conducted for Nevada businesses which offer alcohol and tobacco commodities for sale. These inspections are conducted to help secure Nevada alcohol, cigarette and other tobacco product excise taxes, and the Master Settlement Agreement funds. NRS provisions permit the Department to seize contraband product, assess tax deficiencies, and conduct Excise Tax audits.

In 2007, 474 inspections were conducted of which 87 or eighteen percent of the inspections resulted in the seizure of contraband product from Nevada business entities.

State legislation was also passed in 2007 empowering the Department to administer Alcohol Awareness Training provisions. Persons employed to sell or serve alcohol, or perform the duties of a security guard at a business residing in a County whose population is 400,000 or more are required to possess an alcohol awareness training card issued by an approved educational provider.

Problem 2: Potential Use Tax Liability:

Oregon, Montana and Alaska plated vehicles in Nevada, Off Highway Vehicles, Vessels and Aircraft may have a Use Tax liability. Nevada residents are purchasing and/or registering vehicles in states that do not collect sales/use tax, or have lower sales tax rates and registration fees, and are then using the vehicles in Nevada. Movement of aircraft in the State needs to be more closely monitored to ensure that proper sales and use taxes are being paid.

Improvement Methods:

1. The Department periodically includes articles in Nevada Tax Notes and provides information on our website advising taxpayers of their responsibility to pay use tax on vehicles and explain the Vehicle Evasion Program.
2. The Department continues to train employees on field awareness of vehicles on the road that have out of state license plates. A lead sheet is kept by staff to record information on vehicles observed having out of state plates and any other information that may indicate owners are Nevada residents.
3. The Department has developed information sharing with other states including California, Utah, Idaho, Illinois, Kentucky, Indiana and Oregon and regularly receives information from many states advising us of Nevada taxpayers purchasing automobiles, motor homes, off-highway vehicles, watercraft, and aircraft in those states, and claiming tax exemptions there because they intend to use the item in Nevada. All leads are investigated and have produced remarkable results. This system not only allows the Department to collect the use tax for those purchases but also puts the taxpayer on notice for future purchases.
4. The Department has updated its subscription to the FAA database to obtain current information on aircraft movement in the State. These leads are also investigated and have produced good results.

Problem 3: Ability to collect outstanding liabilities with current staffing levels; address how administrative work affects collection and discovery duties:

Improvement Methods:

1. With the number of new accounts dramatically increasing since the new tax types were enacted in 2003 and with staff decreasing, a component of the UTS system was implemented to work low dollar accounts under \$500. Several billing and collection notices are sent before the revenue officer is assigned; also, if the tax liability increases the case is automatically assigned to a revenue officer. The system monitors the activity on all accounts which allows the revenue officer to work the higher dollar accounts first.
2. The system can also prioritize the liabilities for the revenue officers either by the amount of the liability or by date. This is important since the sooner a revenue officer contacts the taxpayer about a liability the higher the chance the debt will be paid and paid promptly. The UTS system also gives the revenue officers more

efficient tools in monitoring their accounts, record keeping and scheduling an account for more periodic reviews.

3. The UTS system has automated and accelerated the process of creating and renewing liens, creating correspondence, creating levies and thus making revenue officers more efficient. The amounts collected by the Revenue section continue to increase despite decreases in staff.
4. In prior years, the amount of delinquent accounts was continually increasing because the delinquency process was cumbersome and not automated. The work to assess determinations on delinquent periods was very time consuming for revenue officers and required them to either work the accounts receivable cases or assess determinations on delinquent periods. The UTS system can do the deficiencies automatically using the "Best Information Available" (BIA) based on the taxpayer's prior reporting history. The revenue officers will no longer be involved in this process except to collect the assessment when it becomes due. It has been a difficult process to develop the system correctly, and it is now scheduled to begin in 2009.
5. Along with preparing the delinquent assessments, the system will also monitor the activity on an account for the revenue officer. When the business has not been filing returns for at least a year or the Department no longer has a valid address for the business; the system will automatically close the account and remove any delinquent assessments that are not valid so the revenue officer does not have to review the account.
6. A study of current collection practices and procedures was performed in 2006 using 12 months of data. Specific collection actions completed by the revenue officer were compared with the measure of success the revenue officer had in collecting the liability. Based on the relative success of certain collection practices and techniques, new collection guidelines were established for revenue officers that eliminate excessive time spans and unproductive delays and allows revenue officers to be more effective and efficient. Their Work Performance Standards were also updated to emphasize the most productive collection activities and standards were made more quantifiable. However, as is mandated by statute, the revenue officers are not evaluated on the amount of money they collect but rather by the collection activities they perform.
7. The Department is in need of a separate taxpayer service call center to answer taxpayer calls and correspondence and free the Revenue Officers from this duty to concentrate on collection activity only. To this end the Department has requested that 10 Auditor positions be reclassified to 10 Tax Examiners which are a lower grade than revenue officers, for the purpose of taxpayer education and account maintenance which is strictly an administrative function. Taxpayer education leads to higher compliance levels without the need of enforcement action.

Problem 4: Audit performance:

Improvement Methods:

1. Risk factors were developed in the prior biennium using historical information identifying types of errors being discovered most frequently in the audit process. The risk factors are now being used as part of the Audit Selection process in accordance with NRS 360.095(5). They have been instrumental in the Audit Department finding tax deficiencies higher than ever before. For Fiscal Year 2007-08 audit staff conducted 1,346 Sales and Use Tax Audits and total net collections from audit billings were \$13,422,434. The number of audits was down from the prior year due to 17 audit staff vacancies that could not be filled because of the hiring freeze. Even with the vacancies total net audit billing collections were comparable with the prior fiscal year.
2. The UTS system has a database warehouse component that stores Department information as well as IRS and ESD information. When an auditor is assigned an account to audit the auditor will also be given the information from the Federal tax return for sales tax comparison purposes and wage information from ESD for Modified Business tax purposes.
3. New audit completion goals on a per auditor basis were established and guidelines were provided to all auditors. These goals were also included in the auditor's work performance standards making the standards more quantifiable. Continuing education is provided to auditors on a quarterly basis to help sharpen their auditing skills.
4. The Las Vegas/Henderson offices developed a customer satisfaction survey form that is included with all audit Deficiency Notices. The survey requests feed back from the taxpayer's experience during the audit, as

well as aspects of tax law education. This feedback will be used to develop training in weak areas and improve methods to provide better customer service to our taxpayers. The customer satisfaction survey form is now used by all district offices and at the front counter in the Las Vegas office which has the most counter traffic.

DIVISION OF ASSESSMENT STANDARDS (DOAS)

Problem 5: Failure or inability of small feeder or charter airline taxpayers to provide statistics to enable the Department to appropriately allocate value to the State and apportion value to local jurisdictions.

The 1999 legislature added the valuation of unscheduled charter airlines to the list of industries to be valued by the Department as centrally-assessed properties. NRS 361.320, NAC 361.464 and NAC 361.469 require the allocation of system values based on readily available allocation statistics such as air and ground time; originating and terminating tonnage; and revenue miles flown. Approximately half of all small feeder or charter airline taxpayers have advised that they do not keep a record of these types of statistics. Because of these issues the Department has attempted to allocate value based on almost any statistical record a taxpayer may have.

Improvement Methods:

1. Educate taxpayers about the types of statistics necessary to appropriately allocate value.
2. Continue to seek a reasonable basis for allocation that is consistent with State law.
3. Pursue regulations to address the issue.

Problem 6: Lack of authority by county assessors to allocate and apportion value of business aircraft not otherwise eligible for central assessment:

Business aircraft owners who are not in the principal business of flying passengers and cargo for a fee are not eligible for central assessment; although, the aircraft are often present in the State for less than 100% of the time. The county assessors assert they have no authority to determine an allocated value or any apportionment among Nevada jurisdictions. In some cases, the county assessor will allocate on a basis different from the basis used for central-assessment.

Improvement Methods:

1. Pursue regulations to address this issue or request an Attorney General opinion.
2. Provide statutory authority for assessors to allocate and apportion value based on the actual presence of the aircraft in Nevada.

Problem 7: Discovering property of an inter-state or inter-county nature eligible for assessment by the Department:

Not all taxpayers are aware their property meets the criteria for assessment by the Department and therefore fail to report. Under a regulated environment, the Department discovers property eligible for central assessment by obtaining lists of regulated companies from the Public Utilities Commission, airport authorities, and other public agencies. However, discovery becomes more problematic as industries are deregulated and not required to report to any public agency. This problem is especially acute with charter and feeder airlines which occasionally serve Nevada, as well as unregulated telecommunications and to some extent merchant electrical plants.

Improvement Methods:

1. Expand sources of information regarding companies eligible for central assessment, including county assessors.
2. Reporting information has been placed on the Department's website, and the Department now e-mails annual report forms at the taxpayer's request. This should help facilitate taxpayer reporting.
3. Routinely monitor utility filings with county assessors to see if the property should be more appropriately valued by the Department.

Problem 8: Incorrect reporting of wire-miles, or industry variations thereof, by taxpayers affects the proper apportionment of centrally-assessed unit valuations:

NRS 361.320(2) requires the Nevada Tax Commission to determine the total aggregate mileage operated within the State and apportion the mileage upon a mile-unit valuation basis. Occasionally taxpayers incorrectly report mileage. This affects the apportionment of assessed value to the proper county.

Improvement Methods:

1. If additional resources become available, audit mileage reports.
2. Request counties to update tax district maps, and make them readily available to centrally-assessed taxpayers and the Department.
3. Advise taxpayers of how to obtain information needed to fill out mileage reports; provide information on the Department's website.

Problem 9: Reference to wire-miles alone is inappropriate for allocation formulas for some types of industries. For instance, inch-miles are currently used for gas distribution. In addition, certain competitive access telecommunication providers own no lines upon which to base an allocation; instead these types of providers use the services of larger carriers, including connection through wireless or cable companies that are locally assessed.

Improvement Methods:

1. Recommend regulations to the Tax Commission that will provide allocation units based on industry type.

Problem 10: Ability to audit county assessors and valuation practices, county recorders for the accurate collection of the real property transfer tax, as well as the ability to obtain information for revenue forecasting purposes, is limited due to lack of computer connectivity with county computer systems, in which reside actual formula calculations and/or data.

With the advent of the property tax abatement statutes and regulations which provide for numerous exceptions and standards of measurement, the property tax calculation process is extremely complex. The Department has no link to the county computer systems in order to randomly test calculations. In addition, without connectivity, the Department must rely on the good will of assessors, treasurers, and recorders to provide the necessary data and reports in formats which can be used for auditing and forecasting purposes.

Improvement Methods:

1. Seek ways and means to improve connectivity. If the Assessor's Tech Fund is continued, assessors have indicated an interest in helping the department obtain the hardware and connections necessary.

Part Two - Taxpayer Complaints:

The following schedule lists the number of complaints received by the Department for the period July 1, 2006 to June 30, 2008. During these two fiscal years the Department's total active registered accounts totaled in excess of 486,000 and 527,000 respectively. The Department is committed to ensuring that a timely response is provided to each taxpayer who registers a complaint, in accordance with the Taxpayer's Bill of Rights.

No.	Complaint Received	FY 07	FY 08
1.	Refund of security deposit not processed timely	10,780	8,527
2.	Refund of taxes not processed timely	4,407	4,433
3.	Single-page tax return is a problem – Discontinued 7/1/07	898	—
4.	Nevada Tax/Online Tax not working or has problems – Effective 7/1/07	—	6,789
5.	Zero return not processed timely – Discontinued 7/1/07	1,080	—
6.	Account not cancelled timely – Effective 7/1/07	—	2,932
7.	Amended returns not processed timely	9,036	4,506
8.	Journal Voucher not processed timely	8,209	4,703
9.	Delay in getting tax or permit number	3,660	2,434
10.	Did not receive monthly or quarterly tax return	15,271	9,518
11.	Business License Fee/ Modified Business Tax/ Use Tax is unfair or confusing	8,787	5,090
12.	Billing notices are not clear or incorrect	14,622	9,814
13.	Difficult to get through on the phone	33,089	23,887
14.	Miscellaneous	9,934	4,347
	TOTALS	119,773	86,980

1. Refund of security deposit not processed timely:

The Accounting Section has divided staff into teams, one of which is for Cancellations and Refunds, which has helped speed up the refund and cancellation processes and has decreased the backlog significantly. In many instances, the revenue officer or taxpayer must be contacted for additional information adding to the delay. Staff has also found that contacting the taxpayer has many times proven to be difficult. These and other factors continue to impact the length of time involved in completing the process since a security deposit can only be refunded when the account is deemed "clear;" free of delinquent reporting periods and/or outstanding liabilities.

The Department is planning to open the regulatory process to update the minimum amount that is required for a security deposit. Currently all retail accounts, no matter how small, are required to post security, sometimes for only \$100.00. The Department will be recommending that only businesses large enough to require a security posting of at least \$1,000.00 based on the amount of sales volume, be required to post the security.

2. Refund of taxes not processed timely:

Refunds must be researched and completed prior to the refund being processed. The taxpayer often assumes that taxes will be returned automatically, but refunds must be requested in writing. In many instances the taxpayer needs to complete additional paperwork on their account or may owe money on a different tax, which must be resolved before the refund is released. When back-up documents are required to be pulled it also increases the research time. The Unified Tax System has enabled the Department to send refunds to specific addresses designated by the taxpayer, and with the new teams that have been put in place, new

processes implemented, processing rush refunds timely and additional training for staff has greatly helped speed up the refund process.

3. Single page tax return is a problem – discontinued 6/30/07:

Several years ago the Department changed from an NCR duplicate return to a single-page tax return in an effort to reduce costs. Taxpayers in some instances still find this a problem as they do not have a copy for their records.

The number of complaints has dropped significantly in the last couple of years indicating that this is no longer an issue for the taxpayer or the Department and therefore has been discontinued.

4. Nevada Tax/Online Tax not working or has problems – Effective 7/1/07:

With the implementation of our new online registration program, Nevada Tax, we needed to access the efficiency and accuracy of the program. Approximately 93,000 payments totaling over \$1.5 billion dollars have been processed through Nevada Tax since its implementation in July 2005. Less than 100 of these payments encountered problems that required the Department to manually resolve. There are approximately 86,000 accounts currently registered with Nevada Tax. Taxpayers pay their returns by E-Check through a third party administrator, First Data which is used by all State agencies.

Problems or complaints are reported through a help desk ticket to our IT Division where one employee is responsible for resolving the issues. (A back up employee is also utilized when necessary) A common complaint is that the Department supports only one browser, Internet Explorer. Programming changes are required to support additional browsers but the Department does not have the resources or money to address at this time. Another common problem is the resetting of accounts locked through taxpayer error. Our IT staff is also used to assist taxpayers in identifying their own internal system issues.

Department staff have reformatted the main web page of Nevada Tax in an effort to make it more user friendly and less confusing; have updated the FAQ's; have enhanced the self registration process and now allow taxpayers to self register multiple administrators; put messages on our main website page when Nevada Tax is experiencing problems or is down (since 2006 only 6 unscheduled outages have occurred); scheduled maintenance of the system in off hours; in the process of enhancing messages in the taxpayer secure messaging center; and now allow for payment of several of the Excise Taxes including Insurance Premium Tax, Industrial Insurance Premium Tax, Tire Tax, Liquor Tax, Cigarette Tax, Other Tobacco Products, Live Entertainment Tax, Bank Excise Tax, etc.

As questions have been answered, and problems have been identified and resolved the program has become a stable, reliable and convenient service provided to Nevada taxpayers.

5. Zero returns not processed timely – discontinued 6/30/07:

The Unified Tax System has provided a simpler and more efficient process for posting zero returns received from lockbox. After a quick review they are automatically posted to the accounts. The Department has shown a decrease in these types of errors indicating this is no longer an issue for the taxpayer or the Department and therefore has been discontinued.

6. Account not cancelled timely – Effective 7/1/07:

This complaint was moved from the miscellaneous column to a standard complaint but is still not showing the high numbers of some of the other complaints as the teams implemented in Accounting have brought close out requests current. They have implemented specific processes, one of which is one team only processes cancellations and refunds. Also revenue officers and tax examiners can now close out accounts which have significantly helped in keeping closed accounts current. Staff has been diligently working to get the accounts cancelled timely and their progress is shown in the number of complaints received.

7. Amended returns not processed timely:

This specialized task is handled by Carson City staff for the entire Department. One employee is responsible for this task as part of the account adjustment process. Amended returns are approved by the Tax Administrator I prior to being processed. On average, the Department receives between 250 - 500 amended returns each month. Each return requires detailed research and may be returned to a District Office for additional information. The Department will also return incorrect documents with a letter of explanation

directly to the taxpayer in an effort to expedite the process. Even though this is a time consuming process, staff has been able to make progress in this area, reducing the number of complaints regarding timely processing.

8. Journal Voucher (JV) not processed timely:

This is another specialized task which is handled by Carson City staff for the entire Department. Three employees' staff the account adjustment processing section which include processing Journal Vouchers (JVs'). Adjustments are pre-approved by the supervisor and then processed. On average, the Department receives from 900 to 1,200 JV's each month. Each JV requires research and may be returned to a District Office for additional information. The UTS system has made additional work for staff and since staff is stretched thin they are doing their best in processing the JV's timely.

9. Delay in getting a tax or permit number:

Since the implementation of new taxes in 2003 and with new businesses coming into the State, registrations and mailings to taxpayers and unregistered entities have increased the Department workload by approximately 180%, for an approximate total of over 527,000 accounts. With additional staff in place, delays have been significantly reduced as evidenced by the decrease in complaints.

The Unified Tax System tracks all return mail and when received puts a hold on permits, notices, etc. until we receive a valid mailing address, which could cause a delay in getting a tax permit or account number. Additionally, the taxpayer seems to have a hard time understanding that in order to receive the tax or permit number they must fully complete proper paperwork and pay all required fees and security deposits. Information is available on our website regarding requirements for receiving tax or permit numbers.

10. Did not receive monthly or quarterly tax return:

Returns are generated by the system, printed at State Printing and delivered to the State Mail Room for mailing. Some system glitches may occur but are corrected when identified. The majority of complaints are due to incorrect mailing addresses. UTS has the capability of an automatic address hierarchy which allows additional addresses on the account to be used for mailing, if the designated address is no longer valid. For example the taxpayer may have a mailing address, business location address, accountant address, etc. UTS also has the ability to stop the mailings to incorrect addresses until the address is verified and updated.

Returned mail still has to be researched and addresses corrected by Carson City staff, usually before the next mailing.

11. Business License Fee/ Modified Business Tax/ Use Tax is unfair or confusing:

The 2003 Legislature designated the Department to implement and collect several new taxes including the Modified Business Tax and the Business License Fee. Often taxpayers do not understand the law or its application, and in many cases they believe the tax laws to be unfair to businesses. Department staff who receive complaints explain the laws, their application, and the Department's responsibility to administer taxes and assist in educating taxpayers.

12. Billing notices are not clear or incorrect:

With the implementation of the Unified Tax System, the look of billing notices changed and a new system of account numbers instituted. Billing notices now provide much more reporting information including comparative reporting on the back of the notice, showing figures as reported by the taxpayer compared to figures calculated by the Department. The Department has advised taxpayers through Tax Notes on how to read the new billings, locate the information they need, and understand their new account numbers but it has caused an increase in the number of phone calls to the Department. The system is also able to send billing notices for different tax types to separate addresses if requested by the taxpayer. Business License renewals are automated but the other taxes are still based on the information provided by the taxpayer on their return. Taxpayer's are now able to pay their taxes online through "Nevada Tax". We anticipate a significant decrease in complaints as taxpayers become more familiar with the Unified Tax System billings and Nevada Tax.

13. Difficult to get through on the phone:

The Department is still experiencing a substantial number of telephone calls due to various reasons. With the high volume of calls, taxpayers are still having a hard time getting through to the Department. In the last few years calls have more than tripled in all Districts but primarily in the Las Vegas District Office. We have implemented a more up-to-date phone system in the Carson Office in an attempt to accommodate the increased number of calls. Calls from the Las Vegas District overflow and are forwarded to other District offices, who are returning the messages thereby helping field the high volume of calls. Calls are also heavier at the end of each month and quarter in all District offices.

Any new tax, change in tax rate, new tax exemption, a legislative session creating new tax laws, etc. generate an increase in the number of phone calls from taxpayers. The Modified Business Tax (MBT), is a more complex tax and still requires a lot of taxpayer education, generating high volumes of calls to the Department. Since MBT was passed there have been two rate changes, creating questions from taxpayers and increased calls.

The Business License Fee was also passed and touches a broader range of taxpayers that do business in the State. A Business License renewal is required annually which results in additional calls. There have been several modifications to the Business License rules and guidelines, including legislative changes generating more calls to the Department.

The Department's Unified Tax System (UTS) and on-line payment and reporting system, Nevada Tax, has generated numerous calls regarding billing notices, updated account numbers, problems with Nevada Tax, etc. As taxpayers become more comfortable and educated in using the new systems decreases in calls should be expected.

The Department is in need of a separate taxpayer service call center to answer taxpayer calls and correspondence due to the high volume as shown in the complaints. The call center will also free up the revenue officers from this duty to concentrate on their collection activities only. To this end the Department has requested 10 additional Tax Examiners which are a lower grade than Revenue Officers, for the purpose of taxpayer education and account maintenance which is strictly an administrative function. Taxpayer education leads to higher compliance levels with a decreased need of enforcement action.

14. Miscellaneous:

This category includes all other complaints which are reviewed for number and consistency. Examples include: Nevada Tax before it became an identified complaint; P & I waiver not processed timely; object to mailing payment to Phoenix lockbox; website inoperable; online tax problems; Business License penalty incorrect; etc. These complaints are also worked and resolved, and processes put in place to decrease their number.

The Department continues to review and update its processes to help decrease the number of complaints received even with the decreased numbers of staff.

Taxpayer education and information is also an important part of the process which the Department provides through its quarterly publication, "Tax Notes", tax seminars, workshops, etc.