

Reduction of Modified Business Tax (MBT) Rates Based on Provisions in NRS 360.203

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- By September 30th of each even-numbered year, the Department must evaluate whether an adjustment to the Modified Business Tax (MBT) rate is necessary based upon the amounts collected for both the MBT and the commerce tax in the previous fiscal year.
 - To do this, the amounts of MBT, bank branch excise tax, and commerce tax collected for the previous fiscal year (in this case, FY18) are summed and compared to the amounts which were forecasted by the Economic Forum.
 - If the collected amount exceeds the forecasted amount by more than four percent, the MBT rates (for general business, financial institutions and mining) must be decreased proportionally so that the combined collected amount *would have been* only four percent higher than the forecasted amount. The bank branch excise tax and commerce tax rates are not affected.
- In FY18, the MBT rates were 1.475 percent for general business and two percent each for financial institutions and mining.

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	Fiscal Year 2018					Fiscal Year 2020
	Tax Rates	Forecast	Actual	Difference	Difference (%)	Tax Rates
Modified Business Tax	1.475% (general business); 2.000% (financial institutions and mining)	\$525,615,000	\$581,843,729	\$56,228,729	10.7%	1.378% (general business); 1.853% (financial institutions and mining)
Commerce Tax	<i>Varies by industry</i>	\$186,046,000	\$201,927,223	\$15,881,223	8.5%	<i>No change</i>
Bank Branch Excise Tax	\$1,750 per quarter for each branch office	\$2,789,000	\$2,745,343	-\$43,657	-1.6%	<i>No change</i>
<i>Total:</i>		\$714,450,000	\$786,516,295	\$72,066,295	10.1%	

- The four percent over forecast threshold would have allowed for collections of \$743.03M, meaning the new MBT rates had to be calculated such that they *would have* resulted in that amount (keeping commerce tax and bank excise tax collections constant). Thus, the new rates are calculated to hypothetically decrease total FY18 collections by almost \$43.5M.
- The new Modified Business Tax rates for FY20, as calculated pursuant to NRS 360.203, are **1.378%** for general business and **1.853%** for mining and financial institutions.