

Department of Taxation

2017 – 2019 Biennium Budget Overview

Presented to the
Legislative Commission's Budget Subcommittee



Deonne E. Contine, Executive Director



Agency Overview

Department of Taxation

- Administers the collection of almost \$6 billion annually in state and local government revenue from 16+ different taxes.
- Responsible for providing fair, efficient, and effective administration of the tax programs of the State of Nevada.
- The Nevada Tax Commission (NTC) is head of the Department by statute and the Executive Director is responsible for the administration.
- The NTC adjudicates contested cases, adopts regulations, and ensures the fair and equitable treatment of taxpayers across tax types.



Agency Overview

Department of Taxation

Organized in 4 Divisions

- Compliance
- Administrative and Fiscal Services
- Local Government Services
- Information Technology

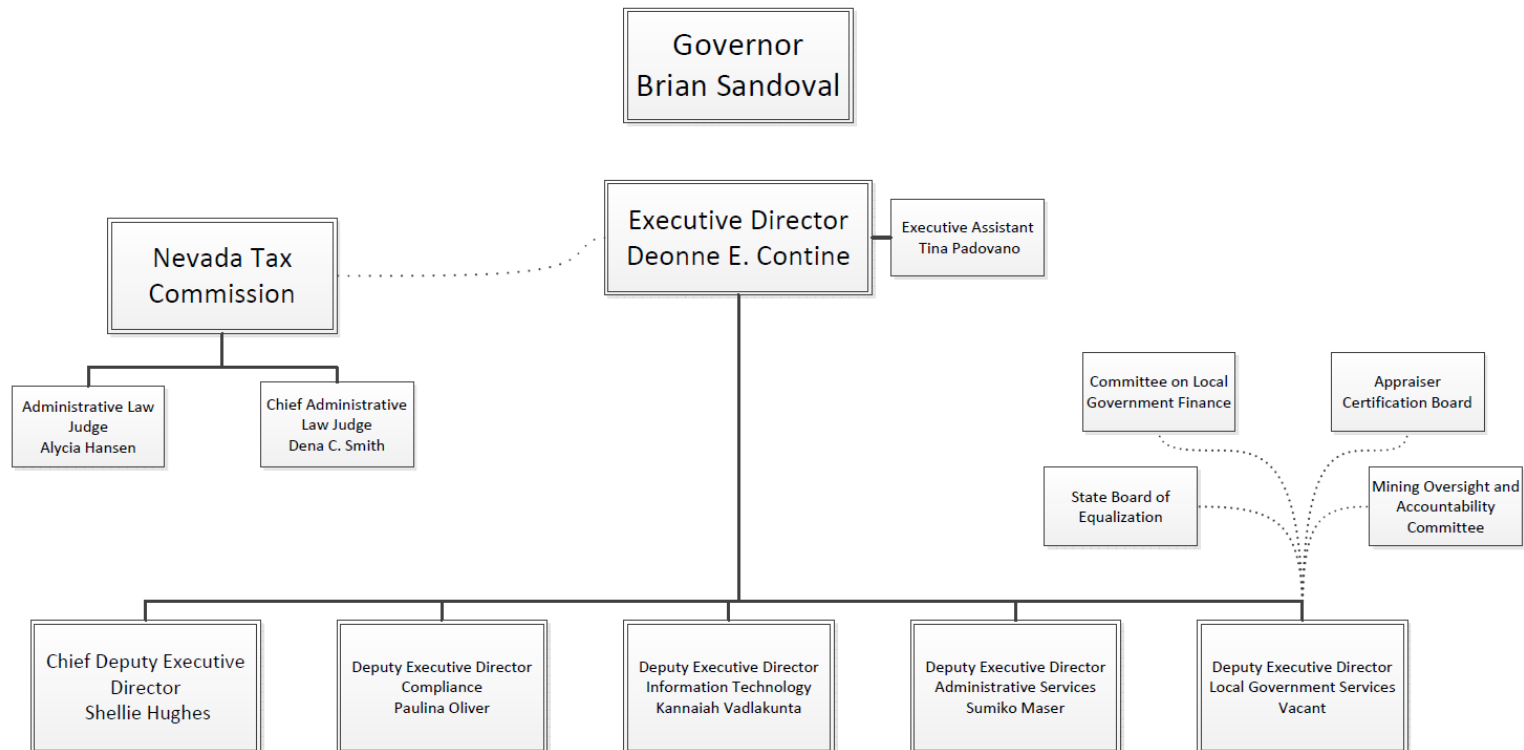
The Department also serves as staff to various boards and commissions

- Nevada Tax Commission
- Committee on Local Government Finance
- Mining Oversight and Accountability Commission
- Appraiser Certification Board
- State Board of Equalization

Agency Overview

Organizational Structure

Department of Taxation





Agency Overview

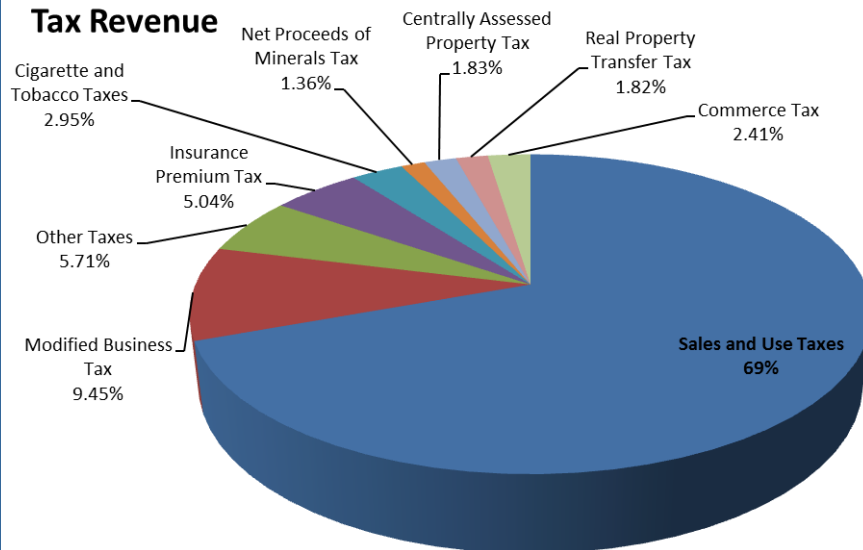
The Department collects and distributes:

- Sales and Use Taxes (NRS Chapters 372, 374, 377, 377A)
- Modified Business Tax (NRS Chapters 363A, 363B)
- Net Proceeds of Minerals Tax (NRS Chapter 362)
- Insurance Premium Tax (NRS Chapter 680B)
- Property Tax on Interstate and Inter-County Companies (NRS 361); (centrally assessed)
- Liquor (NRS Chapter 369)
- Cigarettes and Other Tobacco Products (NRS Chapter 370)
- Live Entertainment Tax (NRS Chapter 368)
- Bank Branch Tax (NRS Chapter 363A)
- Lodging Tax (NRS Chapter 364)
- Medical Marijuana Excise Tax (NRS Chapter 372A)
- Tire Tax (NRS Chapter 444A)
- Short-term lessor Fee (NRS Chapter 482)
- Commerce Tax (NRS Chapter 363C)
- Transportation Connection Tax (NRS Chapter 706)
- Distributes the real property transfer tax received from county recorder collections to the state general fund and local governments.

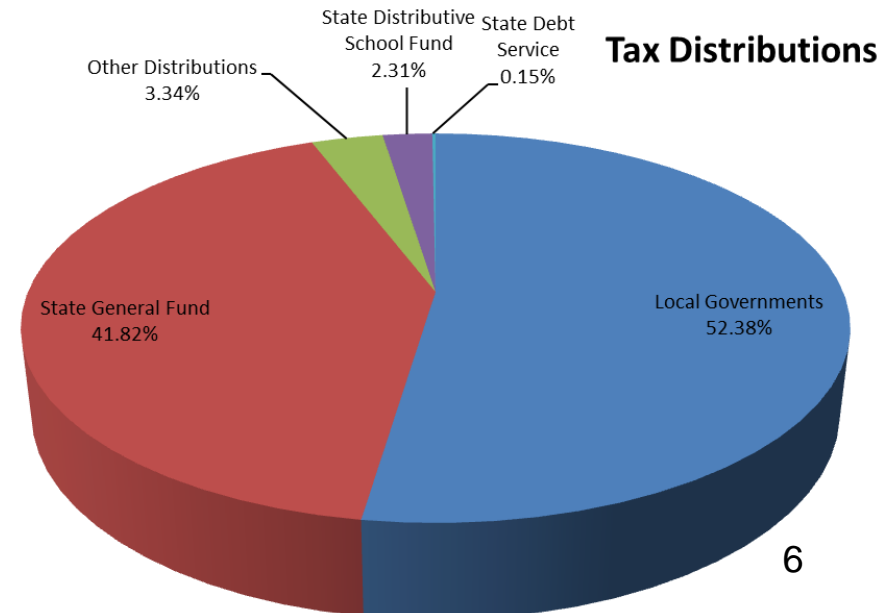


Tax Revenues & Distributions, FY 2016

Revenue Description	Amount	%
Sales and Use Taxes	4,126,973,943	69.42%
Modified Business Tax	561,942,492	9.45%
Other Taxes	339,315,458	5.71%
Insurance Premium Tax	299,605,621	5.04%
Cigarette and Tobacco Taxes	175,088,378	2.95%
Commerce Tax	143,507,593	2.41%
Centrally Assessed Property Tax	108,851,205	1.83%
Real Property Transfer Tax	108,174,815	1.82%
Net Proceeds of Minerals Tax	81,068,760	1.36%
Total	\$ 5,944,528,265	100.00%



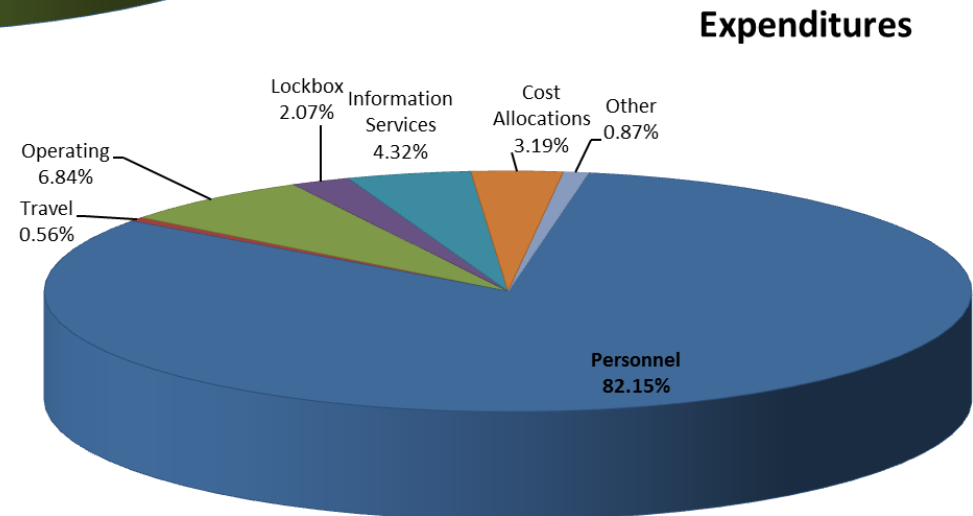
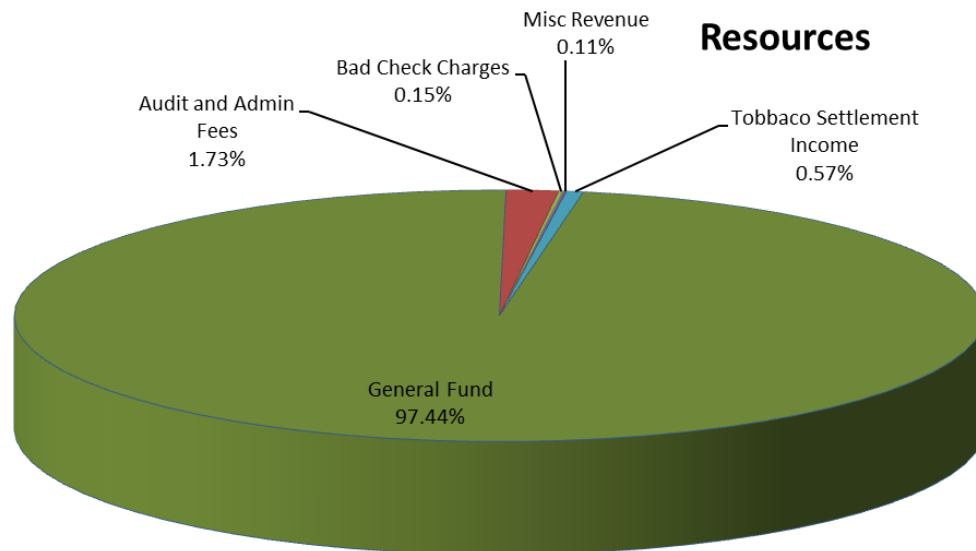
Distribution Description	Amount	%
Local Governments	3,113,780,843	52.38%
State General Fund	2,485,882,179	41.82%
Other Distributions	198,623,912	3.34%
State Distributive School Fund	137,109,458	2.31%
State Debt Service	9,131,873	0.15%
Total	\$ 5,944,528,265	100.00%





Resources & Expenditures, 2017-2019 Biennium

Requested for
2017 – 2019 Biennium:
\$66,035,651





Governor Recommended Changes

Budget Highlights

Funding Percentages (E225): Biennium \$0

- Aligns funding for an IT position that provides support for General Fund and Master Settlement Agreement activities.
- Proposed funding levels are 75% General Fund and 25% MSA funding.

Commissions (E230): Biennium (\$362)

- Eliminates the Mining Oversight and Accountability Commission (BDR 46-312).
- Since 2011, the Mining Oversight Accountability Commission (MOAC) has taken no action other than recommending approval of regulations brought forward by other agencies, to the Legislative Commission.

Reclassification (E806): Biennium \$14,294

- Reclassifies a Tax Examiner II in the Master Settlement Agreement Enforcement Unit to a Management Analyst I.

Governor Recommended Changes

Budget Highlights

Transfers (E520/E920): Biennium (\$117,925)

- Transfers an IT Professional IV position from EITS to Taxation, and aligns funding.
- The position has been assigned 100% to Taxation for several years.

Retail Marijuana, New Budget Account 4207 (E127): Biennium \$13,843,390

- Implementation and administration of Question 2.
 - Adoption of regulations, not later than December 31, 2017.
 - Issuance, renewal, suspension, and revocation of licenses to marijuana retailers, cultivators, product manufacturing facilities, testing facilities, and distributors.
 - Determining qualifications for licensure, security, packaging, labeling, and testing of marijuana.
 - Oversight and enforcement of marijuana businesses and licensees (including record keeping, signage, marketing, display, advertising, and other requirements within the regulations).
 - Collection of taxes, fees, and penalties.
- Includes \$5,000,000 in each year for local government support.
- Addition of 16 positions and related operating costs.



Updates

Revenue Collections

Description	FY14	FY15	FY16
Average collection per Revenue Officer	\$1,191,127	\$1,111,686	\$1,218,246
Average caseload per Revenue Officer	2,151	1,569	1,601
Average attrition rate	27%	28%	33%

Department's efforts to reduce caseload

- 2 new RO positions from 2013
- Online payment plan
- Best Information Available program
- Field Push
- Specialty Team
- Domesticating Judgments

The Department has 55 Revenue Officer II positions, 2 positions are vacant (1/19/2017)



Updates

Local Government Service Net Proceeds of Minerals Audit

	2014 Audit Cycle	2015 Audit Cycle
Net Audit Adjustments to Net Proceeds:	\$3.7 million collected	None yet billed
Status:	<ul style="list-style-type: none"> • 2 Geothermal <i>Not yet billed</i> • 3 Precious Metals <i>Billed/Closed</i> • 7 Industrial Minerals <i>Not yet billed</i> • 6 Limited Scope <i>Not yet billed</i> 	<ul style="list-style-type: none"> • 6 Geothermal <i>Not yet billed</i> • 2 precious Metals <i>Not yet billed</i> • 9 Industrial Minerals <i>Not yet billed</i>

Updates

Tobacco Master Settlement Agreement

MSA Enforcement Unit Functions

- Office - Reconcile monthly Wholesaler Reports from tobacco wholesalers.
- Field - Review and reconcile the Wholesaler Reports against actual business records (invoices, purchases, bank statements, etc.).
- Perform on-site physical inspections of the Wholesalers premises, including inspecting inventory, equipment and on-site indicia (cigarette tax stamps).
- Attend Federation of Tax Administrator Uniformity meetings.
 - All states involved in MSA are working toward unified tracking and reporting as well as keeping an open communication regarding issues.
- Create and maintain a dedicated MSA database, providing the ability to immediately identify discrepancies of wholesaler reports.



Updates

Tobacco Master Settlement Agreement

Significant activities

- Began process to develop a database accessible by the Attorney General's Office.
 - Also upgraded the database to help insure accurate report recording.
- Began a process in which the Audit/Investigator would look at the entire set of records for each applicable wholesaler for all of CY 2015.
- Updated Taxation's cigarette and tobacco regulation, LCB File No. R146-15, to allow for civil penalties. Since February of 2016, 30 civil penalties have been assessed.
- Worked closely with the AG's office and the Alcohol and Tobacco and Trade Bureau to shut down Roll-Your-Own (RYO) retailers.

Updates

National Streamlined Sales Tax Governing Board

- What is Streamlined?
- Membership
- Revenue
 - FY 15, \$13,812,475
 - FY 16, \$15,114,659

Bills have been previously introduced in Congress on the issue of collection of remote sales tax.

- “The Market Place Fairness Act of 2015”
- “The Remote Transactions Parity Act of 2015”
- “The Online Sales Simplification Act of 2016”
- “No Regulation Without Representation Act of 2016”
- Current action in Congress?



Updates

Nevada Commerce Tax

- Adopted regulations and developed return and other forms.
- Collected \$143 million in FY 2016.
- Developed correspondence and corresponded with the more than 3,000 taxpayers who requested an extension of time to file.
- Responded to over 5,000 taxpayer emails.
- The Call Center answered 16,253 calls related to Commerce Tax.
- Hired initial Commerce Tax staff and recruitment of remaining staffing is near completion.



Updates

Transportation Connection Tax

- Adopted regulations.
- Developed the tax return and other forms.
- Worked with the Nevada Transportation Authority and Nevada Taxicab Authority to notify industry.
- Collected \$26,081,346 to date.
- Responding to Industry challenge regarding application of the tax.

Contact Info & Locations

Website: <https://tax.nv.gov>

Taxpayer Call Center: (866) 962-3707

Office Locations:

Main Office

1550 College Parkway
Suite 100
Carson City NV 89706
Phone (775) 684-2000
Fax (775) 684-2020

Henderson District Office

2550 Paseo Verde Parkway
Suite 180
Henderson NV 89074
Phone (702) 486-2300
Fax (702) 486-3377

Reno District Office

Kietzke Plaza
4600 Kietzke Lane
Suite 235
Reno NV 89502
Phone (775) 687-9999
Fax (775) 688-1303

Las Vegas District Office

Grant Sawyer Office Building
555 E. Washington Avenue Building L
Suite 1300
Las Vegas NV 89101
Phone (702) 486-2300
Fax (702) 486-2372



Questions?