

*Legislative Commission's
Study of Tax Exemptions*



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REPORT TO THE LEGISLATIVE COMMISSION ON THE STUDY OF TAX EXEMPTIONS IN NEVADA

I. INTRODUCTION

Based on a recommendation from the Assembly Standing Committee on Elections and Procedures of the 1997 session, the Legislative Commission, at its September 4, 1997, meeting, directed the Legislative Counsel Bureau to conduct a staff study of tax exemptions in Nevada. This report summarizes the findings and conclusions of that study.

II. BACKGROUND

Sales tax revenue has recently surpassed gaming revenue as the largest source of general fund revenue for the State of Nevada. In FY 1997, about three of every eight general fund dollars were generated from the state 2 percent sales and use tax and the small commission on local sales taxes. In addition, the combination of local sales taxes and property taxes comprise roughly 55 percent of revenue for schools, counties and cities in the state. In total, sales and property taxes generate upwards of \$3 billion per year or about \$1,600 for each man, woman and child in Nevada.

Despite the productivity of the two tax sources, each tax base has been limited by an increasing number of exemptions that have been approved by the Legislature or the voters over the years. This outcome can be viewed either positively or negatively depending on one's perspective. As U.S. Senator Russell B. Long, who chaired the Senate Finance Committee, noted upon his retirement, "[A tax loophole is] something that benefits the other guy. If it benefits you, it is tax reform."¹ This quotation strikes at the heart of the tax policy concerns raised by the spread of exemptions. Do existing exemptions and the adoption of new exemptions provide for a better tax policy in Nevada? Or do they simply shift the tax burden around without a clear understanding of who benefits from the exemptions or the public purpose that is being served?

This report considers exemptions within the context of some of the generally accepted principles of good tax policy, provides a history and overview of exemptions in Nevada, compares specific exemptions in Nevada to those in surrounding states, discusses exemption policy targeted at economic development and provides estimates of the revenue value of certain exemptions. The report concludes with a discussion of some policy alternatives related to exemptions that can be considered by future sessions of the Legislature. The report also incorporates a number of appendices to serve as a one-stop source of reference material for the Legislature and staff to use whenever exemption issues are being considered.

¹Russell B. Long, *Time* (November 1986), as quoted in *The New York Public Library Book of 20TH-Century American Quotations* (Time Warner Company, July 1992), p. 153L.

III. EXEMPTIONS AND SOUND TAX POLICY

A bipartisan group of state legislators, legislative staff and other interested parties, through the auspices of the National Conference of State Legislators (NCSL), identified nine principles to evaluate the quality and effectiveness of state revenue systems.² The Florida Senate extracted four principles from the NCSL list to determine whether or not their sales tax exemptions are serving a reasonable and valid purpose.³ The four principles are effectiveness, efficiency, equity and accountability. The Florida Senate also used the following criteria to evaluate the four principles:

Effectiveness:

1. Is the exemption the most fiscally effective means of achieving its purpose?
2. Does the exemption conflict with other state policies or purposes?

Efficiency:

1. Does the tax exemption simplify or complicate the state tax structure?
2. Do the public and private costs of administering the tax exemption justify the benefits of the exemption?
3. Has the exemption been successful in meeting the public purpose for its enactment?

Equity:

1. Are there taxpayers or industries similar to those receiving the exemption which do not enjoy the benefits of the exemption?
2. Does the exemption distribute the tax burden in an equitable manner with regard to ability to pay or other public purpose?
3. Have the benefits of the exemption reached those persons for whom they were originally intended?
4. Does the exemption reward activity that would have occurred without the incentive?

Accountability:

1. Should the exemption be subject to periodic review or repeal?
2. Would the Legislature appropriate money to fund the exemption?⁴

²Foundation for State Legislatures and National Conference of State Legislatures (NCSL), *Principles of a High-Quality Revenue System*, 2nd edition (November 1992), p. 5. The nine principles can be found in appendix A of this report.

³The Florida Senate, *Exemptions from Florida's Sales Tax: An Analysis*, Interim Project Summary 97-P-09 (November 1997), p. 1.

⁴*Ibid.*, p. 2.

While these criteria may provide a useful way to evaluate exemptions, the Florida Senate was able to discover only a couple of instances where a state has evaluated existing exemptions using such principles. One of those instances occurred in Florida in 1986 when that Legislature enacted a short-lived sales tax on services. At the same time, a number of existing exemptions were sunset so that the subsequent legislative session could review them to determine whether or not they should continue. Some of the Florida exemptions that had been sunset were reenacted, but the others were allowed to expire.⁵

Despite the “sunset” review of sales tax exemptions by the Florida Legislature, an article in the *Tampa Bay Business Journal* noted that the sales tax is “a hodgepodge of a system cobbled together over a number of years and exempting taxes in what appears to many to be an arbitrary manner.”⁶ The Florida situation is not unique, however, and a muddled system of tax exemptions is probably characteristic of most, if not all, states.

When comparing exemptions among the states, little consensus emerges regarding whom or what should or should not be exempted from taxes. In addition, states have generally not taken a systematic approach to granting exemptions. Instead, each exemption typically has passed because of a combination of factors that existed at the time it was being considered. These factors can be as diverse as the political leanings of the legislature, the political muscle of the proponents and legislative sponsors of the legislation, the revenue picture of the state, and the political give and take that was necessary at the time the exemption was being considered. Without a favorable confluence of these factors, many exemption proposals, regardless of their relative merits, will not be approved.

Spending priorities from state to state, much like exemption policy, also can develop in a “hodgepodge” manner because state legislatures in conjunction with their governors have developed differing priorities over time, and these priorities get reflected in the funding of agencies and programs. Spending decisions, however, are subject to continuous review through the annual or biennial budgetary process in each state. This same continuous review process is not inherent to tax exemption policy. Mackey and Carter note that tax exemptions “are not subject to the same level of review as other government programs that must compete for funds during the budget process.”⁷ Some states, nevertheless, have begun to consider tax exemptions in a more systematic manner.

To better understand the impact of tax exemptions on their revenue base, many states now require

⁵Ibid.

⁶Nancy Cook Lauer, “Senate eyes tax exemptions,” *Tampa Bay Business Journal*, December 8, 1997.

⁷Scott Mackey and Karen Carter, “A Framework for Evaluating Tax Relief Policies for Senior Citizens,” *State Tax Notes Special Reports*, March 27, 1995.

the preparation of some form of a tax expenditure report for use by the governor and the legislature.⁸ With this approach, an exemption is “essentially tantamount to a spending measure, equal in cost to the . . . revenue that otherwise would have been collected.”⁹ However, a recent study that asked the question, “Are tax expenditure reports used?” concluded that “tax expenditure reporting does not operate to secure budgetary control over tax expenditures, and consequently tax expenditures continue largely to escape budget scrutiny.”¹⁰

One state—Utah—has established a tax review commission whose duties include a periodic review of sales tax exemptions.¹¹ The Utah panel, which includes legislators, gubernatorial appointees and a member of the tax commission, among others, is one approach to doing a periodic review of tax exemptions. However, with only a single review cycle under its belt, it is too early to tell whether the tax review commission will be effective in ensuring that sales tax exemptions in Utah receive the same level of attention as spending decisions during the budgetary review process.¹²

IV. HISTORY OF SALES TAX EXEMPTIONS IN NEVADA

The first general sales and use tax (hereafter referred to as sales tax for purposes of brevity) in Nevada was imposed at a rate of 2 percent by the 1955 legislature to be used for state general fund purposes.¹³ The following year, however, the sales tax legislation was submitted to the voters through the state’s referendum procedure. Although the new sales tax was ratified by the voters at the 1956 general election, this approval by voter referendum continues to complicate the Legislature’s ability to add, amend or repeal sales tax exemptions because any such change must also

⁸In *Financing State Government in the 1990s* (Ronald Snell [ed.], Dec. 1993, page 112), the NCSL has defined tax expenditure as “a provision of the tax law that reduces government revenue through a special exclusion, deduction, deferral, or preferential tax rate.” See appendix B for Minnesota and Nebraska legislation that requires the reporting of tax expenditures.

⁹Richard D. Pomp, “State Tax Expenditure Budgets--And Beyond,” *The Unfinished Agenda for State Tax Reform*, ed. Steven D. Gold (NCSL: November 1988), p. 65.

¹⁰J. E. Harris and S.A. Hicks, “Tax Expenditure Reporting: The Utilization of an Innovation,” *Public Budgeting and Finance*, volume 12, number 3, Fall 1992, p.32. See appendix C for the most recent tax expenditure report from Massachusetts on its sales and use tax.

¹¹See appendix D for the composition of the Utah Tax Review Commission and its duties in regard to sales tax exemptions.

¹²The next review cycle for sales tax exemptions in Utah begins in 2001.

¹³See chapter 397, *Statutes of Nevada 1955*.

be approved by the voters.¹⁴ The state's portion of the sales tax remains at the 2 percent rate to this day.

The Legislature subsequently added new sales taxes for schools and local governments that are not subject to voter approval. Although the Legislature has attempted to maintain consistency between the state sales tax and the various local sales taxes, some differences in exemptions have arisen between the respective taxes.¹⁵

The original 1955 sales tax law included 17 sections that provided various exemptions from the provisions. Of those original sections, only three have been amended: the first eliminated an exemption for magazines; the second eliminated the exemption for most government contractors; the third relocated and revised an exemption for certain nonprofit organizations.¹⁶

Many of the original exemptions were unexceptionable, covering such things as items which the state is prohibited from taxing pursuant to the Constitution or laws of the United States or the state constitution and personal property used for the performance of contracts negotiated before the tax went into effect. The 1960 "Zubrow" report, commenting on the original exemptions noted, "The exemptions allowed under the Nevada law are common to most of the state retail sales tax acts. In total, they represent a very limited encroachment on the tax base."¹⁷ One of the most significant exemptions in the original list is fuel used in motor vehicles. Although not subject to sales and use tax, such fuels are separately taxed at steeper per gallon rates.

Since its passage in 1955, seven additional sections have been added to the *Sales and Use Tax Act*

¹⁴Article 19, §1 of the *Nevada Constitution* provides, in pertinent part, that if a majority of voters approve a referred statute, it "shall not be amended, annulled, repealed, set aside, suspended or in any way made inoperative except by the direct vote of the people."

¹⁵In most cases, the Legislature has tied approval of an exemption to the local sales taxes to voter approval of the same exemption from the state sales tax. However, in a few cases, the Legislature did not provide such a tie, and the voters failed to approve the exemption from the state sales tax. In a few other cases, the Legislature added an exemption only for the local sales taxes and did not try to amend the state sales tax.

¹⁶See appendix E for the sections of the Nevada Revised Statutes (NRS) that include the original sales tax exemptions as they exist today. Please be aware that these and other exemptions found in chapter 372 of the NRS are included for convenience only: official citations of an exemption should be to the appropriate section of the *Sales and Use Tax Act* as contained in chapter 397, *Statutes of Nevada 1955*.

¹⁷R. A. Zubrow, R. L. Decker and E. H. Plank, *Financing State and Local Government in Nevada* (1960), p. 399.

to incorporate various exemptions passed by the Legislature and approved by the voters.¹⁸ These include such things as prescription drugs (1971), food for home consumption (1979), various medical devices and supplies (1987 and 1997), and new and used mobile homes (1988) that do represent a large encroachment on the tax base.¹⁹ In addition, the Legislature, without the necessity of voter approval, has exempted the following items from all local sales taxes: prescription eyeglasses; works of fine art; aircraft, aircraft engines, component parts of aircraft, and machinery and tools used to repair or remodel aircraft that are used commercially; machinery and equipment used by certain new and expanding businesses; and the trade-in value of used vehicles or farm machinery and equipment when applied, respectively, to the purchase price of another vehicle or other farm machinery and equipment.²⁰ The legislation that authorized the exemption for the trade-in value of used vehicles also eliminated the exemption from local sales taxes for the occasional sale of vehicles.²¹

V. SALES TAX EXEMPTIONS IN SURROUNDING STATES

Four of the five states that border Nevada impose a general sales tax. Oregon has not enacted a general sales tax and numerous attempts to do so through a ballot referendum have failed, usually by wide margins. Of the four states, the sales taxes imposed in California and Idaho most closely resemble the Nevada sales tax because the tax is principally imposed on transactions involving tangible personal property.²² Both Arizona and Utah, in contrast, extend their sales taxes to a variety of transactions that involve the provision of services. As a result, Arizona and Utah specifically exempt certain transactions that are not subject to a sales tax in Nevada, California and Idaho. These exemptions are not considered in the following discussion.

Exemptions can and do vary considerably from state to state. It is difficult to compare exemptions on an item by item basis because specific exemptions granted by one state may be included within

¹⁸See appendix F for the sections of the NRS that include exemptions from the State *Sales and Use Tax Act* that have been added since 1955. Also, see note 17.

¹⁹The years in parenthesis refer to the years the exemptions took effect following voter approval.

²⁰Local sales tax rates currently range from 4.5 to 5 percent depending on the county. The respective local sales tax exemptions are found at paragraph (d) of subsection 1 of NRS 374.287, NRS 374.291, NRS 374.322, NRS 374.357 and paragraph (e) of subsection 3 of NRS 374.030.

²¹See subsection 2 of NRS 374.040.

²²The similarity between Nevada and California is not surprising because, according to Zubrow, Decker and Plank, p. 395, "Basic provisions of the [Nevada Sales and Use Tax] act [were] copied from the California statute. . ."

a broader exemption granted by another state. For example, Idaho grants a sales tax exemption for food purchased with food stamps. In Nevada, food purchased with food stamps is effectively exempted under a broader statute that exempts certain foods intended for human consumption. Also, seemingly identical exemptions can differ from state to state depending on how the exemption is defined. For example, both Nevada and Utah provide an exemption for "medicine." The definitions of medicine in the respective states are not identical, however, which makes it probable that the tax treatment of certain "medicines" differs in the two states.

One of the biggest sales tax exemption items is food for home consumption.²³ Among neighboring states, both Arizona and California, like Nevada, generally exempt these food purchases. Idaho and Utah, on the other hand, tax such food at their full sales tax rate. Idaho, to offset the regressivity of its sales tax on food, provides a refundable income tax credit of \$15 per personal exemption for most taxpayers and \$30 for senior citizens.²⁴ An Idaho-like approach for Nevada was recommended in an Urban Institute and Price Waterhouse study of this state's tax system. The authors of that report suggested that Nevada replace its food tax exemption (and other exemptions) with a "vanishing sales tax credit designed to target special tax relief to low-income residents."²⁵ In making this recommendation, the authors overlooked the difficulty in repealing the sales tax exemption for food for home consumption (voter approval of a constitutional amendment is required) and in effectively and efficiently instituting a sales tax credit program in the absence of a state income tax.

Each of the five states, including Nevada, has a sales tax exemption for prescription drugs included within a broader exemption for various medical products. In fact, prescription drugs are exempt in every state except Illinois, which imposes a low, 1 percent tax on these items. New Mexico has exempted these drugs beginning January 1, 1999. Other medical products exempted can vary considerably from state to state.²⁶ Nevada and California, for example, exempt medical items such as prosthetic and orthotic devices and products for hemodialysis in addition to prescription drugs. But there are differences between the two states as well. California exempts such medical items as wheelchairs, crutches and walkers, while Nevada does not. Nevada, on the other hand, exempts items such as splints and bandages furnished by a health care provider, but California does not. Arizona, Idaho and Utah also exempt certain medical items in addition to prescription drugs, but the

²³According to *Financing* (Snell [ed.], p. 75), a 1992 survey of 22 states that exempt food for home consumption estimated that the forgone revenues average 16.5 percent of existing sales tax collections.

²⁴Steven D. Gold and David S. Liebschutz, *State Tax Relief for the Poor* (2nd ed.; Albany: The Nelson A. Rockefeller Institute of Government, 1996), pp. 87-88.

²⁵Urban Institute and Price Waterhouse, *A Fiscal Agenda for Nevada*, ed. Robert D. Ebel, (Reno: University of Nevada Press, 1990), p. 18.

²⁶*State Sales Tax Rates, July 1, 1998*, (Federation of Tax Administrators Website [<http://www.taxadmin.org/fta/rate/sales.html>]).

exemptions vary from one state to another. Whether to approve or not approve exemptions in the medical area can create a dilemma for legislators because it is difficult to argue, in many cases, that one exemption has more merit than another. A blanket exemption for medical goods that are used to treat various ailments, illnesses and injuries, however, would likely have a significant adverse effect on the sales tax revenue of any state.

A sales tax exemption for motor vehicle fuel is granted by many states. Only California, among the five states being considered here, does not have such an exemption. At least in the case of Nevada, this exemption may not be of particular importance. Nevada, like most other states, imposes a separate excise tax per gallon on motor vehicle fuel that is much higher than the sales tax rate. Additionally, the Nevada constitution requires that any excise tax on such fuel be used "exclusively for the construction, maintenance, and repair of the public highways of this state."²⁷ Repeal of this sales tax exemption in Nevada would have a revenue effect that also can be produced through an increase in the excise tax on motor vehicle fuel. Thus, continuing or repealing the exemption in Nevada may not be an important issue as long as the revenue must be dedicated for highway purposes.

Of the remaining sales tax exemptions provided in Nevada, all are granted by at least one bordering state. Arizona, California, Idaho and Utah each grant an exemption for sales by charities. They also provide some form of an exemption for the sales and use of commercial aircraft in the state. Similarly, each of the four states provides a partial exemption for new manufactured homes and a full exemption for used manufactured homes in an attempt to tax manufactured housing similarly to other residential housing. When a new home is constructed on-site, only the materials used are subject to sales tax. The actual sale of a home as real property is otherwise not taxable. This effectively exempts a portion of the price of a new home and all subsequent resales from sales tax.

At least three of the border states, like Nevada, exempt containers, meals for students and various animals and other products related to the production of food for human consumption from sales tax. Exemptions for mining products, utilities and newspapers are provided by at least two of the border states. And exemptions for such things as textbooks for university students and fuels for domestic heat are provided in at least one adjacent state.

It appears, therefore, that none of the Nevada sales tax exemptions are unique in the region. In fact, when compared to Arizona, California, Idaho and Utah, Nevada seems to provide the fewest number of exemptions. This may be a function of Nevada, alone among the five states, having to obtain voter approval for certain changes to its sales tax laws.

Exemptions enacted by the four border states cover a wide range of products and organizations that have not been granted a sales tax exemption in Nevada. In addition, each of the four states have enacted various exemptions that clearly are intended to benefit parochial interests. Arizona, for

²⁷See article 9, §5.

example, exempts sales by nonprofit organizations that are associated with a major league baseball team or a national touring professional golf association.²⁸ Likewise, California exempts qualified property purchased for use in a space flight originating at Vandenberg Air Force Base; Idaho exempts property used for logging operations; and Utah exempts snowmaking equipment, ski slope grooming equipment and passenger tramways sold to a ski resort.²⁹

If minimizing the number of sales tax exemptions is one measure of good tax policy, then Nevada appears to be better off in this regard than the neighboring states. However, Nevada's ability to provide exemptions is also much more circumscribed than its neighbors because of its narrow sales tax base and limited overall tax base.

VI. HISTORY OF PROPERTY TAX EXEMPTIONS IN NEVADA

The property tax has been a staple of state and local government finance in Nevada since statehood in 1864. An original provision of the state constitution provided that the Legislature may exempt from taxation property used "for municipal, educational, literary, scientific, religious or charitable purposes."³⁰ Acting upon this constitutional provision, the first session of the Nevada Legislature provided exemptions for public land, public buildings, property of various charitable and benevolent institutions and societies, property of religious organizations, property used for interring the dead, up to \$1,000 of the property of widows and orphans and \$1,000 of the property of new settlers during their first year of residence.³¹

For more than 130 years, various sessions of the Nevada Legislature have used this original exemption provision in the state constitution to add exemptions for such things as noncommercial theaters, selected lodges, volunteer fire departments, drainage ditches, veterans' organizations, fraternities and sororities, nonprofit private schools and organizations such as the YMCA and the Girl Scouts. Partial exemptions have been granted for the property of veterans and blind persons.

It was not until the voters approved a largely self-executing constitutional exemption in 1942 for stock, except stock in banking corporations, and other financial instruments that the property tax exemption picture began to change.³² In 1949, the Legislature effectively exempted goods in transit through Nevada from property taxes by declaring that such goods had no situs in Nevada. Voters

²⁸See Arizona Revised Statutes 42-1310.01(A)(30).

²⁹See, respectively, California Revenue & Taxation Code, Sec. 6380 (West 1998); Idaho Code, Sec. 63-3622JJ; and Utah Code, Sec. 59-12-104.

³⁰See page 57, *Statutes of Nevada 1864-65* (Nevada Constitution [1864], article 10 [X]).

³¹See section 4 of chapter 85 (LXXXV), *Statutes of Nevada 1864-65*.

³²*Nevada Constitution*, subsection 2 of article 10, §1.

later ratified that decision by approving a constitutional amendment in 1960 that specifically exempted goods moving in interstate commerce to a final destination outside Nevada from property taxes.³³

In 1962, voters approved a constitutional amendment to allow the Legislature to substitute a separate tax on the value of motor vehicles for the personal property tax on motor vehicles. The Legislature subsequently enacted the motor vehicle privilege tax to replace the personal property tax on vehicles. Because the Legislature in this case simply substituted one tax for another, the exemption from personal property taxes for motor vehicles would raise important fiscal issues only if the Legislature decided to substantially reduce the tax or assessment rate that is currently applied to motor vehicles.³⁴

The approval of constitutional amendments in 1974, 1978 and 1982, however, eventually led to a dramatic expansion in the number of property tax exemptions. The respective amendments allowed agricultural and open-space real property to be taxed at its existing use rather than its highest and best use, exempted business inventories and allowed the Legislature to exempt other personal property, and allowed the Legislature to exempt property to encourage the conservation of energy or the substitution of other sources for fossil sources of energy.³⁵

Only a handful of property exemptions were added during most of the eighties. Since 1989, however, the Legislature has approved more than 30 new property tax exemptions. These exemptions range from a \$1,000 exemption for the property of veterans who were in the military during the Gulf War to an exemption for publicly-displayed fine art that has a value of \$25,000 or more. While individually none of the new exemptions was expected to have a major impact on property taxes, collectively they may have had an impact that has been overlooked because of the rapid growth in the property tax base throughout the state.

Currently, chapter 361 of the NRS has 49 sections devoted to property tax exemptions.³⁶ In conjunction with the Legislature's decision in 1981 to assess improvements at replacement cost less a fixed amount of depreciation, these exemptions reduce the amount of taxable assessed valuation and put upward pressure on property tax rates throughout the state.

VII. PROPERTY TAX EXEMPTIONS IN SURROUNDING STATES

Like Nevada, each of the five border states taxes all property unless it is specifically exempted. Each

³³*Nevada Constitution*, subsection 4 of article 10, §1.

³⁴*Nevada Constitution*, subsection 5 of article 10, §1.

³⁵*Nevada Constitution*, subsections 3, 6 and 8 (part) of article 10, §1.

³⁶See appendix G for the statutes that provide exemptions from the property tax.

also provides the same common property tax exemptions that Nevada provides. These include federal government property and property protected by the U.S. Constitution; state, municipal and other public property; nonprofit cemeteries; and property owned by a nonprofit entity that is used for religious, charitable, educational or scientific purposes. Each of the surrounding states also exempts household personal property, business inventories and property moving in transit through the state.

Among the five states, Arizona and Utah appear to provide the fewest number of exemptions beyond those outlined above. Arizona also provides exemptions for animal feed and additives for animal consumption and for certain animals owned by a person engaged in agricultural production. The state also provides certain partial exemptions for veterans, disabled persons, widows and widowers. Arizona assigns property to one of eleven different classes for assessment purposes which results in various levels of taxation depending on the type of property. Residential owners, for example, are subject to a much lower assessment rate than most business owners.

Utah provides additional exemptions for farm equipment and machinery, livestock, irrigation property, and certain property used to furnish power for pumping water for irrigation. The state also provides a partial exemption, subject to an income test, for the property of disabled veterans and the unremarried spouses or orphan children of such veterans or persons who died as a result of military service. A limited exemption is available for blind persons, their unremarried spouses or minor orphans. Utah also provides an exemption for 45 percent of the fair market value of residential property including up to one acre of land per residential unit.

The remaining three states—California, Idaho and Oregon—appear have enacted as many or more exemptions than Nevada. However, none of the exemptions are exceptional, and most are designed either to provide a charitable benefit to certain persons, to support environmental efforts, to favor private organizations that provide public benefits or services or to protect local economic interests. Unlike sales taxes, there seems to be much more agreement than disagreement between Nevada and its neighbors concerning what type of property should be exempt from taxation. One major source of difference is that some states in one way or another exempt a portion of the value of residential property, while others, including Nevada, do not.

VIII. TAX EXEMPTIONS FOR ECONOMIC DEVELOPMENT

Since 1985, the Nevada Legislature has approved various tax exemptions for certain businesses to spur economic development and diversification. The exemptions affect sales taxes, property taxes and business license taxes. And each exemption is directed at only those industries that will diversify the state's economy. The exemptions for economic development are structured to minimize the impact that the workforce of an eligible company places on the social service system in Nevada. This is accomplished by requiring businesses seeking the exemptions to meet certain standards regarding the pay and benefits offered to their employees.

The sales tax exemptions for qualified businesses include a deferral program that allows sales taxes

on capital purchases to be paid over a maximum five-year period. In addition, qualified businesses can receive an abatement of local sales taxes on purchases of machinery and equipment. The Legislature has also enacted a sales tax exemption for aircraft and major components of aircraft purchased by commercial air carriers.

Economic developments exemptions are provided for the property of businesses that use recycled material for manufacturing or other processes or to produce electrical energy and for property used to produce electrical energy from solar energy. A 50 percent exemption is also available for the personal property of certain new and expanded businesses. The duration of each exemption is limited to a specific period of time.

Certain qualified businesses are also allowed an 80 percent reduction in their business license tax during their first year of operation, which is reduced by 20 percent each year thereafter. By its fifth year of operation, the business is required to pay the full amount of business tax.

Because the need for Nevada to diversify its economy in an era of ever-increasing competition for the gaming and tourist dollar is accepted on numerous fronts, the Commission on Economic Development has requested these exemptions to assist in that effort.³⁷ Such exemptions have generally received widespread support from members of the Nevada Legislature, and this level of support is common throughout the country. A recent report noted that "state and local officials understand well the challenge of promoting economic development as mobile firms seek preferential tax treatment."³⁸ Also, some analysts believe that taxes on business are counterproductive. Graeser and Maury, employees of the New Mexico Department of Revenue, have noted:

Profits retained and reinvested by businesses probably create more economic growth and well-being than if those same profits are transferred to governments and used for education, social welfare, or security. Society is probably better off to encourage business reinvestment than to tax corporate profits and decrease reinvestment.³⁹

Such policy efforts, however, have been subject to criticism from sources both within and without Nevada. A 1991 report from faculty at the University of Nevada—Reno, for example, provided a general criticism of efforts to diversify the economy while the state adheres to a tax system primarily

³⁷See appendix H for various information explaining the mission of the Nevada Commission on Economic Development and the incentive programs they administer. (The Commission is hereafter referred to as NCED.)

³⁸Thomas W. Bonnett; *Is the New Global Economy Leaving State-Local Tax Structures Behind?*; National League of Cities, NCSL and National Governors' Association (1998); p. 42.

³⁹Laird Graeser and Al Maury; "Business Taxes - Quo Vadimus?"; *State Tax Notes Special Reports*; Tax Analysts; October 3, 1994.

dependent on tax revenues generated from gaming and tourism activities.⁴⁰ Also, a number of national analysts have argued against the use of tax incentives to support economic development. One such analyst made the following comments to the Pennsylvania General Assembly:

In between the very broad incentives and the single company deals, there are incentives that are targeted at specific types of companies engaged in specific conduct. These obviously create distortions in economic behavior in favor of certain conduct or types of companies, and create economic inefficiencies. Also, as is the case with broad incentives, a significant portion of the revenue loss will go to compensating activity that would have happened anyway.

One way to look at these narrow incentives is that there are two possible results. One is that they have no effect on business behavior at all. If that's the case then they are clearly a poor use of public resources. The other possibility is that they do affect business behavior. That, however, could be just as bad. It means that businesses are responding to the incentives of the tax law instead of the market. This is economically inefficient. Under either scenario, therefore, narrow incentives can cause adverse consequences.⁴¹

The disagreements over economic development policy indicate that exemptions designed to promote economic development, like other exemptions, can be controversial. Ohio, for example, recently spent \$500,000 to conduct a study of its economic development incentive programs.⁴²

IX. REVENUE VALUE OF EXISTING EXEMPTIONS

As noted earlier, many tax policy analysts believe that various tax preferences, such as exemptions, differ very little from government spending programs. On this issue, Richard D. Pomp said that "tax expenditures are spending programs embedded in the tax system and are intended to favor a particular industry, activity, or class of person."⁴³ Viewed in that way, an estimate of the revenue

⁴⁰See Glen Atkinson and Ted Oleson, Jr., "Economic Diversification and Tax Revenue," *Nevada Public Affairs Review, Legislative Issues 1991*, pp. 70-74. The report can also be found at the Comstock Bank website (www.comstockresearch.com).

⁴¹Michael P. Ettinger, Tax Policy Director, Citizens for Tax Justice (testimony before the Task Force on Interstate Competition, Pennsylvania General Assembly, September 25, 1997).

⁴²Charles F. Horn (Ohio State Senator), "Ohio conducts economic incentive plan review," *Business First--The Greater Columbus Business Authority*, March 31, 1997.

⁴³Richard D. Pomp, "Simplicity and Complexity in the Context of a State Tax System," *Reforming State Tax Systems*, ed. Steven D. Gold, NCSL (1986), p. 121.

effect of a tax exemption should be as important to a legislator as the amount of money some agency intends to spend on a particular program. However, the research capacity needed to generate reliable and meaningful estimates of revenue forgone from tax expenditures is exceedingly scarce in most states.⁴⁴ Pomp put it this way:

Several years of experience may be necessary to develop the required methodologies and data. Information may be needed that never has been collected previously or tabulated; new sampling or other collection techniques may have to be developed or implemented.⁴⁵

Nevada has not undertaken a thorough study of the revenue effects of tax exemptions. The methodologies and data that Pomp alludes to have not been developed in Nevada. The Nevada Department of Taxation, on its own initiative, produced a report on exemptions in March 1997 and updated that report in February 1999.⁴⁶

The following supplements the sales tax exemption information prepared by the Department of Taxation from sources including the most recent study of Nevada's tax system, *A Fiscal Agenda for Nevada*, and tax expenditure information for similar exemptions in other states. The figures for the sales tax exemptions are to be considered only rough estimates at best. Also included are values for property tax exemptions derived from the *1997-98 Statistical Analysis of the Roll* prepared by the Department of Taxation. These figures are estimated by applying the average statewide property tax rate to the assessed value of exempt property in each category as reported by the county assessors.

Selected Sales Tax Exemptions

1. Food for home consumption (NRS 372.284 and 374.289)--The estimate of \$81.4 million per year in the department's report appears to be too low: this figure would mean that less than \$12 per resident per week is being spent on exempt food. The "Fiscal Agenda" report estimated that the tax loss in 1986 was 16.5 percent of the existing sales tax base. States with narrow sales tax bases (few services, if any, are taxed) report the loss in the range of 15 to 20 percent of their existing base. At 15 percent, the exemption in FY 1997-98 was worth approximately \$260 million, or about \$145 per Nevada resident. If this figure is accurate, the \$260 million is more than double the combined amounts spent annually in Nevada on food stamps; the school

⁴⁴Karen Benker, "Tax Expenditure Reporting Closing the Loophole in State Budget Oversight," *National Tax Journal* (December 1986), pp. 403, 414.

⁴⁵Richard D. Pomp, "State Tax Expenditure Budgets and Beyond," *The Unfinished Agenda for State Tax Reform*, ed. Steven D. Gold, NCSL (1988), p. 65.

⁴⁶See appendix I for "Executive Director's Exemption and Refund Report," February 1999.

breakfast and lunch programs; and the Women, Infants and Children food program.

2. Prescription Drugs (NRS 372.283[1.d] and 374.287[1.e]) --The tax loss in 1986 was estimated at 1.7 percent of the tax base. Since then, however, the use of these drugs to treat various medical conditions has become more widespread. In addition, prices of prescription drugs have been climbing faster than those of most other goods. Both Minnesota and Massachusetts estimate the loss at between 2.5 and 3.0 percent of their sales tax base.⁴⁷ At 2.5 percent, the Nevada impact would have been \$43 million in FY 1997-98.
3. Domestic fuels (NRS 372.300 and 374.305)--In 1986, the amount was estimated at 1.4 percent of the tax base. Assuming the figure still holds, this suggests a FY 1997-98 value of \$24 million.
4. Newspapers (NRS 372.300 and 374.305)--The 1986 study put the loss at 0.5 percent of the tax base. If this figure is still accurate, the FY 1997-98 loss is about \$9 million.
5. New Manufactured Homes (NRS 372.316[1.] and 374.321[1.]--According to industry statistics, there were 2,505 homes shipped to Nevada at an average price of \$52,600 in 1997.⁴⁸ Using these figures, the value of the 40 percent exemption was about \$3.6 million. This figure is consistent with the department's estimate, which may also include used manufactured homes.
6. Gas, Electricity, and Water (NRS 372.295 and 374.300)--The gross operating revenues in 1997 for the regulated activities of Nevada Power, Sierra Pacific and Southwest Gas were \$1.563 billion.⁴⁹ The statewide sales of water delivered to consumers through pipelines is estimated at \$400 million per year.⁵⁰ These figures suggest that the exemption is currently worth about \$135 million per year.
7. Abatement for Capital Purchases (NRS 374.357)--Although this exemption from local sales taxes can vary considerably from year to year, the Commission on Economic Development approved nearly \$225 million in capital purchases for abatement for the two years ending

⁴⁷Massachusetts information can be found in appendix D. Minnesota data is at their Department of Revenue website (<http://www.taxes.state.mn.us/reports/taxexp.bud/tebc4.pdf>).

⁴⁸Shipments and price information from the Manufactured Housing Institute website (<http://www.mfghome.org/members/stats/index.html>).

⁴⁹Utility sales data taken from Mill Assessment History report of the Public Utilities Commission of Nevada.

⁵⁰The sales of water delivered to consumers through pipelines was derived principally from information for Clark County submitted to the Assembly Committee on Infrastructure by the Southern Nevada Water Authority during the 1997 legislative session.

August 6, 1998.⁵¹ Because the eligibility for abatement remains in effect for two years, the value of the exemption from local sales taxes is currently at \$5.5 million annually.

8. Sales Tax Deferral for Capital Purchases (NRS 372.397 and 374.402)--Based on information for the five-year period ending on August 6, 1998, about \$33.5 million in sales tax revenue was subject to deferral.⁵² At a 5.5 percent interest rate, this results in an annual loss of interest income to the state of about \$1.8 million.

Property Tax Exemptions

1. Widows (NRS 361.080), Blind Persons (NRS 361.085), Veterans (NRS 361.090) and Disabled Veterans (NRS 361.091)--\$1 million per year.⁵³
2. Patented Mines (Nevada Constitution, art. 10, §5), Cooperative Utilities (NRS 361.073), Unpatented Mines (NRS 361.075)--\$5.7 million per year.
3. Church Property (NRS 361.125)--\$5.6 million per year.
4. Pollution Control Property (NRS 361.077)--\$3.1 million per year.
5. U.S. Government Property, inc. Indian Trust Property (NRS 361.050)--\$112 million per year.
6. State Government Property (NRS 361.055)--\$12.8 million per year.
7. Local Government and School Property (NRS 361.060 and 361.065)--\$57.1 million per year.
8. All Other Exemptions--\$8.8 million per year.

Business Tax Exemption to Promote Economic Development (NRS 364A.170)--Information for the four years ending on August 6, 1998, indicates that approximately 1,650 employee-years are eligible

⁵¹Certification Report on Sales and Use Tax Abatements, NCED, August 11, 1998. See appendix J of this report.

⁵²Certification Report on Sales and Use Tax Deferrals, NCED, August 11, 1998. See appendix J of this report.

⁵³These exemptions can be applied against the motor vehicle privilege tax (MVPT) instead of the property tax. However, information on the value of the exemptions against the MVPT is not available.

for exemption.⁵⁴ This amount, after applying a tax rate of \$100 per employee-year, results in approximately \$0.2 million annually in forgone revenue.

X. LEGISLATIVE POLICY ALTERNATIVES

Past sessions of the Nevada Legislature have paid little formal attention to tax exemptions and their potential effects on tax policy. Once an exemption has been approved, it generally has received very little subsequent scrutiny, and only a few attempts have been made to curtail or eliminate an existing exemption.⁵⁵ Additionally, no formal policy has been adopted for the consideration of proposed exemptions beyond the requirement that any such measure contain a fiscal note.

The 1988 Urban Institute and Price Waterhouse study of Nevada's tax system created some interest in exemption policy during the 1989 legislative session, but no action was taken. The 1993 Legislature considered an amendment to its joint rules to establish a policy of taxation for the State of Nevada, which included two policy standards relating to the consideration of tax exemptions.⁵⁶ The measure, Assembly Concurrent Resolution No. 33, was not enacted.

The unpredictability and narrowness of the state and local tax system has sparked renewed interest in the development of long-term revenue plan for the state of Nevada. If a more formal review process for tax exemptions becomes a necessary part of any long-term plan, there are several approaches that can be considered either separately or in combination by a future Legislature:

- ◆ Attempt to modify or eliminate the constitutional requirement that certain amendments to the state sales and use tax be approved by the voters. This can be done by enacting a statute, subject to voter approval, that eliminates the exemptions in the *Sales and Use Tax Act* and reinstates them as part of chapter 372 of the NRS. A similar change was accomplished in 1979 with the original administrative provisions of the *Sales and Use Tax Act*.⁵⁷ The return of

⁵⁴Certification Report on Business Tax Abatements, NCED, August 11, 1998. See appendix J of this report.

⁵⁵As noted in subsection IV of this report, there have been three successful attempts to limit an existing sales tax exemption. At the 1998 general election, voters turned down an attempt to eliminate the exemption for sales of items purchased for resale by the state and local governments.

⁵⁶Standard No. 4 said that taxes were to be "BROAD BASED: All taxes authorized or imposed by the legislature must have as few exemptions as practicable." Standard No. 8 directly considered "EXEMPTIONS: All exemptions must be based on economic criteria and should be subject to a specific time frame."

⁵⁷See chapter 286, *Statutes of Nevada 1979*. This measure, as an incentive to voters, also eliminated the sales tax on food for home consumption. Admittedly, some other tax incentive,

statutory control over sales tax exemptions to the Legislature may not generate as much opposition as it would have in the past. Because of a constitutional initiative approved by the voters in 1996, any change to an existing sales tax exemption that would increase revenue must be approved by two-thirds of the members in each house of the Legislature or, if approved by a less than two-thirds majority of either house, be sent to the voters for approval.⁵⁸

- ◆ Attempt to modify the constitutional provision that requires voter approval for all subsequent amendments to a statute that was approved by the voters through a referendum.⁵⁹ Such a change may appeal to voters if, for example, there was a defined period (e.g., 3 years) before the Legislature could amend the statute and if such an amendment required approval by two-thirds or three-fifths of the members of each house. If approved, such a change would not only make it easier for the Legislature to repeal or modify an existing exemption or add a new exemption, but it would make it easier to address other sales tax policy questions as well. For example, the Legislature likely has the authority to enact a separate sales tax on services without voter approval.⁶⁰ Such a tax, however, would almost certainly be simpler to administer if it were made a part of the *Sales and Use Tax Act*.
- ◆ Establish an advisory board, similar to the Utah Tax Review Commission, to consider exemption-related issues. The duties of the board could be as narrow or as broad as the Legislature wished to make them. For example, the duties of the board could be limited to a periodic review and report on some or all of the tax exemptions in Nevada. Or the board's duties could be broadened to consider exemption policy beyond the confines of the existing exemptions. For example, the board could be allowed to make recommendations that, in its opinion, would make exemption policy more logical or consistent.⁶¹ Also, such a board could be used by the Legislature to make recommendations on questions about tax policy other than exemption issues.
- ◆ Require that a tax expenditure report be prepared in conjunction with the biennial submittal of the *Executive Budget* or at other regular intervals. States smaller than Nevada, such as Idaho,

triggered by voter approval, may be needed to assure voter approval of a statute to return control of sales tax exemptions to the Legislature.

⁵⁸*Nevada Constitution*, subsections 2 and 3 of article 4, §18.

⁵⁹*Nevada Constitution*, subsection 3 of article 19, §1.

⁶⁰See *Matthews v. State ex rel. Nevada Tax Commission*, 83 Nev. 266, 428 P.2d 371 (1967). This decision by the Nevada Supreme Court affirmed the Legislature's authority to enact a separate sales tax, the Local School Support Tax, without voter approval.

⁶¹If, for example, the state taxed coffee but not tea, an advisory board could recommend to the Legislature either that both should be exempt or both should be taxed.

and states without a broad-based income tax, such as Tennessee, prepare regular tax expenditure reports. The National Association of State Budget Officers (NASBO) notes that tax expenditure reports usually include the following information:

- A description of the tax expenditure with a legal reference;
- A cost estimate of the tax expenditure; and
- In some cases, supplemental analysis of who benefits from the tax expenditure.⁶²

One critic of the use of tax expenditures for economic purposes suggests that the following procedures be adopted to improve tax expenditure reporting:

- An item-by-item review of tax expenditures could be commenced to determine whether particular provisions would be significantly better administered as direct spending programs.
- Agencies could be assigned responsibility for periodically evaluating tax expenditures in their program areas.
- Greater disclosure by companies receiving tax expenditures could be required. This would allow the public and policymakers to know where their tax dollars are going and to evaluate whether the tax expenditure programs are accomplishing their goals.
- The Department of Revenue could be required to gather and tabulate more information on tax expenditure recipients.⁶³

Pomp, another critic of tax expenditures, however, has raised the following concern:

State expenditure budgets can overwhelm policymakers with information that they cannot use or do not understand, which raises the risk of discrediting the entire concept or of obfuscating information that should be of value.⁶⁴

- ◆ Amend the state constitution to provide requirements with which the Legislature must comply when enacting tax exemptions. Such a proposal (BDR C-709) has been submitted for consideration by the 1999 Legislature by the legislative committee to study the distribution of

⁶²NASBO, "State Tax Expenditure Reports," *Information Brief*, June 1994. The full report is included as appendix K of this report.

⁶³Michael P. Ettinger, Tax Policy Director, Institute on Taxation and Economic Policy (testimony before the Minnesota Corporate Subsidy Reform Commission, September 25, 1997).

⁶⁴Richard D. Pomp, "State Tax Expenditure Budgets--And Beyond," *The Unfinished Agenda for State Tax Reform*, ed. Steven D. Gold, NCSL, p. 70.

revenue from state and local taxes created pursuant to chapter 661, *Statutes of Nevada 1997*. The proposed amendment will be based on six principles developed by an advisory committee to the statutory committee.⁶⁵ The legislative committee has also proposed a bill (BDR 32-708) that would standardize the criteria, to the extent possible, by which new and expanding businesses qualify for the various economic development exemptions and other incentives.

- ◆ Apply a sales tax to certain services. While the nontaxation of service transactions does not technically qualify as an exemption from sales taxes because the tax base in Nevada is limited to tangible personal property, it is the functional equivalent of an exemption that may be greater than the food tax exemption. Three states—Hawaii, New Mexico and South Dakota—tax services as broadly as goods. Several other states tax a broad range of services as part of their sales and use tax. One analyst has noted:

There is no reason why private purchase of services should be treated differently from purchases of tangible personal property. Both are consumption expenditures; to tax commodity purchases but not service purchases discriminates according to consumption preferences and sacrifices a portion of the legitimate tax base.⁶⁶

Another analyst recommends that a tax on service transactions be limited to personal not business transactions: the tax "should only apply to all expenditures for personal consumption purposes, but not to any transactions involving use in business activity."⁶⁷ This is designed to prevent tax pyramiding whereby the same tax is effectively applied more than once to a single transaction.

The taxation of consumer services has the potential to considerably broaden the tax base in Nevada. For example, personal services and nongaming amusement categories, which derive almost all of their income from consumers, generated \$865 million in gross receipts in 1992.⁶⁸ These categories alone would have increased the tax base by six percent that year.⁶⁹ The

⁶⁵The six principles were submitted to the committee at its June 3, 1998, meeting in Las Vegas. That submittal is included as appendix L of this report.

⁶⁶John L. Mikesell, "General Sales Tax," *Reforming State Tax Systems*, ed. Steven D. Gold, (NCSL: December 1986), p. 226.

⁶⁷John F. Due, "Sales Tax Exemptions—The Erosion of the Tax Base," *Revenue Administration*, 50 (1982), p.200.

⁶⁸U.S. Department of Commerce, Bureau of the Census, *1992 Census of Service Industries-Nevada* (Washington: Government Printing Office, 1994), pp. 7, 9.

⁶⁹Nevada taxable sales were approximately \$15 billion in 1992.

taxation of other services utilized by consumers, including repair and legal services, would expand the tax base even further. If the sales tax were applied to most consumer services, it would also allow for a substantial reduction in the sales tax rate.

XI. CONCLUDING REMARKS

In a 1932 U.S. Supreme Court decision, Associate Justice Louis D. Brandeis made the following comment:

It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country.⁷⁰

Since that time, Nevada, with its unique economic base and tax structure, may be the best example of Justice Brandeis' "single courageous state." Whether by luck or by design, the legalization of gaming in 1931 set off an economic boom that has continued largely unabated to this day. In 1930, Nevada had a population of 91,000 to rank dead last among the 48 states. Today, Nevada's population exceeds that of 13 of those states, as well as Alaska and Hawaii.⁷¹ Other indicators of economic well-being, including the growth in jobs and tax revenues, have also been strong throughout this period. As the new century approaches, it remains to be seen what changes will need to be made to the economic and tax policies that have served Nevada so well for so long.

⁷⁰Justice Louis D. Brandeis, dissenting, *New State Ice Co. V. Liebmann*, 285 U.S. 311 (1932).

⁷¹At the time of the 1990 Census, Nevada ranked 39th in population among the 50 states. Based on population estimates from the State Demographer for 1998, Nevada's population also appears to have exceeded those of Maine, New Mexico, Nebraska and West Virginia.

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APPENDIX A: Principles of a High-Quality State Revenue System

PRINCIPLES OF A HIGH-QUALITY STATE REVENUE SYSTEM

- 1 A high-quality revenue system is composed of elements that are complementary, including the finances of both state and local governments.
- 2 A high-quality revenue system produces revenue in a reliable manner. Reliability involves stability, certainty, and sufficiency.
- 3 A high-quality revenue system relies on a balanced variety of revenue sources.
- 4 A high-quality revenue system treats individuals equitably. Minimum requirements of an equitable system are that it imposes similar tax burdens on people in similar circumstances, that it minimizes regressivity, and that it minimizes taxes on low-income individuals.
- 5 A high-quality revenue system facilitates taxpayer compliance. It is easy to understand and minimizes compliance costs.
- 6 A high-quality revenue system promotes fair, efficient, and effective administration. It is as simple as possible to administer, raises revenue efficiently, is administered professionally, and is applied uniformly.
- 7 A high-quality revenue system is responsive to interstate and international economic competition.
- 8 A high-quality revenue system minimizes its involvement in spending decisions and makes any such involvement explicit.
- 9 A high-quality revenue system is accountable to taxpayers.

APPENDIX B: Minnesota and Nebraska Statutes that
Require Reports on Tax Expenditures



Minnesota Statutes

CHAPTER 270. DEPARTMENT OF REVENUE

270.067 Tax expenditure budget.

Subdivision 1. Statement of purpose. State governmental policy objectives are sought to be achieved both by direct expenditure of governmental funds and by the granting of special and selective tax relief or tax expenditures. Both direct expenditures of governmental funds and tax expenditures have an effect on the ability of the state and local governments to lower tax rates or to increase expenditures. As a result, tax expenditures should receive a regular and comprehensive review by the legislature as to

- (a) their total cost,
 - (b) their effectiveness in achieving their objectives,
 - (c) their effect on the fairness and equity of the distribution of the tax burden,
- and
- (d) the public and private cost of administering tax expenditure financed programs. This section is intended to facilitate a regular review of the state and local tax expenditure budget by the legislature by providing for the preparation of a regular biennial tax expenditure budget.

Subd. 2. Preparation; submission. The commissioner of revenue shall prepare a tax expenditure budget for the state. The tax expenditure budget report shall be submitted to the legislature as a supplement to the governor's budget and at the same time as provided for submission of the budget pursuant to section 16A.11, subdivision 1.

Subd. 3. Period covered. The report shall include estimates of annual tax expenditures for, at a minimum, a three-year period including the two-year period covered in the governor's budget submitted in the preceding January pursuant to section 16A.11.

Subd. 4. Contents. The report shall detail for each tax expenditure item the amount of tax revenue foregone, a citation of the statutory or other legal authority for the expenditure, and the year in which it was enacted or the tax year in which it became effective. The report may contain additional information which the commissioner considers relevant to the legislature's consideration and review of individual tax expenditure items. This may include, but is not limited to, statements of the intended purpose of the tax expenditure, analysis of whether the expenditure is achieving that objective, and the effect of the expenditure device on the distribution of the tax burden and administration of the tax system.

Subd. 5. Revenue estimates; legislative bills. Upon reasonable notice from the chair of the house or senate tax committee that a bill is scheduled for hearing, the commissioner of revenue shall prepare an estimate of the effect on the state's tax revenues which would result from the passage of a legislative bill establishing, extending, or

restricting a tax expenditure. These revenue estimates shall contain the same information as provided in subdivision 4 for expenditure items contained in the tax expenditure budget, as appropriate.

Subd. 6. Definitions. For purposes of this section, the following terms have the meanings given:

(1) "Tax expenditure" means a tax provision which provides a gross income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue.

(2) "Tax" means any tax of statewide application or any tax authorized by state law to be levied by local governments generally. It does not include a special local tax levied pursuant to special law or to a special local tax levied pursuant to general authority that is no longer applicable to local governments generally.

HIST: 1983 c 301 s 176; 1986 c 444; 1Sp1989 c 1 art 17 s 1,2; 1991 c 291 art 21 s 8,9.



Nebraska Statutes

CHAPTER 77. REVENUE AND TAXATION

77-379. Act, how cited.

Sections 77-379 to 77-385 shall be known and may be cited as the Tax Expenditure Reporting Act.

77-380. Legislative intent.

It is the intent of sections 77-202.03 and 77-379 to 77-385 to provide a mechanism which will enable the Legislature to better determine those sectors of the economy which are receiving indirect subsidies as a result of tax expenditures. The Legislature recognizes that the present budgeting system fails to accurately and totally reflect the revenue lost due to such tax expenditures and that as a result undetermined amounts of potential revenue are escaping public or legislative scrutiny. The loss of such potential revenue causes a narrowing of the tax base which in turn forces higher tax rates on the remaining tax base.

77-381. Terms, defined.

For purposes of the Tax Expenditure Reporting Act, unless the context otherwise requires:

- (1) Tax expenditure shall mean a revenue reduction that occurs in the tax base of the state or a political subdivision as the result of an exemption, deduction, exclusion, tax deferral, credit, or preferential rate introduced into the tax structure;
- (2) Department shall mean the Department of Revenue;
- (3) Income tax shall mean the tax imposed upon individuals and corporations under the Nebraska Revenue Act of 1967;
- (4) Sales tax shall mean the tax imposed upon expenditures under the Nebraska Revenue Act of 1967;
- (5) Property tax shall mean the tax imposed upon real and personal property under Chapter 77; and
- (6) Miscellaneous tax shall mean revenue sources other than income, sales, and property taxes for state and local government including, but not limited to, motor fuel taxes, liquor taxes, cigarette taxes, inheritance and estate taxes, generation-skipping transfer taxes, insurance premium taxes, and occupation taxes and fees or other taxes

which generate state or local revenue annually in excess of two million dollars.

77-382. Department; tax expenditure report; prepare; contents.

The department shall prepare a tax expenditure report describing

- (1) the basic provisions of the Nebraska tax laws,
- (2) the actual or estimated revenue loss caused by the exemptions, deductions, exclusions, deferrals, credits, and preferential rates in effect on July 1 of each year and allowed under Nebraska's tax structure and in the property tax, and
- (3) the elements which make up the tax base for state and local income, including income, sales and use, property, and miscellaneous taxes.

The department shall review the major tax exemptions for which state general funds are used to reduce the impact of revenue lost due to a tax expenditure. The report shall indicate an estimate of the amount of the reduction in revenue resulting from the operation of all tax expenditures. The report shall make recommendations relating to the elimination, in whole or in part, of particular tax expenditures or to the limiting of the duration of particular tax expenditures to a fixed number of years. It is the intent of the Legislature that nothing in the Tax Expenditure Reporting Act shall cause the valuation or assessment of any property exempt from taxation on the basis of its use exclusively for religious, educational, or charitable purposes.

77-383. Tax expenditure report; department; access to information.

The department may request from any state or local official or agency any information necessary to complete the report required under section 77-382. All state and local officials or agencies shall cooperate with the department with respect to any such request.

77-385. Tax expenditure report; summary; submission required.

The report required under section 77-382 and a summary of the report shall be submitted to the Governor, the Executive Board of the Legislative Council, and the chairpersons of the Legislature's Revenue and Appropriations Committees on or before October 15, 1991, and October 15 of every even-numbered year thereafter. The summary shall be included with or appended to the Governor's budget presented to the Legislature in odd-numbered years.

APPENDIX C: Massachusetts Tax Expenditure Report on
the Sales and Use Tax

The Tax Expenditure Budget

Part IV: Sales and Use Tax

Massachusetts imposes a sales and use tax on retail sales. In addition to the sales and use tax, there are several separate excises, each limited to a particular type of commodity. These special excises have not been included in this tax expenditure budget.

The Massachusetts sales and use tax, first imposed in 1966, is levied at a rate of 5%. The sales tax applies to sales made within the state, and the use tax to property and services purchased outside of Massachusetts but intended for use within the state.

Revenues brought in by the sales and use tax represented 22% of total tax revenues for Fiscal Year 1996.

Sales and Use Tax: Basic Structure

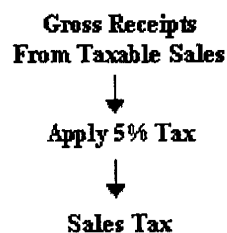
Tax Base: For the purposes of this tax expenditure budget, we have chosen not to make any assumptions about the base of the Massachusetts sales and use tax. Some people take a narrow view of what a retail sale is, limiting the term to sales to final consumers, i.e., individuals. Others would include sales to businesses, especially in instances where the purchase will not become an ingredient or component in a product to be sold. In an effort to acknowledge both theories, we will simply list the various exemptions under the sales tax. Some or many of these exemptions would be considered to be properly excluded from the tax base depending upon one's point of view.

Taxable Unit: The sales and use tax is an in rem tax; that is, it is levied on the property or service to be sold or used.

Rate Structure: The sales and use tax rate is 5% of the purchase price.

Taxable Period: The tax is imposed at the time of sale or use and remitted at specified intervals by the vendor.

Computation of Massachusetts Sales and Use Tax by Vendor *



* A purchaser is also responsible for paying use tax directly to the Commonwealth on the sales price of taxable property or services purchased out-of-state and stored, used, or otherwise consumed in the Commonwealth, provided that a sales and use tax of 5% or more has not been paid separately to another state.

Interstate and International Aspects: Massachusetts applies the destination principle to international and interstate sales. Accordingly, exports are exempt and imports are taxable under either the sales or the use tax. Similarly, taxable services performed in the Commonwealth but used outside of the Commonwealth are exempt from sales tax. Statutory exemptions for exports of property and for services used outside of the Commonwealth are therefore not listed as tax expenditures.

Types of Tax Expenditures under the Sales Tax

In the case of the sales tax, all tax expenditures are of a single type. They all result from the exclusion of certain transactions from the taxable base. The exclusion can be based on any of a number of characteristics of the transaction - who the buyer is, who the seller is, what the product or service is, what the product or service will be used for, etc. - but structurally all such tax expenditures operate in the same way. Hence, we have omitted the designation of tax expenditure types from the descriptions in this section.

Sales and Use Tax List of Tax Expenditures

3.000 EXEMPT ENTITIES

3.001 Exemption for Sales to the Federal Government

Sales to the federal government are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(d)

Estimate: N.A.

3.002 Exemption for Sales to the Commonwealth

Sales to the Commonwealth, its agencies and political subdivisions are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(d)

Estimate: N.A.

3.003 Exemption for Sales to Tax-Exempt Organizations

Non-profit organizations are exempt from sales tax on purchases of goods and services to be used in carrying out their tax-exempt purposes.

Comment: This estimate excludes sales of building materials and supplies used in construction contracts, which are covered under item 3.412.

Origin: M.G.L. c. 64H, § 6 (e) and (x)

Estimate: \$303.9

3.100 EXEMPT PRODUCTS/SERVICES

3.101 Exemption for Food

Food for human consumption is exempt from sales tax, including food purchased with federal food stamps. The exemption does not cover meals served in restaurants and similar establishments. Meals are taxed under the sales tax at a rate of 5%.

Origin: M.G.L. c. 64H, § 6(h) and (kk)

Estimate: \$346.0

3.102 Exemption for Certain Food and Beverages Sold in Restaurants

Although generally food and beverages sold in restaurants are taxed, there are certain exceptions. These are: a) food sold by weight, measure, count, or in unopened original containers or packages (for example, milk, meat, bread); b) beverages in unopened original containers which have a capacity of at

least 26 fluid ounces; and c) bakery products sold in units of six or more.

Origin: M.G.L. c. 64H, § 6(h)
Estimate: N.A.

3.103 Exemption for Clothing

Sales of clothing or footwear up to \$175 per item are exempt from sales tax. The exemption does not include special clothing or footwear designed for athletic or protective uses and not normally worn except for these uses.

Origin: M.G.L. c. 64H, § 6(k)
Estimate: \$209.0

3.104 Exemption for Medical and Dental Supplies and Devices

Medical and dental supplies and devices, such as prescription drugs, oxygen, blood, artificial limbs and eyeglasses, are exempt from sales tax.

Comment: Data was only available for some of the exempt items.

Origin: M.G.L. c. 64H, § 6(l) and (z)
Estimate: \$74.0

3.105 Exemption for Water

Sales and service of water are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(i)
Estimate: \$24.0

3.106 Exemption for Newspapers and Magazines

Newspapers and magazines are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)
Estimate: \$43.0

3.107 Exemption for the American Flag

The American flag is exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(w)
Estimate: N.A.

3.108 Exemption for Certain Precious Metals

Sales valued at \$1,000 or more of the following precious metals are exempt from the sales tax: rare coins of numismatic value; gold or silver bullion or coins; and gold or silver tender of any nation except the Republic of South Africa or Namibia which is traded and sold according to its value as precious metal. Fabricated precious metals which have been processed or manufactured for industrial, professional, or artistic use do not qualify for the exemption.

Origin: M.G.L. c. 64H, § 6(ll)
Estimate: N.A.

3.109 Exemption for Cement Mixers

Concrete mixing units mounted on the back of trucks are exempt from sales tax. Spare parts for such units are also exempt. The truck chassis is subject to sales tax.

Origin: M.G.L. c. 64H, § 6(y)
Estimate: N.A.

3.110 Exemption for Fertilizers, Insecticides and Fungicides

Fertilizers, insecticides and fungicides are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(p)
Estimate: \$1.2

3.111 Exemption for Meals Served by Continuing Care Facilities

Meals served by continuing care facilities to residents of those facilities are exempt from the sales tax on meals.

Origin: uncodified
Estimate: N.A

3.200 **EXEMPT, TAXED UNDER ANOTHER EXCISE**

3.201 Exemption for Alcoholic Beverages

Alcoholic beverages, except those sold in restaurants and similar establishments, are exempt from sales tax. They are subject to an excise at a rate which is in most cases higher than 5% of the retail price. Exceptions are cider and beer. On these two items, the excise is equivalent to a sales tax rate of approximately 1% on cider and 2% on beer.

Comment: Revenues collected under the alcoholic beverages excise for Fiscal Year 1996 were \$59.7 million.

Origin: M.G.L. c. 64H § 6(g)
Estimate: \$91.0

3.202 Exemption for Motor Fuels

Motor fuels are exempt from sales tax. They are subject to an excise at a rate higher than 5% of the retail price.

Comment: The estimate represents revenues that would be collected under the sales tax if all motor fuels were taxed at 5%. Under the motor fuels and special fuels excises, revenues for Fiscal Year 1995 were \$577.5 million. The Massachusetts motor fuels tax rate is currently 19.1% of the average price per gallon, with a \$.21 minimum.

Origin: M.G.L. c. 64H, § 6(g)
Estimate: \$171.0

3.300 **EXEMPT COMPONENT OF A PRODUCT OR CONSUMED IN PRODUCTION**

3.301 Exemption for Items Used in Making Clothing

Sales of materials used in making clothes, such as thread and fabric, are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(v)
Estimate: \$2.1

3.302 Exemption for Materials, Tools, Fuels and Machinery Used in Manufacturing

Materials, tools, fuels and machinery, including spare parts, used in manufacturing are exempt from sales tax if they become components of a product to be sold or are consumed or directly used in the manufacturing process.

Comment: The estimate is only for machinery and equipment. Components are not included to avoid double counting.

Origin: M.G.L. c. 64H, § 6(r) and (s)
Estimate: \$175.5

3.303 Exemption for Materials, Tools, Fuels and Machinery Used in Research and Development

Materials, tools, fuels and machinery, including spare parts, used in research and development by certified manufacturing or research and development corporations are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(r) and (s)
Estimate: \$21.8

3.304 Exemption for Materials, Tools, Fuels, and Machinery Used in Furnishing Power to Consumers

Materials, tools, fuels, and machinery, including spare parts, used in furnishing gas, water, steam, or electricity to consumers through mains, lines or pipes are exempt from sales tax if they are consumed or directly used in furnishing the power.

Origin: M.G.L. c. 64H, § 6(r) and (s)
Estimate: \$55.3

- 3.305 **Exemption for Materials, Tools, Fuels, and Machinery Used in Furnishing Power to an Industrial Manufacturing Plant**
Materials, tools, fuels, and machinery, including spare parts, used in furnishing power to an industrial manufacturing plant are exempt from sales tax if they are consumed or directly used in furnishing the power.

Origin: M.G.L. c. 64H, § 6(r) and (s)
Estimate: \$16.1

- 3.306 **Exemption for Materials, Tools, Fuels, and Machinery Used in Newspaper Printing**
Materials, tools, fuels, and machinery, including spare parts, used in newspaper printing are exempt from sales tax if they become components of a product to be sold or are consumed or directly used in newspaper publishing.

Comment: The estimate below excludes fuel inputs which are included in items 3.401, 3.402 and 3.403.

Origin: M.G.L. c. 64H, § 6(r)&(s)
Estimate: \$23.2

- 3.307 **Exemption for Certain Items Used in the Manufacturing of Cast Metal Products**
Patterns, molds, dies, tools, sandhandling equipment, and machinery, including spare parts, used exclusively in the manufacturing of cast metal products are exempt from sales tax.

Comment: To the extent the exemption covers machinery used in manufacturing, the estimate is included in item 3.302.

Origin: M.G.L. c. 64H, § 6(ee)
Estimate: N.A.

- 3.308 **Exemption for Materials, Tools, Fuels, and Machinery Used in Agricultural Production**
Materials, tools, fuels, and machinery, including spare parts, used in agricultural production are exempt from sales tax if they become components of products to be sold or are consumed or directly used in agricultural production. The exemption includes the same items when used for the production of livestock, poultry and animals in research.

Origin: M.G.L. c. 64H, § 6(r) and (s)
Estimate: \$4.1

- 3.309 **Exemption for Materials, Tools, Fuels, and Machinery Used in Commercial Fishing**
Materials, tools, fuels, and machinery, including spare parts, used in commercial fishing are exempt from sales tax if they become components of a product to be sold or are consumed or directly used in commercial fishing.

Origin: M.G.L. c. 64H, § 6(r) and (s)
Estimate: \$1.7

- 3.310 **Exemption for Materials, Tools, Fuels and Machinery Used in Commercial Radio and TV Broadcasting**
Materials, tools, fuels and machinery, including spare parts, used in commercial radio and TV broadcasting are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(r) and (s)
Estimate: \$1.4

3.400 EXEMPTIONS FOR SPECIFIED USES OF PRODUCTS/SERVICES

- 3.401 **Exemption for Electricity**
Residential electricity, electricity purchased by businesses with five or fewer employees, and electricity purchased for qualified industrial use are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(i) and (qq)
Estimate: \$131.1

3.402 Exemption for Fuel Used for Heating Purposes

Residential heating fuel, heating fuel purchased by businesses with five or fewer employees and heating fuel purchased for qualified industrial use are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(j) and (qq)
Estimate: \$56.0

3.403 Exemption for Piped and Bottled Gas

Residential gas, gas purchased by businesses with five or fewer employees and gas purchased for qualified industrial use are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(i) and (qq)
Estimate: \$59.0

3.404 Exemption for Steam

Residential steam, steam purchased by businesses with five or fewer employees and steam purchased for qualified industrial use are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(i) and (qq)
Estimate: \$4.0

3.405 Exemption for Certain Energy Conservation Equipment

Equipment for a solar, wind or heat pump system used as a primary or auxiliary energy source in a principal residence is exempt from sales tax.

Comment: Data were only available only for solar and wind equipment.

Origin: M.G.L. c. 64H, § 6(dd)
Estimate: N.A.

3.406 Exemption for Funeral Items

Coffins, caskets, and other funeral items are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(n)
Estimate: \$5.0

3.407 Exemption for a Motor Vehicle for a Paraplegic

A motor vehicle owned and registered for the personal use of a paraplegic is exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(u)
Estimate: \$0.6

3.408 Exemption for Textbooks

Textbooks and other books required for instruction in educational institutions are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)
Estimate: \$11.0

3.409 Exemption for Books Used for Religious Worship

Bibles, prayer books and other books used for religious worship are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)
Estimate: N.A.

3.410 Exemption for Containers

Most containers are exempt from sales tax. These include sales of empty returnable and non-returnable containers to be filled and resold, containers whose contents are exempt from the sales tax and returnable containers when sold with the contents or resold for refilling.

Origin: M.G.L. c. 64H, § 6(q)
Estimate: \$94.0

3.411 Exemption for Certain Sales by Typographers, Compositors Color Separators

Sales by typographers, compositors or color separators of composed type, film positives and negatives and reproduction proofs, or transfers of such items to a printer, publisher, or manufacturer of folding boxes for use in printing, are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(gg)
Estimate: N.A.

3.412 Exemption for Sales of Building Materials and Supplies to be Used in Connection with Certain Construction Contracts

Materials and supplies used in connection with construction contracts with the United States and Massachusetts and its subdivisions are tax exempt where the construction is for public purposes. Materials and supplies used in connection with construction contracts with a tax-exempt organization are tax exempt where the construction is to be used exclusively in carrying out the organization's charitable purpose. The exemption includes rentals of equipment as well.

Origin: M.G.L. c. 64H, § 6(f)
Estimate: \$122.7

3.413 Exemption for Plants and Seeds

Plants and parts of plants suitable for planting to produce food for human consumption are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(p)
Estimate: \$0.8

3.414 Exemption for Feed

Feed for livestock and poultry to be sold or to be used for human consumption or research, and feed for pelt-producing animals, is exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(p)
Estimate: \$1.7

3.415 Exemption for Livestock and Poultry

Livestock and poultry of a kind ordinarily used for human consumption are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(p)
Estimate: N.A.

3.416 Exemption for Commercial Fishing Vessels

Vessels, machinery, equipment and spare parts used exclusively in commercial fishing are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(o)
Estimate: \$1.0

3.417 Exemption for Commuter Boats

Vessels, materials, tools, repair and spare parts used exclusively to provide scheduled commuter passenger service are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(pp)
Estimate: N.A.

3.418 Exemption for Fuels, Supplies and Repairs for Vessels Engaged in Interstate or Foreign Commerce

Fuels, supplies and repairs for vessels engaged in interstate or foreign commerce are exempt from sales tax.

Comment: Data were available only for fuels sold to bunkering vessels.

Origin: M.G.L. c. 64H, § 6(o)

Estimate: \$1.5

- 3.419 Exemption for Fuel Used in Operating Aircraft and Railroads
Fuel used in operating aircraft and railroads is exempt from sales tax.

Comment: At a community's option, jet fuel may be subject to a local tax at a rate of \$0.05 per gallon or 5%, whichever is higher. For Fiscal Year 1996, local revenues from this source were \$12.5 million.

Origin: M.G.L. c. 64H, § 6(j)
Estimate: \$14.4

- 3.420 Exemption for Sales of Certain New or Used Buses
New and used buses which provide scheduled intra-city local service and are used by common carriers certified by the Department of Public Utilities are exempt from sales tax. The exemption includes replacement parts, materials and tools used to maintain or repair these buses.

Origin: M.G.L. c. 64H, § 6(aa)
Estimate: N.A.

- 3.421 Exemption for Films
Motion picture films for commercial exhibition are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)
Estimate: N.A.

- 3.422 Exemption for Telephone and Telegraph Services
Sales of residential telecommunications services of up to \$30 per month are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(i)
Estimate: \$38.0

3.500 EXEMPT NOT TAXABLE AS TANGIBLE PERSONAL PROPERTY

- 3.501 Nontaxation of Transfers of Real Property
Real estate is exempt from sales tax but is subject to a deeds excise at a rate of 0.456% of the taxable price of the property.

Comment: Barnstable County levies a deeds excise at a rate of 0.570% of the taxable price of the property. The estimate represents revenues that would be collected under the sales tax if sales of real property were taxed at 5%.

Origin: General exclusion of real property transactions
Estimate: \$816.0

- 3.502 Nontaxation of Rentals of Real Property
Rental charges for real property are exempt from sales tax. However, rentals of rooms in hotels, motels or lodging houses are subject to a state excise at a rate of 5.0% of the rental price and, at a community's option, to a local excise of up to 4% of the rental price.

Origin: General exclusion of real property transactions
Estimate: \$561.7

- 3.503 Nontaxation of Certain Services
Certain services are not subject to sales tax.

Comment: This estimate includes a range of services to individuals and businesses which are excluded from taxation by their omission from the statutory definition of services.

Origin: M.G.L. c. 64H
Estimate: \$1,252.0

3.600 MISCELLANEOUS EXEMPTIONS

3.601 Exemption for Casual or Isolated Sales

Casual or isolated sales (sales by private parties) are exempt from sales tax, except casual sales of motor vehicles, trailers, airplanes and boats. Sales of these listed items are exempt only when they are between family members.

Origin: M.G.L. c. 64H, §§ 6(c) and M.G.L. c. 64I, § 7(b)
Estimate: N.A.

3.602 Exemption for Vending Machine Sales

Vending machine sales of ten cents or less are exempt from sales tax. In addition, sales through vending machines which exclusively sell snacks and candy with a sales price of less than one dollar are exempt from the sales tax on meals.

Origin: M.G.L. c. 64H, § 6(h) and (i)
Estimate: N.A.

3.603 Exemption for Certain Meals

Meals prepared by churches and hospitals, meals provided to organizations for the elderly, and meals provided by educational institutions are exempt from sales tax.

Comment: Estimate is for school lunches only.

Origin: M.G.L. c. 64H, § 6(cc)
Estimate: \$5.6

3.604 Exemption for Certain Bed and Breakfast Establishments from Sales Tax on Meals and Room Occupancy Excise

Owner-occupied one, two and three-room bed and breakfast establishments are exempt from both the sales tax on meals and the room occupancy excise.

Origin: M.G.L. c. 64G, § 1, 2, 3, 3A and 6, and M.G.L. c. 64H, § 6(h)
Estimate: N.A.

3.605 Exemption for Certain Summer Camps from Sales Tax on Meals and Room Occupancy Excise

An exemption from both the sales tax on meals and the room occupancy excise is provided for summer camps for children age 18 and under, or for summer camps for developmentally disabled individuals. Camps that satisfy the above criteria but offer their facilities during the off-season to individuals 60 years of age or over for 30 days or less in any calendar year will not lose their exemption.

Comment: Estimate is for meals only.

Origin: M.G.L. c. 64G, § 2 and M.G.L. c. 64H, § 6(cc)
Estimate: \$0.4

3.606 Exemption for Trade-in Allowances for Motor Vehicles and Trailers

Motor vehicles and trailers bought in a trade-in transaction are only subject to sales tax on the excess of the purchase price over the amount credited for the trade-in.

Origin: Massachusetts Statute 1990, c. 121, §§ 55, 66, 111 and M.G.L. c. 64H, 26 and M.G.L. c. 64I, § 27
Estimate: \$49.5

3.607 Exemption for Publications of Tax-Exempt Organizations

The publications of tax-exempt organizations are exempt from sales tax.

Comment: Data were available only for books published by tax-exempt organizations.

Origin: M.G.L. c. 64H, § 6(m)
Estimate: \$4.0

3.608 Exemption for Gifts of Scientific Equipment

Gifts of scientific equipment or apparatus by manufacturers to non-profit educational institutions or to the Massachusetts Technology Park Corporation are exempt from sales tax.

Origin: M.G.L. c. 64H, §§ 6(jj)
Estimate: \$12.0

3.609 Exemption for Vessels or Barges of 50 Tons or Over

Vessels or barges weighing 50 tons or over are exempt from sales tax when constructed in-state and sold by the builder.

Origin: M.G.L. c. 64H, § 6(o)
Estimate: N.A.

3.610 Exemption for Rental Charges for Refuse Containers

Rental charges in connection with service contracts by and between waste service firms and customers for refuse containers or bins are exempt from sales tax when the containers are placed on the customer's premises by waste service firms.

Origin: M.G.L. c. 64H, § 6(ii)
Estimate: N.A.

3.611 Exemption for Honor Trays

Food items purchased from honor trays are exempt from sales and meals taxes, provided that no item on the honor tray is sold for \$1 or more.

Comment: Honor trays are vending carts in workplaces from which snacks may be purchased on the honor system.

Origin: M.G.L. c. 64H, § 6 (h)
Estimate: N.A.

APPENDIX D: Statutes Creating Utah Tax Review
Commission and Authorizing Periodic
Review by Commission of Sales and Use
Tax Exemptions

PART 9. TAX REVIEW COMMISSION

59-1-901. Creation - Members.

- (1) There is created a state commission to be known as the Utah Tax Review Commission.
- (2) (a) The review commission shall be composed of 14 members as follows:
 - (i) Two shall be appointed by the speaker of the House of Representatives from the House of Representatives, not more than one of whom may be from the same political party.
 - (ii) Two shall be appointed by the president of the Senate from the Senate, not more than one of whom may be from the same political party.
 - (iii) Five shall be appointed by the governor, not more than three of whom may be from the same political party.
 - (iv) A member of the State Tax Commission, appointed by the State Tax Commission, shall be an ex officio member of the review commission.
- (b) The ten members appointed under Subsection (a) shall then select four additional members with consideration to be given to achieving ethnic, cultural, and gender diversity, representation from the major geographical areas of the state, and equal bipartisan representation.

59-12-104.5. Review of sales tax exemptions.

- (1) The Tax Review Commission, in cooperation with the Governor's Office and the State Tax Commission, shall conduct a review of the following sales tax exemptions and related issues created in Section 59-12-104 within the following period of time:
 - (a) Subsections 59-12-104(4), (7), (8), (12), (15), (17), (24), (31), (37), (40), and (43) before October 1, 1993, and every eight years thereafter;
 - (b) Subsections 59-12-104(5), (6), (16), (18), (20), (21), (22), (34), and (35) before October 1, 1994, and every eight years thereafter;
 - (c) except as provided in Subsections (1)(e) and (f), Subsections 59-12-104(1), (2), (9), (13), (23), (29), (30), (39), (44), and (45) before October 1, 1995, and every eight years thereafter;
 - (d) Subsections 59-12-104(10), (11), (14), (19), (25), (26), (27), (28), (32), and (33) before October 1, 1996, and every eight years thereafter;
 - (e) notwithstanding Subsection (1)(c), the Tax Review Commission shall review Subsection 59-12-104(30) before October 1 of the year after the year in which Congress permits a state to participate in the special supplemental nutrition program under 42 U.S.C. Sec. 1786 even if state or local sales taxes are collected within the state on purchases of food under that program; and

(f) notwithstanding Subsection (1)(c), the Tax Review Commission shall review Subsection 59-12-104(23) before October 1 of the year after the year in which Congress permits a state to participate in the food stamp program under the Food Stamp Act, 7 U.S.C. Sec. 2011 et seq., even if state or local sales taxes are collected within the state on purchases of food under that program.

(2) (a) The Tax Review Commission and the Revenue and Taxation Interim Committee shall make recommendations to the governor and the Legislature, on or before the October interim meeting in the year the study is required to be completed under this section, concerning whether the exemption listed in Subsection (1) should be continued, modified, or repealed.

(b) In its report to the governor and the Revenue and Taxation Interim Committee, the commission review shall include at least:

(i) the cost of the exemption;

(ii) the following criteria for granting or extending incentives for businesses:

(A) the business must be willing to make a substantial capital investment in Utah, signaling that it will be a long-term member of the community;

(B) the business must bring new dollars into the state, which generally means the business must export goods or services outside of Utah, not just recirculate existing dollars;

(C) the business must pay higher than average wages in the area where it will be located, increasing Utah's overall household income (average wage calculations are not to include local, state, or federal government or school district employees);

(D) the same incentives offered the outside business must be available to existing in-state businesses so as not to discriminate against home-grown businesses; and

(E) the incentives must clearly produce a positive return on investment as determined by state economic modeling formulas;

(iii) the Legislature's sales and use tax policy positions adopted in H.J.R. 32 of the 1990 General Session;

(iv) the purpose and effectiveness of the exemption; and

(v) the benefits of the exemption to the state.

(3) Item 43, in H.B. 337, enacted during the 1993 General Session, is transferred from the Tax Commission to the Tax Review Commission to implement this section.

Amended by HB 203, 3-11-96.

APPENDIX E: Current Version of Exemptions Included in
1955 *Sales and Use Tax Act*

NEVADA REVISED STATUTES

-1-

Sales and Use Tax Exemptions—Included in Original Act

Sec. 372.265. Constitutional and statutory exemptions.

There are exempted from the taxes imposed by this chapter the gross receipts from the sale of, and the storage, use or other consumption in this state of, tangible personal property the gross receipts from the sale of which, or the storage, use or other consumption of which, this state is prohibited from taxing under the Constitution or laws of the United States or under the constitution of this state.

Sec. 372.270. Proceeds of mines.

There are exempted from the taxes imposed by this chapter the gross receipts from the sale of, and the storage, use or other consumption in this state of, the proceeds of mines which are subject to taxes levied pursuant to chapter 362 of NRS.

Sec. 372.275. Fuel used to propel motor vehicle.

There are exempted from the taxes imposed by this chapter the gross receipts from the sale and distribution of, and the storage, use or other consumption in this state of, any combustible gas, liquid or material of a kind used in an internal or combustion or diesel engine for the generation of power to propel a motor vehicle on the highways.

Sec. 372.280. Animals and plants intended for human consumption; feed; fertilizer.

There are exempted from the taxes imposed by this chapter the gross receipts from sales of, and the storage, use or other consumption of:

1. Any form of animal life of a kind the products of which ordinarily constitute food for human consumption.
2. Feed for any form of animal life of a kind the products of which ordinarily constitute food for human consumption or are to be sold in the regular course of business.
3. Seeds and annual plants the products of which ordinarily constitute food for human consumption or are to be sold in the regular course of business.
4. Fertilizer to be applied to land the products of which are to be used as food for human consumption or sold in the regular course of business.

NEVADA REVISED STATUTES

-2-

Sales and Use Tax Exemptions—Included in Original Act

Sec. 372.285. Meals and food products sold to students or teachers by school, organization of students or parent-teacher association.

There are exempted from the taxes imposed by this chapter the gross receipts from the sale of, and the storage, use or other consumption in this state of, meals and food products for human consumption served by public or private schools, school districts, student organizations and parent-teacher associations to the students or teachers of a school.

Sec. 372.290. Containers.

1. There are exempted from the taxes imposed by this chapter the gross receipts from sales of, and the storage, use or other consumption in this state of:
 - (a) Nonreturnable containers when sold without the contents to persons who place the contents in the container and sell the contents together with the container.
 - (b) Containers when sold with the contents if the sales price of the contents is not required to be included in the measure of the taxes imposed by this chapter.
 - (c) Returnable containers when sold with the contents in connection with a retail sale of the contents or when resold for refilling.
2. As used in this section the term "returnable containers" means containers of a kind customarily returned by the buyer of the contents for reuse. All other containers are "nonreturnable containers."

Sec. 372.295. Gas, electricity and water.

There are exempted from the taxes imposed by this chapter the gross receipts from the sales, furnishing or service of, and the storage, use or other consumption in this state of, gas, electricity and water when delivered to consumers through mains, lines or pipes.

Sec. 372.300. Domestic fuels.

There are exempted from the taxes imposed by this chapter the gross receipts from the sale, furnishing or service of, and the storage, use or other consumption in this state of, any matter used to produce domestic heat by burning, including, without limitation, wood, coal, petroleum and gas.

NEVADA REVISED STATUTES

-3-

Sales and Use Tax Exemptions—Included in Original Act

Sec. 372.305. Personal property used for performance of contract on public works executed before July 1, 1955.

There are exempted from the taxes imposed by this chapter the gross receipts from the sale of, and the storage, use or other consumption in this state of, tangible personal property used for the performance of a contract on public works executed prior to July 1, 1955.

Sec. 372.310. Personal property used for performance of written contract executed before March 29, 1955.

There are exempted from the taxes imposed by this chapter the gross receipts from the sale of, and the storage, use or other consumption in this state of, tangible personal property used for the performance of a written contract entered into prior to March 29, 1955.

Sec. 372.315. Newspapers.

There are exempted from the taxes imposed by this chapter the gross receipts from the sale of, and the storage, use or other consumption in this state of, tangible personal property which becomes an ingredient or component part of any newspaper regularly issued at average intervals not exceeding 1 week and any such newspaper.

Sec. 372.320. Occasional sales.

There are exempted from the taxes imposed by this chapter the gross receipts from occasional sales of tangible personal property and the storage, use or other consumption in this state of tangible personal property, the transfer of which to the purchaser is an occasional sale.

Sec. 372.325. Sale to United States, state, or political subdivision.

There are exempted from the computation of the amount of the sales tax the gross receipts from the sale of any tangible personal property to:

1. The United States, its unincorporated agencies and instrumentalities.
2. Any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.
3. The State of Nevada, its unincorporated agencies and instrumentalities.
4. Any county, city, district or other political subdivision of this state.

NEVADA REVISED STATUTES

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Sales and Use Tax Exemptions—Included in Original Act

Sec. 372.330. Sale to common carrier.

There are exempted from the computation of the amount of the sales tax the gross receipts from sales of tangible personal property to a common carrier, shipped by the seller via the purchasing carrier under a bill of lading whether the freight is paid in advance or the shipment is made freight charges collect, to a point outside this state and the property is actually transported to the out-of-state destination for use by the carrier in the conduct of its business as a common carrier.

Sec. 372.335. Property shipped outside state pursuant to sales contract; delivery by vendor.

There are exempted from the computation of the amount of the sales tax the gross receipts from any sale of tangible personal property which is shipped to a point outside this state pursuant to the contract of sale by delivery by the vendor to such point by means of:

1. Facilities operated by the vendor;
2. Delivery by the vendor to a carrier for shipment to a consignee at such point; or
3. Delivery by the vendor to a customs broker or forwarding agent for shipment outside this state.

Sec. 372.340. Personal property sold to or used by contractor who is constituent part of governmental, religious or charitable entity.

The taxes imposed under this chapter apply to the sale of tangible personal property to and the storage, use or other consumption in this state of tangible personal property by a contractor for a governmental, religious or charitable entity which is otherwise exempted from the tax unless the contractor is a constituent part of that entity.

Sec. 372.345. Use tax: Property on which sales tax paid.

The storage, use or other consumption in this state of property, the gross receipts from the sale of which are required to be included in the measure of the sales tax, is exempted from the use tax.

APPENDIX F: Exemptions Added to Nevada
Sales and Use Tax Act since 1955

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Sales and Use Tax Exemptions—Added Since 1955

Sec. 372.283. Prosthetic devices; orthotic appliances and certain supports and casts; appliances and supplies relating to ostomy; products for hemodialysis; medicine.

1. There are exempted from the taxes imposed by this act the gross receipts from sales and the storage, use or other consumption of:
 - (a) Prosthetic devices for human use.
 - (b) Appliances and supplies relating to an ostomy.
 - (c) Products for hemodialysis.
 - (d) Medicines:
 - (1) Prescribed for the treatment of a human being by a person authorized to prescribe medicines, and dispensed on a prescription filled by a registered pharmacist in accordance with law;
 - (2) Furnished by a licensed physician, dentist or podiatrist to his own patient for the treatment of the patient;
 - (3) Furnished by a hospital for treatment of any person pursuant to the order of a licensed physician, dentist, podiatrist; or
 - (4) Sold to a licensed physician, dentist, podiatrist or hospital for the treatment of a human being.
2. "Medicine" means any substance or preparation intended for use by external or internal application to the human body in the diagnosis, cure, mitigation, treatment or prevention of disease or affliction of the human body and which is commonly recognized as a substance or preparation intended for such use.
3. "Medicine" does not include:
 - (a) Any auditory, ophthalmic or ocular device or appliance.
 - (b) Articles which are in the nature of splints, bandages, pads, compresses, supports, dressings, instruments, crutches, canes, braces, devices or other mechanical, electronic, optical or physical equipment.
 - (c) Any alcoholic beverage, except where the alcohol merely provides a solution in the ordinary preparation of a medicine as defined by subsection 2.
4. Insulin furnished by a registered pharmacist to a person for treatment of diabetes as directed by a physician shall be deemed to be dispensed on a prescription within the meaning of this section.

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Sales and Use Tax Exemptions—Added Since 1955

Sec. 372.284. Food for human consumption.

1. There are exempted from the taxes imposed by this chapter the gross receipts from sales and the storage, use or other consumption of food for human consumption.
2. "Food for human consumption" does not include:
 - (a) Alcoholic beverages.
 - (b) Pet foods.
 - (c) Tonics and vitamins.
 - (d) Prepared food intended for immediate consumption.

Sec. 372.287. Textbooks sold within University and Community College System of Nevada.

There are exempted from the taxes imposed by this chapter the gross receipts from the sale of textbooks sold within the University of Nevada system.

Sec. 372.316. Manufactured homes and mobile homes.

1. There are exempted from the taxes imposed by this chapter an amount equal to 40 percent of the gross receipts from the sales and storage, use or other consumption of new manufactured homes and new mobile homes.
2. There are exempted from the taxes imposed by this chapter the gross receipts from the sales and storage, use or other consumption of used manufactured homes and used mobile homes for which taxes under this chapter have been paid as a result of a previous sale, storage, use or consumption.
3. As used in this section:
 - (a) "Manufactured home" has the meaning ascribed to it in NRS 489.113; and
 - (b) "Mobile home" has the meaning ascribed to it in NRS 489.120. The term does not include a motor home as defined in NRS 482.071.

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Sales and Use Tax Exemptions—Added Since 1955

Sec. 372.317. Aircraft, aircraft engines and component parts of aircraft.

There are exempted from the taxes imposed by this act the gross receipts from the sale, and the storage, use or other consumption in this state of:

1. Aircraft, aircraft engines and component parts of aircraft or aircraft engines which are manufactured exclusively for use in aircraft, sold or purchased for lease to a commercial air carrier for use in the transportation of persons or property in intrastate, interstate or foreign commerce pursuant to a certificate or license issued to the air carrier authorizing such transportation; and
2. Machinery, tools and other equipment and parts which are used exclusively in the repair, remodeling or maintenance of aircraft, aircraft engines or component parts of aircraft or aircraft engines which meet the requirements of subsection 1.

Sec. 372.326. Personal property sold by or to nonprofit organization created for religious, charitable or educational purposes.

There are exempted from the taxes imposed by this act the gross receipts from the sale of, and the storage, use or other consumption in this state of, any tangible personal property sold by or to a nonprofit organization created for religious, charitable or educational purposes. The legislature shall establish:

1. Standards for determining whether an organization is created for religious, charitable or educational purposes.
2. Procedures for administering the provisions of this section.

Sec. 372.327. Loan or donation to United States, state, political subdivision or religious or eleemosynary organization.

There are exempted from the taxes imposed by this chapter on the storage, use or other consumption of tangible personal property any such property loaned or donated to:

1. The United States, its unincorporated agencies and instrumentalities.
2. Any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.
3. The State of Nevada, its unincorporated agencies and instrumentalities.
4. Any county, city, district or other political subdivision of this state.
5. Any organization created for religious, charitable or eleemosynary purposes, provided that no part of the net earnings of any such organization inures to the benefit of any private shareholder or individual.

APPENDIX G: Exemptions from Nevada Property Taxes

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Property Tax Exemptions

Sec. 361.050. United States property exempted.

All lands and other property owned by the United States, not taxable because of the Constitution or laws of the United States, shall be exempt from taxation.

Sec. 361.055. Exemption of state lands and property generally; payment of money in lieu of taxes by division of wildlife; apportionment.

1. All lands and other property owned by the state are exempt from taxation, except real property acquired by the State of Nevada and assigned to the division of wildlife of the state department of conservation and natural resources which is or was subject to taxation under the provisions of this chapter at the time of acquisition.
2. In lieu of payment of taxes on each parcel of real property acquired by it which is subject to assessment and taxation pursuant to subsection 1, the division of wildlife of the state department of conservation and natural resources shall make annual payment to the county tax receiver of the county wherein each such parcel of real property is located of an amount equal to the total taxes levied and assessed against each such parcel of real property in the year in which title to it was acquired by the State of Nevada.
3. Such payments in lieu of taxes must be collected and accounted for in the same manner as taxes levied and assessed against real property pursuant to this chapter are collected and accounted for.
4. Money received pursuant to this section must be apportioned each year to the counties, school districts and cities wherein each such parcel of real property is located in the proportion that the tax rate of each such political subdivision bears to the total combined tax rate in effect for that year.

Sec. 361.060. Property of Nevada rural housing authority, political subdivisions and municipal corporations exempted.

All lands and other property owned by the Nevada rural housing authority or any county, domestic municipal corporation, irrigation, drainage or reclamation district or town in this state are exempt from taxation, except as provided in NRS 539.213 with respect to certain community pastures.

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Property Tax Exemptions

Sec. 361.0605. Property related to public use of privately owned park exempted; exclusion.

1. The acquisition, improvement or use of land by the public as a park is a municipal purpose, whether or not the park is owned or operated by a local government.
2. The real property and improvements of a privately owned park which, pursuant to an agreement with a local government, are used by the public without charge, excluding areas from which income is derived, are exempt from taxation.

Sec. 361.061. Property related to public use of privately owned airport exempted; exclusion.

1. The acquisition, improvement or use of land by the public as an airport is a municipal purpose, whether or not the airport is owned or operated by a local government.
2. The real property and improvements of a privately owned airport which are used by the public without charge, including areas used for taking off, landing and taxiing but excluding areas from which income is derived, are exempt from taxation.

Sec. 361.062. Property of trusts for furtherance of public functions exempted.

All property, both real and personal, of a trust created for the benefit and furtherance of any public function pursuant to the provisions of general or special law is exempt from taxation; but moneys in lieu of taxes may be paid to the beneficiary pursuant to any agreement contained in the instrument creating the trust.

Sec. 361.065. Property of school districts exempted.

All lots, buildings and other school property owned by any legally created school district within the state and devoted to public school purposes are exempt from taxation.

Sec. 361.067. Vehicles exempted.

All vehicles, as defined in NRS 371.020, are exempt from taxation under the provisions of this chapter, except mobile homes which constitute "real estate" or "real property."

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Property Tax Exemptions

Sec. 361.068. Business inventories and consumables, livestock, bees, certain pipe and agricultural equipment, boats, campers, computers and related equipment donated to schools and fine art for public display exempted; establishment of de minimis exemption for personal property. [Effective until June 30, 2003.]

1. The following personal property is exempt from taxation:

(a) Personal property held for sale by a merchant;

(b) Personal property held for sale by a manufacturer;

(c) Raw materials and components held by a manufacturer for manufacture into products, and supplies to be consumed in the process of manufacture;

(d) Tangible personal property purchased by a business which will be consumed during the operation of the business;

(e) Livestock;

(f) Colonies of bees;

(g) Pipe and other agricultural equipment used to convey water for the irrigation of legal crops;

(h) All boats;

(i) Slide-in campers and camper shells.

(j) Fine art for public display; and

(k) Computers and related equipment donated for use in schools in this state.

2. The Nevada tax commission may exempt from taxation that personal property for which the annual taxes would be less than the cost of collecting those taxes. If such an exemption is provided, the Nevada tax commission shall annually determine the average cost of collecting property taxes in this state which must be used in determining the applicability of the exemption.

3. A person claiming the exemption provided for in paragraph (j) of subsection 1 shall, on or before June 15 for the next ensuing fiscal year, file with the county assessor an affidavit declaring that the fine art:

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Property Tax Exemptions

—
(a) Was purchased in an arm's length transaction for \$25,000 or more, or has an appraised value of \$25,000 or more;

(b) Will be on public display in a public or private art gallery, museum or other building or area in this state for at least 20 hours per week during at least 35 weeks of the year for which the exemption is claimed; and

(c) Will be available for educational purposes.

4. To qualify for the exemption provided in paragraph (k) of subsection 1, a taxpayer must donate the property through a foundation or organization, not for profit, that accepts such property for use in schools in this state. The foundation or organization shall issue a voucher identifying each item of property donated. To obtain the benefit of the exemption, the taxpayer must apply to the county assessor and tender the voucher. The county assessor shall compute the assessed value of the property for the year in which the donation was made using the original cost and the year of acquisition. The county assessor shall allow a credit of that amount against the personal property assessment for the year following the donation.

5. As used in this section:

(a) "Boat" includes any vessel or other watercraft, other than a seaplane, used or capable of being used as a means of transportation on the water.

(b) "Fine art for public display" means a work of art which:

(1) Is an original painting in oil, mineral, water colors, vitreous enamel, pastel or other medium, an original mosaic, drawing or sketch, an original sculpture of clay, textiles, fiber, wood, metal, plastic, glass or a similar material, an original work of mixed media or a lithograph;

(2) Was purchased in an arm's length transaction for \$25,000 or more, or has an appraised value of \$25,000 or more;

(3) Is on public display in a public or private art gallery, museum or other building or area in this state for at least 20 hours per week during at least 35 weeks of each year for which the exemption is claimed; and

(4) Is available for educational purposes.

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Property Tax Exemptions

Sec. 361.0685. Exemption of percentage of personal and real property of certain businesses certified by commission on economic development.

1. Except as otherwise provided in this section, if a:

(a) Business that engages in the primary trade of preparing, fabricating, manufacturing or otherwise processing raw material or an intermediate product through a process in which at least 50 percent of the material or product is recycled on site; or

(b) Business that includes as a primary component a facility for the production of electrical energy from recycled material,

is found by the commission on economic development to have as a primary purpose the conservation of energy or the substitution of other sources of energy for fossil sources of energy and obtains certification from the commission on economic development pursuant to NRS 231.139, 75 percent of the personal and real property of the business is exempt from taxation.

2. Before an exemption may be granted pursuant to subsection 1, the business must execute an agreement with the commission on economic development which states that the business will continue in operation in this state for 30 or more years after the date on which the exemption is granted. The agreement must bind the successors in interest of the business. The exemption pursuant to this section continues until the expiration of the period for which the exemption was granted or until the business discontinues in operation in this state, whichever occurs first.

3. The exemption provided in this section applies only to the business for which certification was granted pursuant to NRS 231.139 and the property used in connection with that business. The exemption does not apply to property in this state that is not related to the business for which the certification was granted pursuant to NRS 231.139 or to property in existence and subject to taxation before the certification was granted.

4. Personal property exempted pursuant to subsection 1 may not receive an exemption for more than 10 consecutive years. Real property exempted pursuant to subsection 1 may not receive an exemption for more than 20 consecutive years.

5. As used in this section a "facility for the production of electrical energy from recycled material" is a facility which uses recycled material as its primary fuel including material from:

(a) Industrial or domestic waste, other than hazardous waste, even though it includes a product made from oil, natural gas or coal, such as plastics, asphalt shingles or tires;

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Property Tax Exemptions

(b) Agricultural crops, whether terrestrial or aquatic, and agricultural waste, such as manure and residue from crops; and

(c) Municipal waste, such as sewage and sludge.

The term includes all the equipment in the facility used to process and convert into electricity the energy derived from a recycled material fuel.

Sec. 361.0687 Partial abatement of tax on personal property of certain new or expanded businesses.

1. A person who intends to locate or expand a business in this state may apply to the commission on economic development for a partial abatement from the taxes imposed by this chapter on the personal property of the new or expanded business.

2. The commission on economic development may approve an application for a partial abatement if the commission makes the following determinations:

(a) The goals of the business are consistent with the goals of the commission and the community concerning industrial development and diversification.

(b) The abatement is a significant factor in the decision of the applicant to locate or expand a business in this state or the appropriate affected local government determines that the abatement will be beneficial to the economic development of the community.

(c) The average hourly wage which will be paid by the new or expanded business to its employees in this state is at least 125 percent of the average statewide industrial hourly wage as established by the employment security division of the department of employment, training and rehabilitation on July 1 of each fiscal year.

(d) The business will provide a health insurance plan for all employees that includes an option for health insurance coverage for dependents of the employees.

(e) The cost to the business for the benefits the business provides to its employees in this state will meet the minimum requirements for benefits established by the commission pursuant to subsection 8.

(f) A capital investment for personal property will be made to locate or expand the business in Nevada which is at least:

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Property Tax Exemptions

—
(1) If the personal property directly related to the establishment of the business in this state is primarily located in a county whose population:

(I) Is 100,000 or more, \$50,000,000.

(II) Is less than 100,000, \$20,000,000.

(2) If the personal property directly related to the expansion of the business is primarily located in a county whose population:

(I) Is 100,000 or more, \$10,000,000.

(II) Is less than 100,000, \$4,000,000.

(g) The business will create at least the following number of new, full-time and permanent jobs in the State of Nevada by the fourth quarter that it is in operation:

(1) If a new business will be primarily located in a county whose population:

(I) Is 100,000 or more, 100 jobs.

(II) Is less than 100,000, 35 jobs.

(2) If an expanded business will be primarily located in a county whose population:

(I) Is 100,000 or more, and the business has at least 100 employees in this state, 20 jobs. An expanded business primarily located in such a county that has less than 100 employees is not eligible for a partial abatement pursuant to this section.

(II) Is less than 100,000, and the business has at least 35 employees in this state, 10 jobs. An expanded business primarily located in such a county that has less than 35 employees is not eligible for a partial abatement pursuant to this section.

(h) For the expansion of a business primarily located in a county whose population:

(1) Is 100,000 or more, the book value of the assets of the business in this state is at least \$20,000,000.

(2) Is less than 100,000, the book value of the assets of the business in this state is at least \$5,000,000.

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Property Tax Exemptions

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(i) The business is registered pursuant to the laws of this state or the applicant commits to obtain a valid business license and all other permits required by the county, city or town in which the business operates.

(j) The proposed abatement has been approved by the governing body of the appropriate affected local government as determined pursuant to the regulations adopted pursuant to subsection 8. In determining whether to approve a proposed abatement, the governing body shall consider whether the taxes to be paid by the business are sufficient to pay for any investment required to be made by the local government for services associated with the relocation or expansion of the business, including, without limitation, costs related to the construction and maintenance of roads, sewer and water services, fire and police protection and the construction and maintenance of schools.

(k) The applicant has executed an agreement with the commission which states that the business will continue in operation in Nevada for 10 or more years after the date on which a certificate of eligibility for the abatement is issued pursuant to subsection 5 and will continue to meet the eligibility requirements contained in this subsection. The agreement must bind the successors in interest of the business for the required period.

3. An applicant shall, upon the request of the executive director of the commission on economic development, furnish him with copies of all records necessary to verify that the applicant meets the requirements of subsection 2.

4. The percentage of the abatement must be 50 percent of the taxes payable each year.

5. If an application for a partial abatement is approved, the commission on economic development shall immediately forward a certificate of eligibility for the abatement to:

(a) The department; and

(b) The county assessor of each county in which personal property directly related to the establishment or expansion of the business will be located.

6. Upon receipt by the department of the certificate of eligibility, the taxpayer is eligible for an abatement from the tax imposed by this chapter for 10 years:

(a) For the expansion of a business, on all personal property of the business that is located in Nevada and directly related to the expansion of the business in this state.

(b) For a new business, on all personal property of the business that is located in Nevada and directly related to the establishment of the business in this state.

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Property Tax Exemptions

7. If a business for which an abatement has been approved is not maintained in this state in accordance with the agreement required in subsection 2, for at least 10 years after the commission on economic development approved the abatement, the person who applied for the abatement shall repay to the county treasurer or treasurers who would have received the taxes but for the abatement the total amount of all taxes that were abated pursuant to this section. The person who applied for the abatement shall pay interest on the amount due at the rate of 10 percent per annum for each month, or portion thereof, from the last day of the month following the period for which the payment would have been made if the abatement had not been granted until the date of the actual payment of the tax.

8. A county treasurer:

(a) Shall deposit any money that he receives pursuant to subsection 7 in one or more of the funds established by a local government of the county pursuant to NRS 354.611, 354.6113 or 354.6115; and

(b) May use the money deposited pursuant to paragraph (a) only for the purposes authorized by NRS 354.611, 354.6113 and 354.6115.

9. The commission on economic development shall adopt regulations necessary to carry out the provisions of this section. The regulations must include, but not be limited to:

(a) A method for determining the appropriate affected local government to approve a proposed abatement and the procedure for obtaining such approval; and

(b) Minimum requirements for benefits that a business applying for a partial abatement must offer to its employees to be approved for the partial abatement.

10. The department shall adopt regulations concerning how county assessors shall administer partial abatements approved pursuant to this section.

11. An applicant for an abatement who is aggrieved by a final decision of the commission on economic development may petition for judicial review in the manner provided in chapter 233B of NRS.

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Property Tax Exemptions

Sec. 361.069. Household goods and furniture exempted; exclusion of rental property.

Household goods and furniture, other than appliances and furniture which are owned by a person who engages in the business of renting the appliances or furniture to other persons, are exempt from taxation. As used in this section:

1. "Household goods and furniture" includes, without limitation, the following items if used in a residence:

- (a) Clothing;
- (b) Personal effects;
- (c) Gold and silver;
- (d) Jewelry;
- (e) Appliances that are not attached to real property or a mobile home;
- (f) Furniture;
- (g) Recreational equipment not required by NRS to be registered; and
- (h) Portable goods and storage sheds and other household equipment.

2. "Engages in the business of renting appliances or furniture" means:

(a) Renting or leasing appliances or furniture, or both, to other persons not in conjunction with the rental or lease of a dwelling unit; or

(b) Renting or leasing appliances or furniture, or both, to other persons in conjunction with the rental or lease of a dwelling unit located in a complex containing five or more dwelling units which are rented or leased by the owner to other persons in conjunction with appliances or furniture, or both.

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Property Tax Exemptions

Sec. 361.070. Drainage ditches, canals and irrigation systems exempted.

1. Drainage ditches and canals, together with the lands which are included in the rights of way of the ditch or canal, are exempted from taxation and must be excluded from the assessed value of the parcel unless otherwise requested by the owner of the property.

2. Each part of a permanently installed irrigation system of pipes or concrete linings of ditches and headgates to increase efficiency and conservation in the use of water, when the water is to be used for irrigation and agricultural purposes on land devoted to agricultural purposes by the owner of the pipes or concrete linings is exempted from taxation and must be excluded from the assessed value of the parcel.

Sec. 361.073. Property of water users' nonprofit associations and nonprofit cooperative corporations exempted.

All real and personal property of a water users' nonprofit association or of a water users' nonprofit cooperative corporation within the State of Nevada is exempt from taxation, but such property shall be taxed when it is used for any purpose other than carrying out the legitimate functions of such nonprofit association or of a water users' nonprofit cooperative corporation.

Sec. 361.075. Exemption of unpatented mines and mining claims.

Unpatented mines and mining claims shall be exempt from taxation, but nothing in this section shall be so construed as to:

1. Exempt from taxation possessory claims to the public lands of the United States or of this state, or improvements thereon, or the proceeds of the mines; and
2. Interfere with the primary title to the lands belonging to the United States.

Sec. 361.077. Exemption of property used for control of air or water pollution.

1. All property, both real and personal, is exempt from taxation to the extent that the property is used as a facility, device or method for the control of air or water pollution.

2. As used in this section, "facility, device or method for the control of air or water pollution" means any land, structure, building, installation, excavation, machinery, equipment or device or any addition to, reconstruction, replacement, or improvement of land or an existing structure,

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Property Tax Exemptions

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building, installation, excavation, machinery, equipment or device used, constructed, acquired or installed after January 1, 1965, if the primary purpose of the use, construction, acquisition or installation is compliance with law or standards required by any environmental protection agency, authorized by and acting under the authority of the United States or the State of Nevada or any of its political subdivisions, for the prevention, control or reduction of air or water pollution.

3. As used in this section, "facility, device or method for the control of air or water pollution" does not include:

(a) Air conditioners, septic tanks or other facilities for human waste, nor any property installed, constructed or used for the moving of sewage to the collection facilities of a public or quasi-public sewage system.

(b) Any facility or device having a value of less than \$1,000 at the time of its construction, installation or first use.

(c) Any facility or device which produces a net profit to the owner or operator thereof from the recovery and sale or use of a tangible product or by-product, nor does it include a facility or device which, when installed and operating, results in a net reduction of operating costs.

4. The exemption may be allowed only to a person who files an affidavit declaring that the property for which the exemption is being sought meets the requirements of subsection 1. The affidavit must be filed with the claim for the exemption pursuant to NRS 361.155.

5. The department shall prepare and publish a report each fiscal year showing:

(a) The assessed value of properties within each county which are exempt from taxation under this section;

(b) The loss in tax revenues to the state general fund and to each local taxing entity from the exemption; and

(c) Such other information as the department may deem relevant to indicate the effect of the loss of tax revenue on the state and on local taxing entities.

Each county assessor shall provide the department with the data it needs to complete the report required by this section.

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Property Tax Exemptions

Sec. 361.078. Exemption of residential property containing shelter protecting against radioactive fallout.

1. Residential property to the extent of \$1,000 assessed valuation is exempt from taxation if the property:

- (a) Is owned and occupied by a resident of this state;
- (b) Contains a shelter for protection against radioactive fallout;
- (c) The shelter has sufficient space to protect the number of persons who normally occupy the residence; and
- (d) The shelter provides at least 40 times more protection against radiation to a person inside the shelter than to a person outside the shelter.

2. Any person claiming this exemption must file with the county assessor an affidavit declaring that:

- (a) He is a resident of the State of Nevada;
- (b) His shelter meets the requirements of subsection 1; and
- (c) He has not claimed a similar exemption for the current year in any other county in this state.

Sec. 361.0785 Exemption of property used as facility for production of electrical energy from solar energy.

1. Except as otherwise provided in this section, all property, both real and personal, is exempt from taxation as set forth in this section to the extent that the property is used as a facility for the production of electrical energy from solar energy.

2. Personal property exempted pursuant to subsection 1 may not receive an exemption for more than 10 consecutive years.

3. Real property exempted pursuant to subsection 1 may not receive an exemption for more than 20 consecutive years.

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Property Tax Exemptions

4. The provisions of this section do not apply to:

(a) Residential property; and

(b) Property that is used as a facility for the production of electrical energy from solar energy before July 1, 1997.

5. As used in this section, "facility for the production of electrical energy from solar energy" means a facility which uses solar energy as its primary fuel in the production of electricity. The term includes all the equipment in the facility used to collect, store and convert into electricity the energy derived from solar energy.

Sec. 361.079. Exemption of qualified systems for heating or cooling.

1. As used in this section, "qualified system" means any system, method, construction, installation, machinery, equipment, device or appliance which is designed, constructed or installed in a residential, commercial or industrial building to heat or cool the building or water used in the building, or to provide electricity used in the building, by using:

(a) Energy from the wind or from solar devices not thermally insulated from the area where the energy is used;

(b) Geothermal resources;

(c) Energy derived from conversion of solid wastes; or

(d) Water power,

which conforms to standards established by regulation of the department.

2. For any assessment made on or after July 1, 1983, any value added by a qualified system must be excluded from the assessed value of the building regardless of the date the system was installed.

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Property Tax Exemptions

Sec. 361.080. Exemption of property of widows and orphan children.

1. The property of widows and orphan children, not to exceed the amount of \$1,000 assessed valuation, is exempt from taxation, but no such exemption may be allowed to anyone but actual bona fide residents of this state, and must be allowed in but one county in this state to the same family.

2. For the purpose of this section, property in which the widow or orphan child has any interest shall be deemed the property of the widow or orphan child.

3. The person claiming such an exemption shall file with the county assessor an affidavit declaring his residency and that the exemption has been claimed in no other county in this state for that year. After the filing of the original affidavit, the county assessor shall mail a form for renewal of the exemption to the person each year following a year in which the exemption was allowed for that person. The form must be designed to facilitate its return by mail by the person claiming the exemption.

Sec. 361.082. Exemption of portions of qualified low-income housing projects.

1. Real property and tangible personal property used for housing and related facilities for persons with low incomes are exempt from taxation if the property is part of a qualified low-income housing project that is funded in part by federal money appropriated pursuant to 42 U.S.C. Secs. 12701 et seq.

2. The portion of a qualified low-income housing project that is entitled to the property tax exemption must be determined by dividing the total assessed value of the housing project and the land upon which it is situated into the assessed value of the low-income units and related facilities that are occupied or used exclusively by persons with low incomes.

3. As used in this section, the terms "low-income unit" and "qualified low-income housing project" have the meanings ascribed to them in 26 U.S.C. Sec. 42, as it existed on July 1, 1991.

Sec. 361.083. Exemption of certain property and buildings used for care or relief of orphan children, or of sick, infirm or indigent persons.

The property on which stands a hospital or other charitable asylum for the care or relief of orphan children, or of sick, infirm or indigent persons, owned by a nonprofit corporation organized or existing pursuant to chapter 82 of NRS, together with the buildings, while occupied for those objects and purposes, is exempt from taxation.

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Property Tax Exemptions

Sec. 361.085. Exemption of property of blind persons.

1. The property of all blind persons, not to exceed the amount of \$3,000 of assessed valuation, is exempt from taxation, including community property to the extent only of the blind person's interest therein, but no such exemption may be allowed to anyone but bona fide residents of this state, and must be allowed in but one county in this state to the same family.

2. The person claiming such an exemption shall file with the county assessor an affidavit declaring his residency and that the exemption has been claimed in no other county in this state for that year. After the filing of the original affidavit, the county assessor shall mail a form for renewal of the exemption to the person each year following a year in which the exemption was allowed for that person. The form must be designed to facilitate its return by mail by the person claiming the exemption.

3. Upon first claiming the exemption in a county the claimant shall furnish to the assessor a certificate of a physician licensed under the laws of this state setting forth that he has examined the claimant and has found him to be a blind person.

4. As used in this section, "blind person" includes any person whose visual acuity with correcting lenses does not exceed 20/200 in the better eye, or whose vision in the better eye is restricted to a field which subtends an angle of not greater than 20°.

Sec. 361.086. Exemption of certain property used for housing elderly or handicapped persons.

All real property and tangible personal property used exclusively for housing and related facilities for elderly or handicapped persons are exempt from taxation if:

1. The property was wholly or partially financed by a loan under the Housing Act of 1959, as amended, 12 U.S.C. Sec. 1701q; and

2. The property is owned or operated:

(a) By a nonprofit corporation organized under the laws of the State of Nevada; or

(b) By a nonprofit corporation organized under the laws of another state and qualified to do business as a nonprofit corporation under the laws of the State of Nevada.

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Property Tax Exemptions

Sec. 361.087. Exemption of residential improvements made to remove barriers to persons with disabilities.

1. An increase must not be made to the assessed valuation of a residence occupied by a person with a disability for improvements made to an existing building for the purpose of removing barriers to the movement, safety and comfort of a person with a disability. A person who claims the benefit of this section shall file with the county assessor an affidavit setting forth the nature of the improvement and the date or dates of making it.

2. For the purposes of this section, improvements for the removal of barriers include, but are not limited to:

(a) Permanent ramps leading to entrances to the premises and between levels of the residence.

(b) Elevators installed in stairwells for the use of a person with a disability.

(c) Handrails installed in and about the residence, indoors and outdoors.

(d) Enlarged bathrooms and kitchens, and any special equipment installed in them for the benefit of a person with a disability.

(e) Other reasonable accommodations made for the comfort, convenience and safety of a person with a disability.

Sec. 361.0875. Exemption of commercial improvements made to remove barriers to persons with disabilities. [Expires by limitation on June 30, 2003.]

1. An increase must not be made to the assessed valuation of real or personal property used in connection with a business, for improvements made to an existing building for the purpose of removing barriers to the movement, safety and comfort of a person with a disability. To qualify for this exclusion, the improvement must have been made not earlier than July 1, 1990, and not later than April 1, 1995. A person who claims the benefit of this section shall file with the county assessor, on or before June 15, 1995, an affidavit setting forth the nature of the improvement and the date or dates of making it.

2. If the assessed valuation of real or personal property used in connection with a business was increased on or after July 1, 1990, because such an improvement was made, the county assessor shall, upon determining that an affidavit filed pursuant to subsection 1 meets the applicable requirements, adjust, for the ensuing and subsequent tax years, the assessed valuation of the real or

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Property Tax Exemptions

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personal property to reflect the exclusion.

3. For the purposes of this section, improvements for the removal of barriers include, but are not limited to:

(a) Permanent ramps leading to entrances to the premises and between levels of the business.

(b) Elevators installed for the use of a person with a disability.

(c) Handrails installed in and about the business, indoors and outdoors.

(d) Enlarged bathrooms and kitchens, and any special equipment installed in them for the benefit of a person with a disability.

(e) Other reasonable accommodations made for the comfort, convenience and safety of a person with a disability.

Sec. 361.088. Exemption of property of Nathan Adelson Hospice.

All real and personal property of the Nathan Adelson Hospice in the State of Nevada is exempt from taxation but that property must be taxed if it is used for any purpose other than carrying out the legitimate functions of a freestanding facility for hospice care.

Sec. 361.090. Veterans' exemptions.

1. The property, to the extent of \$1,000 assessed valuation, of any actual bona fide resident of the State of Nevada who:

(a) Has served a minimum of 90 days on active duty, who was assigned to active duty at some time between April 21, 1898, and June 15, 1903, or between April 6, 1917, and November 11, 1918, or between December 7, 1941, and December 31, 1946, or between June 25, 1950, and January 31, 1955;

(b) Has served a minimum of 90 continuous days on active duty none of which was for training purposes, who was assigned to active duty at some time between January 1, 1961, and May 7, 1975; or

(c) Has served on active duty in connection with carrying out the authorization granted to the President of the United States in Public Law 102-1,

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Property Tax Exemptions

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and who received, upon severance from service, an honorable discharge or certificate of satisfactory service from the Armed Forces of the United States, or who, having so served, is still serving in the Armed Forces of the United States, is exempt from taxation.

2. For the purpose of this section the first \$1,000 assessed valuation of property in which such a person has any interest shall be deemed the property of that person.

3. The exemption may be allowed only to a claimant who files an affidavit with his claim for exemption on real property pursuant to NRS 361.155. The affidavit may be filed at any time by a person claiming exemption from taxation on personal property.

4. The affidavit must be filed with the county assessor to the effect that the affiant is an actual bona fide resident of the State of Nevada who meets all the other requirements of subsection 1 and that the exemption is claimed in no other county within this state. After the filing of the original affidavit, the county assessor shall mail a form for:

(a) The renewal of the exemption; and

(b) The designation of any amount to be credited to the veterans' home account,

to the person each year following a year in which the exemption was allowed for that person. The form must be designed to facilitate its return by mail by the person claiming the exemption.

5. Persons in actual military service are exempt during the period of such service from filing annual affidavits of exemption and the county assessors shall continue to grant exemption to such persons on the basis of the original affidavits filed. In the case of any person who has entered the military service without having previously made and filed an affidavit of exemption, the affidavit may be filed in his behalf during the period of such service by any person having knowledge of the facts.

6. Before allowing any veteran's exemption pursuant to the provisions of this chapter, the county assessor of each of the several counties of this state shall require proof of status of the veteran, and for that purpose shall require production of an honorable discharge or certificate of satisfactory service or a certified copy thereof, or such other proof of status as may be necessary.

7. If any person files a false affidavit or produces false proof to the county assessor, and as a result of the false affidavit or false proof a tax exemption is allowed to a person not entitled to the exemption, he is guilty of a gross misdemeanor.

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Property Tax Exemptions

Sec. 361.091. Disabled veteran's exemption.

1. A bona fide resident of the State of Nevada who has incurred a permanent service-connected disability and has been honorably discharged from the Armed Forces of the United States, or his surviving spouse, is entitled to a disabled veteran's exemption.

2. The amount of exemption is based on the total percentage of permanent service-connected disability. The maximum allowable exemption for total permanent disability is the first \$10,000 assessed valuation. A person with a permanent service-connected disability of:

(a) Eighty to 99 percent, inclusive, is entitled to an exemption of \$7,500 assessed value.

(b) Sixty to 79 percent, inclusive, is entitled to an exemption of \$5,000 assessed value.

For the purposes of this section, any property in which an applicant has any interest is deemed to be the property of the applicant.

3. The exemption may be allowed only to a claimant who has filed an affidavit with his claim for exemption on real property pursuant to NRS 361.155. The affidavit may be made at any time by a person claiming an exemption from taxation on personal property.

4. The affidavit must be made before the county assessor or a notary public and be submitted to the county assessor. It must be to the effect that the affiant is a bona fide resident of the State of Nevada, that he meets all the other requirements of subsection 1 and that he does not claim the exemption in any other county within this state. After the filing of the original affidavit, the county assessor shall mail a form for renewal of the exemption to the person each year following a year in which the exemption was allowed for that person. The form must be designed to facilitate its return by mail by the person claiming the exemption.

5. Before allowing any exemption pursuant to the provisions of this section, the county assessor shall require proof of the applicant's status, and for that purpose shall require him to produce an original or certified copy of:

(a) An honorable discharge or other document of honorable separation from the Armed Forces of the United States which indicates the total percentage of his permanent service-connected disability;

(b) A certificate of satisfactory service which indicates the total percentage of his permanent service-connected disability; or

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Property Tax Exemptions

(c) A certificate from the Department of Veterans Affairs or any other military document which shows that he has incurred a permanent service-connected disability and which indicates the total percentage of that disability, together with a certificate of honorable discharge or satisfactory service.

6. A surviving spouse claiming an exemption pursuant to this section must file with the county assessor an affidavit declaring that:

(a) The surviving spouse was married to and living with the disabled veteran for the 5 years preceding his death;

(b) The disabled veteran was eligible for the exemption at the time of his death or would have been eligible if he had been a resident of the State of Nevada;

(c) The surviving spouse has not remarried; and

(d) The surviving spouse is a bona fide resident of the State of Nevada.

The affidavit required by this subsection is in addition to the certification required pursuant to subsections 4 and 5. After the filing of the original affidavit required by this subsection, the county assessor shall mail a form for renewal of the exemption to the person each year following a year in which the exemption was allowed for that person. The form must be designed to facilitate its return by mail by the person claiming the exemption.

7. If a tax exemption is allowed under this section, the claimant is not entitled to an exemption under NRS 361.090.

8. If any person makes a false affidavit or produces false proof to the county assessor or a notary public, and as a result of the false affidavit or false proof, the person is allowed a tax exemption to which he is not entitled, he is guilty of a gross misdemeanor.

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Property Tax Exemptions

Sec. 361.095. Exemptions of veterans' organizations.

1. The funds, furniture, paraphernalia and regalia owned and used exclusively by any post of any national organization of ex-service men or women for the legitimate purposes and customary objects of such posts shall be exempt from taxation, but such exemption shall in no case exceed the sum of \$5,000 assessed valuation to any one post or organization thereof.

2. The buildings, with their fixtures and the lots of ground on which they stand, used for its legitimate purposes and necessary thereto, of any such organization shall be exempt from taxation, but when any such property is used for purposes other than those of such organization, and a rent or other valuable consideration is received for its use, the property so used shall be taxed.

3. Where any structure or parcel of land is used partly for the purposes of such organization and partly for rental purposes, the area used for rental purposes shall be assessed separately and that portion only shall be taxed.

Sec. 361.098. Exemption of property of charitable foundations established by board of regents of University of Nevada.

All real and personal property owned by a charitable foundation established by the board of regents of the University of Nevada is exempt from taxation, but the property must be taxed when it is used for any purpose other than carrying out the legitimate functions of the foundation.

Sec. 361.099. Exemption of certain real and personal property leased or rented to University and Community College System of Nevada.

All real and personal property which is leased or rented to the University and Community College System of Nevada for total consideration which is less than 10 percent of the fair market rental or lease value of the property is hereby deemed to be used for an educational purpose and is exempt from taxation.

Sec. 361.100. Exemption of property of university fraternities and sororities.

All real property owned by any fraternity or sorority, or chapter thereof, which is composed of students of the University of Nevada, Reno, or the University of Nevada, Las Vegas, and used as a home for its members is exempt from taxation.

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Property Tax Exemptions

Sec. 361.105. Exemptions of nonprofit private schools.

Nonprofit private schools, with lots appurtenant thereto and furniture and equipment, shall be exempt from taxation.

Sec. 361.106 Exemption of property of apprenticeship program owned by local or state apprenticeship committee. [Expires by limitation on July 1, 2007.]

1. Except as otherwise provided in subsection 2, the real and personal property of an apprenticeship program owned by a local or state apprenticeship committee is exempt from taxation if the program is:

(a) Operated by an organization which is qualified pursuant to 26 U.S.C. § 501(c)(3) or (5); and

(b) Registered and approved by the state apprenticeship council pursuant to chapter 610 of NRS.

2. If any property exempt from taxation pursuant to subsection 1 is used for a purpose other than that of the apprenticeship program required in subsection 1, and a rent or other valuable consideration is received for its use, the property must be taxed, unless the rent or other valuable consideration is paid or given by an organization that qualifies as a tax-exempt organization pursuant to 26 U.S.C. Sec. 501(c)(3).

Sec. 361.107 Exemption of property of Pershing County Kids, Horses, Rodeo Inc.

1. Except as otherwise provided in subsection 2, all real and personal property of Pershing County Kids, Horses, Rodeo Inc. in the State of Nevada is exempt from taxation.

2. If any property exempt from taxation pursuant to subsection 1 is used for any purpose other than carrying out the legitimate functions of Pershing County Kids, Horses, Rodeo Inc., and a rent or other valuable consideration is received for its use, the property must be taxed, unless the rent or other valuable consideration is paid or given by an organization that qualifies as a tax exempt organization pursuant to 26 U.S.C. Sec. 501(c)(3).

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Property Tax Exemptions

Sec. 361.110. Exemptions of certain organizations.

1. Except as otherwise provided in subsection 2, the buildings, with their furniture and equipment, and the lots of ground on which they stand, used therewith and necessary thereto, of the Nevada Museum of Art, Inc., the Young Men's Christian Association, the Young Women's Christian Association, the American National Red Cross or any of its chapters in the State of Nevada, the Salvation Army Corps, the Girl Scouts of America, the Camp Fire Girls, Inc., the Boy Scouts of America and the Sierra Arts Foundation are exempt from taxation.

2. If any property exempt from taxation pursuant to subsection 1 is used for purposes other than those of the organizations described in subsection 1, respectively, and a rent or other valuable consideration is received for its use, the property must be taxed, unless the rent or other valuable consideration is paid or given by an organization that qualifies as a tax-exempt organization pursuant to 26 U.S.C. Sec. 501(c)(3).

Sec. 361.111. Exemption of certain property of Nature Conservancy.

1. All real property and improvements thereon acquired by the Nature Conservancy and held for ultimate acquisition by the state or a local governmental unit are exempt from taxation except as otherwise provided in subsections 2 and 3.

2. When the Nature Conservancy transfers property it has held for purposes of conservation to any person, partnership, association, corporation or entity other than the state or a local governmental unit, the property must be assessed at the rate set for first-class pasture by the Nevada tax commission for each year it was exempt pursuant to subsection 1 and the taxes must be collected as other taxes under this chapter are collected.

3. When the Nature Conservancy transfers property it has held for purposes other than conservation to any person, partnership, association, corporation or entity other than the state or a local governmental unit, the tax imposed by this chapter must be assessed against the property for each year it was exempt pursuant to subsection 1 and collected in the manner provided in this chapter.

4. The Nevada tax commission shall adopt regulations specifying the criteria for determining when property has been held by the Nature Conservancy for purposes of conservation.

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Property Tax Exemptions

Sec. 361.115. Exemption of property of Nevada Children's Foundation, Inc.

All real and personal property of the Nevada Children's Foundation, Inc., in the State of Nevada, shall be exempt from taxation, but when and if such property is used for any purpose other than carrying out the legitimate functions of the Nevada Children's Foundation, Inc., the same shall be taxed.

Sec. 361.123. Exemption of property of Nevada Heritage Association, Inc.

All real and personal property of the Nevada Heritage Association, Inc., within the State of Nevada is exempt from taxation, but such property shall be taxed when it is used for any purpose other than carrying out the legitimate functions of such association.

Sec. 361.125. Exemption of churches and chapels.

1. Except as otherwise provided in subsection 2, churches, chapels, other than marriage chapels, and other buildings used for religious worship, with their furniture and equipment, and the lots of ground on which they stand, used therewith and necessary thereto, owned by some recognized religious society or corporation, and parsonages so owned, are exempt from taxation.

2. Except as otherwise provided in NRS 361.157, when any such property is used exclusively or in part for any other than church purposes, and a rent or other valuable consideration is received for its use, the property must be taxed.

3. If a recognized religious society or corporation leases or rents space to facilitate worship during the same fiscal year in which it owns a parcel of vacant land with the intent of constructing a church or chapel, other than a marriage chapel, on that land and the society or corporation has no other church or chapel in the county, the parcel of land is exempt from taxation for not more than 3 consecutive years. If a church or chapel has not been constructed by the end of the third year of exemption or the property is sold before that date, the exemption is voided and the taxes must be paid for the years for which an exemption pursuant to this subsection was claimed.

Sec. 361.130. Exemption of public cemeteries and graveyards.

All cemeteries and graveyards set apart and used for and open to the public for the burial of the dead, when no charge is made for burial therein, shall be exempt from taxation.

Property Tax Exemptions

Sec. 361.132. Exemption of certain private cemeteries and places of burial.

The cemetery lands and property of any nonprofit corporation governed by the provisions of chapter 82 of NRS formed for the purposes of procuring and holding lands to be used exclusively for a cemetery or place of burial of the dead are exempt from all public taxes, rates and assessments, and are not liable to be sold on execution or be applied in payment of debts due from any individual proprietors. The proprietors of lots or plats in such cemeteries, their heirs or devisees, may hold the lots or plats exempt in the same way so long as the lots or plats remain dedicated to the purpose of a cemetery.

Sec. 361.135. Exemptions of lodges and other charitable organizations.

1. The funds, furniture, paraphernalia and regalia owned by any lodge of the Benevolent Protective Order of Elks, Fraternal Order of Eagles, Free and Accepted Masons, Independent Order of Odd Fellows, Knights of Pythias or Knights of Columbus, or by any similar charitable organization, or by the Lahontan Audubon Society, the National Audubon Society, Inc., of New York, the Defenders of Wildlife of the District of Columbia or any similar benevolent or charitable society, so long as the same shall be used for the legitimate purposes of such lodge or society or for such charitable or benevolent purposes, shall be exempt from taxation, but such exemption shall in no case exceed the sum of \$5,000 assessed valuation to any one lodge, society or organization.
2. The real estate and fixtures of any such organization or society shall be exempt from taxation, but when any such property is used for purposes other than those of such organization or society, and a rent or other valuable consideration is received for its use, the property so used shall be taxed.
3. Where any structure or parcel of land is used partly for the purposes of such organization or society and partly for rental purposes, the area used for rental purposes shall be assessed separately and that portion only shall be taxed.

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Property Tax Exemptions

Sec. 361.140. Exemptions of certain charitable corporations.

1. In addition to the corporations defined by law to be charitable corporations there are hereby included:

(a) Any corporation whose objects and purposes are religious, educational or for public charity and whose funds have been derived in whole or substantial part from grants or other donations from governmental entities or donations from the general public, or both, not including donations from any officer or trustee of the corporation; and

(b) Any corporation prohibited by its articles of incorporation from declaring or paying dividends, and where the money received by it is devoted to the general purpose of charity and no portion of the money is permitted to inure to the benefit of any private person engaged in managing the charity, except reasonable compensation for necessary services actually rendered to the charity, and where indigent persons without regard to race or color may receive medical care and attention without charge or cost.

2. All buildings belonging to a corporation defined in subsection 1, together with the land actually occupied by the corporation for the purposes described and the personal property actually used in connection therewith, are exempt from taxation when used solely for the purpose of the charitable corporation.

Sec. 361.145. Exemptions of noncommercial theaters.

The buildings, furniture and equipment of noncommercial theaters owned and operated by nonprofit educational corporations organized for the exclusive purpose of conducting classes in theater practice and the production of plays on a nonprofessional basis shall be exempt from taxation. Such corporation shall provide in its articles of incorporation that the property for which the tax exemption is requested shall revert to the county in which it is located upon the cessation of the activities of the noncommercial theater.

Sec. 361.150. Exemptions of volunteer fire departments.

The real and personal property of organized and incorporated volunteer fire departments shall be exempt from taxation, but such property shall be taxed when it is used for any purpose other than carrying out the legitimate functions of such volunteer fire department.

EXEMPTION OF PERSONAL PROPERTY IN TRANSIT (FREE PORT)

Sec. 361.160. "Personal property in transit" defined; exceptions.

1. Personal property in transit through this state is personal property:

(a) Which is moving in interstate commerce through or over the territory of the State of Nevada; or

(b) Which was consigned to a warehouse, public or private, within the State of Nevada from outside the State of Nevada for storage in transit to a final destination outside the State of Nevada, whether specified when transportation begins or afterward.

Such property is deemed to have acquired no situs in Nevada for purposes of taxation. Such property is not deprived of exemption because while in the warehouse the property is assembled, bound, joined, manufactured, processed, disassembled, divided, cut, broken in bulk, relabeled or repackaged, or because the property is being held for resale to customers outside the State of Nevada. The exemption granted shall be liberally construed to effect the purposes of NRS 361.160 to 361.185, inclusive.

2. Personal property within this state as mentioned in NRS 361.030 and 361.045 to 361.155, inclusive, does not include personal property in transit through this state as defined in this section.

APPENDIX H: Information Pertaining to Mission of
Commission on Economic Development,
Tax Exemptions Administered by
Commission and Tax Incentive Programs
in Other States



State of Nevada
Commission on Economic Development

MISSION

5151 S. Carson Street
Carson City, NV 89701-6650

702-687-4325 Tel
800-336-1600
702-687-4450 Fax

The mission of the Commission on Economic Development is to promote a more prosperous and diversified economy by attracting primary business development from outside the state and by stimulating business expansion from within the state. The Commission will improve the state's competitive position by developing and administering programs which will enhance the communities of this state and in doing so enrich the quality of life of its citizens.

Philosophy

The Commission on Economic Development, a service organization driven by a diverse client base, is committed to building public/private partnerships for the economic prosperity of the state in accordance with the highest standards of ethics, professionalism, efficiency, and accountability.

Goals

Bob Miller
Governor

Lonnie Hammargren
Lieutenant Governor
Chair

Berlyn Miller
Lynn Atcheson
Keith Lee
Rafael (Ray) Vega
Peter Thomas
George Dini
Commissioners

1. Attract, through aggressive marketing of Nevada, out-of-state industry expansion and relocations.
2. Assist Nevada-based companies and industries to grow and prosper.
3. Deliver business incentives which encourage a diversified economy.
4. Advocate partnerships to develop program which provide a labor force capable of meeting businesses' needs for both basic and highly technical skills.
5. Continue comprehensive community development planning and implementation.

Bob Shriver
Executive Director

Tax Exemptions Administered By Commission on Economic Development

Program → Description ↓	Sales & Use Tax Abatement	Business Tax Abatement	Personal Property Tax Abatement	Property Tax Abatement	Sales & Use Tax Deferral
Type of Incentive	Partial sales/use tax exemption on machinery & equipment purchases	50% Tax exemption	50% Tax exemption	75% Tax exemption on real and personal property (Qualified recycling businesses)	Tax deferral on machinery & equipment purchases
Awarded to whom	Business	Business	Business	Business	Business
Wage Requirement	100% of Statewide average hourly wage (currently \$12.91)	100% of Statewide average hourly wage (currently \$12.91)	125% of Statewide average hourly wage (currently \$16.14)	100% of Statewide average hourly wage (currently \$12.91)	80% of Statewide average hourly wage (currently \$10.33)
Number of Jobs Required	At least 10 new full-time equivalent (FTE) jobs	<i>County Population > 35,000</i> 75 new FTE jobs <i>County Population < 35,000</i> 25 new FTE jobs	<i>County Population > 100,000</i> 100 new FTE jobs; if an expansion, 20 new FTE jobs in addition to 100 existing FTE jobs; <i>County Population < 100,000</i> 35 new FTE jobs; if an expansion, 10 new FTE jobs in addition to 35 existing FTE jobs.	No minimum requirement	At least 10 new full-time equivalent (FTE) jobs
Capital Investment Requirement	No minimum requirement	<i>County Population > 35,000</i> New - \$1 million Exp. - \$1 million <i>County Population < 35,000</i> New - \$250,000 Exp. - \$250,000	<i>County Population > 100,000</i> New - \$50 million Exp. - \$10 million <i>County Population < 100,000</i> New - \$20 million Exp. - \$4 million	\$50 million for the real property tax abatement; \$15 million for the personal property tax abatement	No minimum requirement
Amount of Award	Determined on a case by case basis	Determined on a case by case basis	Determined on a case by case basis	Determined on a case by case basis	Varies; Purchase(s) of capital equipment in excess of \$100,000
Comments	Must be a significant part in decision to locate	Exemption of: 80% for year one 60% for year two 40% for year three 20% for year four	Business must continue in operation in Nevada for 10 or more years	Process - 50% of the material (raw material) or product (intermediate) is recycled on site	A security bond in the amount of tax deferred; Taxes can be deferred interest-free for 5 years



NEVADA

Sales and Use Tax Abatement

Commission on

Economic Development

NEVADA GUIDELINES FOR SALES AND USE TAX ABATEMENT
FOR PURCHASE OF CAPITAL GOODS AND EQUIPMENT

1. A person may apply to the Commission on Economic Development for sales and use tax abatement "if a purchase is made outside of the state from a retailer who is not registered with the department, an application for an abatement must be made in advance or, if the purchase has been made, within 60 days after the date on which the tax was due. If a purchase is made in this state from a retailer who is registered with the department and to whom the tax is paid, an application must be made within 60 days after the payment of the tax. If the application for an abatement is approved, the taxpayer is eligible for a refund of the tax paid."

2. **Eligible Goods** - are those capital goods for which an allowance for depreciation is authorized pursuant to the U.S. Internal Revenue Code, Section 179, as described in Publication 534, Depreciation under "Qualifying Property," and which will directly provide jobs within the State of Nevada as a result of the use of the capital goods by the purchaser.

A detailed list of equipment and costs must be submitted with the application. If additional equipment needs to be purchased, a new application must be made. Applicants who are successful in obtaining certification from the Commission on Economic Development, will be subject to future audit by the Department of Taxation and the Commission on Economic Development for verifying the qualification of equipment purchased through this program. The Department of Taxation will provide qualified applicants with a summarization of records needed for verifying eligible purchases, in the event of audit.

Ineligible Goods - are those capital goods purchases including, but not limited to: buildings or their structural components, equipment utilized by a public utility, equipment used for medical treatment, normal business equipment (i.e. office furniture, computers), and equipment used in mining and gaming.

3. The Commission on Economic Development shall certify the applicant's eligibility for abatement if:

- A. The purchases are consistent with the Commission's State Plan for Industrial Development and Diversification. Business sectors that meet the overall objectives of the State Plan for Economic Diversification and Development will be given consideration for tax abatement by the Commission on Economic Development. Such objectives include:
 - a. Diversification of the gaming and hospitality industry;
 - b. Attraction of basic industries such as manufacturing, warehousing and distribution, and back-office operations;
 - c. Attraction of business facilities and services such as corporate headquarters, research and development operations, and producer services; and
 - d. Expansion of existing basic businesses and industries as described above.
- B. The commission determines that the abatement is a significant factor in the decision of the person to locate or expand a business in this state; and
- C. The company's average hourly wage for employees at the Nevada facility equals or exceeds 100 percent of the average statewide hourly wage as established by the Nevada Department of Employment, Training and Rehabilitation on July 1 of each fiscal year. The average wage for FY 1998 is established at \$12.91 per hour. This should not include the cost of any benefit packages.
- D. The company will provide a medical insurance plan for all employees which includes an option for health insurance coverage for dependents of employees.
- E. The business is registered pursuant to the laws of this state or the applicant commits to obtain a valid business license and all other permits required by the county, city or town in which the business operates.

- F. The purchase will provide a minimum of ten (10) full-time permanent jobs in Nevada by the fourth quarter it is in operation and continue to employ at least ten (10) full-time employees. An abatement is void if a business fails to comply with the minimum number of full-time employees, except that short-term vacancies in employment do not void the abatement if the business is attempting in good faith to fill such vacancies and does so within a period of time considered reasonable by the commission under the circumstances.
- G. The applicant commits to maintaining the business in this state for at least five years. This five year period begins when the applicant begins paying the Department of Employment Training and Rehabilitation for employee taxes.
4. As a condition of approval, the applicant must grant in writing to the Commission the right of the Executive Director to upon request furnish to the Director copies of all records necessary for the Director to verify that the applicant meets the requirements.
5. The Commission on Economic Development reserves the right to consider each application on a case-by-case basis in making a determination to grant or deny certification.
6. The amount of taxes abated is everything above two percent. This rate will vary depending upon the county in which the company is located.
7. If an application for an abatement is approved, the taxpayer is eligible for an abatement from the tax for two (2) years. The start date of this two year period begins when the first piece of equipment is delivered to the designated facility.
8. If a business for which an abatement has been approved is not maintained in this state for at least five years after the Commission on Economic Development approved the abatement, the person who applied for the abatement shall repay to the Department of Taxation the amount of the abatement that was allowed before the failure of the business to comply unless the Nevada Tax Commission determines that the business has substantially complied with the requirements. The person who applied for the abatement shall pay interest on the amount due at the rate most recently established pursuant to NRS 99.040 for each month, or portion thereof, from the last day of the month following the period for which the payment would have been made had the abatement not been granted until the date of the actual payment of the tax.
9. Applicant should allow a minimum of 15 working days prior to the next regularly scheduled Commission meeting for processing the application. Those requiring special review and consideration may require a longer period of time to complete the certification process.
10. A letter in support of the abatement from the local development authority is suggested.
11. The applicant will be required to register with the Department of Taxation on a separate form if an account has not been established.

Upon certification, the commission shall immediately forward the application for abatement to the Nevada Tax Department who administers the abatement. The Tax Commission will determine what purchases qualify for abatement, verify the sale, the price paid and the date of sale.

Send Completed Applications To:

Nevada Commission on Economic Development
Capitol Complex
5151 South Carson Street
Carson City, NV 89710
(702) 687-4325

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NEVADA

Business Tax Abatement

Commission on

Economic Development

BUSINESS TAX ABATEMENT

By authority of NRS 364A.170, a new or expanding business in Nevada may qualify for a tax exemption if it meets both the statutory criteria and the regulatory requirements established by the Nevada Commission on Economic Development.

A. WHAT BUSINESSES ARE ELIGIBLE FOR CONSIDERATION OF BUSINESS TAX ABATEMENT?

1. New or expanding businesses may be entitled to an exemption if:
 - (a) In a county whose population is 35,000 or more:
 - The business will have 75 or more full-time employees on the payroll of the business by the fourth quarter that it is in operation; and
 - Establishing the business will require the business to make a capital investment of \$1,000,000 in Nevada; or
 - (b) In a county whose population is less than 35,000:
 - The business will have 25 or more full-time employees on the payroll of the business by the fourth quarter that it is in operation; and
 - Establishing the business will require the business to make a capital investment of \$250,000 in Nevada.
2. The business is consistent with the Commission's plan for Economic Diversification and Development in that:
 - (a) The company's average hourly wage for employees at the Nevada facility equals or exceeds the average statewide industrial hourly wage as established by the Nevada Department of Employment, Training and Rehabilitation on July 1 of each fiscal year. (The average statewide industrial hourly wage for FY 1997 has been determined to be \$12.36 per hour.)
 - (b) The company provides a medical insurance plan for all employees which includes an option for health insurance coverage for dependents of employees.

B. WHAT BUSINESS SECTORS ARE DETERMINED TO BE CONSISTENT WITH NEVADA'S STATE PLAN FOR ECONOMIC DIVERSIFICATION AND DEVELOPMENT?

1. The business sectors that meet the overall objectives of the Commission include:
 - (a) Diversification of the gaming and hospitality industry;
 - (b) Attraction of basic industries such as manufacturing, warehousing and distribution, and back-office operations;
 - (c) Attraction of business facilities and services such as corporate headquarters, research and development operations, and producer services; and
 - (d) Expansion of existing basic businesses and industries as described in (b) above.

C. HOW DOES A BUSINESS MAKE APPLICATION FOR A BUSINESS TAX EXEMPTION?

1. Application must be made to the Commission on Economic Development on the form prescribed by the Commission.
2. Certification of eligibility is determined only after the Commission determines that the criteria described in A and B above have been met and that the company has complied with state and local laws and has obtained all required state licenses.
3. The Commission on Economic Development will approve and certify applications at each regularly scheduled meeting. Applications must be received at least 15 working days prior to a meeting in order to be considered at the next Commission meeting.
4. The Commission requests that a representative of the applicant company be in attendance at the meeting in which the application is considered.
5. Immediately after certification of eligibility is given the Commission will forward the certification to the Department of Taxation who administers the business tax abatement program.

D. WHAT COST SAVINGS CAN A COMPANY REALIZE FROM THE BUSINESS TAX ABATEMENT?

1. A business that qualifies and is certified for a business tax abatement is entitled to an exemption of:
 - 80 percent for year one;
 - 60 percent for year two;
 - 40 percent for year three; and
 - 20 percent for year four.

E. WHAT HAPPENS IF A COMPANY DOES NOT MEET THE REQUIREMENTS AFTER BEING CERTIFIED FOR TAX ABATEMENT?

In the event a company fails to perform as a condition of certification, the business will be required to repay to the Department of Taxation the amount of the exemption that was allowed by the certification. A percentage of interest on the amount due will also be assessed.

For more information on the Business Tax Abatement Program contact:

**Commission on Economic Development
5151 South Carson Street
Capitol Complex
Carson City, NV 89710
(702) 687-4325 or (800) 336-1600**

B:ABATE.REG



NEVADA

Real and Personal Property
Tax Abatement

Recycling/Retail Wheeling

Commission on

Economic Development

NEVADA GUIDELINES FOR REAL AND PERSONAL PROPERTY TAX ABATEMENT FOR RECYCLING AND/OR RETAIL WHEELING

1. A company may apply to the Commission on Economic Development for certification by the Commission for abatement of real and personal property taxes for recycling and/or retail wheeling. If a new business to the state the company must apply to the commission not more than 18 months before the business begins operating in this state. (Need Time Frame HERE)
2. Applicant should allow a minimum of 15 working days prior to the next regularly scheduled Commission meeting for processing the application. Those requiring special review and consideration may require a longer period of time to complete the certification process.
3. The Commission on Economic Development reserves the right to consider each application on a case-by-case basis in making a determination to grant or deny certification.
4. The Commission on Economic Development shall certify the applicant's eligibility for abatement if:
 - A. The goals of the business are consistent with the Commission's State Plan for Industrial Development and Diversification. Business sectors that meet the overall objectives of the State Plan for Economic Diversification and Development will be given consideration for tax abatement by the Commission on Economic Development. Such objectives include:
 - a. Diversification of the gaming and hospitality industry;
 - b. Attraction of basic industries such as manufacturing, warehousing and distribution, and back-office operations;
 - c. Attraction of business facilities and services such as corporate headquarters, research and development operations, and producer services; and
 - d. Expansion of existing basic businesses and industries as described above.
 - B. The company's average hourly wage for employees at the Nevada facility equals or exceeds 100 percent of the average statewide hourly wage as established by the Nevada Department of Employment, Training and Rehabilitation on July 1 of each fiscal year. The average wage for FY 1998 is established at \$12.91 per hour. This should not include the cost of any benefit packages.
 - C. The company will provide a health insurance plan for all employees that includes, without limitation, an option for health insurance coverage for dependents of employees;
 - D. The business is registered pursuant to the laws of this state or the applicant commits to obtain a valid business license and all other permits required by the county, city or town in which the business operates.
 - E. If the business primarily will be located in a county whose population:
 - (1) Is 100,000 or more, the business will create at least 50 new permanent jobs in this state by the last day of the fourth quarter that it is in operation; or
 - (2) Is less than 100,000, the business will create at least 20 new, permanent jobs in this state by the last day of the fourth quarter that it is in operation;

F. The business has obtained a statement from the governing body of each local government whose tax revenue will be affected by the exemption is signed and dated, indicating that:

- 1) The taxes to be paid by the business if the business is certified are sufficient to pay for any investment required to be made by the local government for services associated with the relocation or expansion of the business, including, without limitation, any cost related to the construction and maintenance of roads, services for the provision of sewer and water, fire and police protection and the construction and maintenance of schools; and
- 2) The local government is in favor of the exemption and recognizes the potential amount of property of the business which will be exempt from taxation if the Commission certifies the business, and the business has provided a copy of the state to the Commission;

G. The company has agreed to provide the Commission at the end of each fiscal year with proof that the raw material it received during the year contained a significant percentage of its content from material generated within the state.

H. If company is applying for an exemption pursuant to paragraph (a) of subsection 1 of NRS 361.0685 (real and personal property taxes) the business agrees to provide the Commission at the end of each fiscal year with proof that it is in compliance with the provisions of that paragraph; and

I. The company has executed an agreement with the Commission that grants the Commission the right to review any document which the Commission determines is necessary to verify the eligibility of the business for the exemption.

5. 1. Unless otherwise agreed to in writing by the governing body of the local government whose tax revenue will be affected by an exemption granted to a business pursuant to NRS 361.0685.

- a) Seventy-five percent of the personal property of the business is exempt from taxation for 10 consecutive years; and
- b) Seventy-five percent of the real property of the business is exempt from taxation for 20 consecutive years.

2. During any year, if the commission grants an exemption to a company pursuant to NRS 361.0685:

- a) Between July 1 and December 31, the exemption applies from the date on which the commission makes such a determination, unless the applicant and the governing body of the local government whose tax revenue will be affected by the exemption agree upon another date and the governing body provides written authorization for that date; or
- b) Between January 1 and June 30, the exemption may be applied beginning on July 1 of that year, unless the applicant and the governing body of the local government whose tax revenue will be affected by the exemption agree upon another date and the governing body provides written authorization for that date.

3. If the commission grants an exemption pursuant to NRS 361.0685, the commission shall immediately forward a certificate of eligibility for the exemption that states the percentage of the property that is exemption to:

- (a) The Department of Taxation; and

- (b) The County Assessor of each county in which personal property used in connection with the business will be located.

6. As used in NRS 231.139:

1. "Intermediate product" means any product that has been processed from its initial raw material stage but has not yet been made into its final form;
2. "Raw material" means material before it is manufactured into final form; and
3. "Recycle on site" means to take a raw material or an intermediate product and physically transform that material or product into its final form on the manufacturing site.

For the application form please contact:

Nevada Commission on Economic Development
Capitol Complex
5151 South Carson Street
Carson City, NV 89710
(702) 687-4325



NEVADA

Personal Property Tax Abatement

Commission on

Economic Development

NEVADA GUIDELINES FOR PERSONAL PROPERTY TAX ABATEMENT

DRAFT

1. A person seeking a partial abatement from property taxes on the personal property of a new or expanded business pursuant to section 4 of Senate Bill 233 of the 69th Session must apply for the abatement on the form prescribed by the Commission not more than 18 months before the business begins to develop the site for its expansion or operation in this state. (Need Time Frame HERE)
2. Applicant should allow a minimum of 15 working days prior to the next regularly scheduled Commission meeting for processing the application. Those requiring special review and consideration may require a longer period of time to complete the certification process.
3. The Commission on Economic Development shall certify the applicant's eligibility for abatement if:
 - A. The goals of the business are consistent with the Commission's State Plan for Industrial Development and Diversification. Business sectors that meet the overall objectives of the State Plan for Economic Diversification and Development will be given consideration for tax abatement by the Commission on Economic Development. Such objectives include:
 - a. Diversification of the gaming and hospitality industry;
 - b. Attraction of basic industries such as manufacturing, warehousing and distribution, and back-office operations;
 - c. Attraction of business facilities and services such as corporate headquarters, research and development operations, and producer services; and
 - d. Expansion of existing basic businesses and industries as described above.
 - B. The average hourly wage paid by the business to its employees in this state is at least 125 percent of the average statewide industrial hourly wage as established by the employment security division of the Department of Employment, Training and Rehabilitation on July 1 of each fiscal year. For FY 1998 the 125% would be \$16.14.
 - C. The business will provide a health insurance plan for all employees that includes, without limitation, an option for health insurance coverage for dependents of employees;
 - D. The business is registered pursuant to the laws of this state or the applicant commits to obtain a valid business license and all other permits required by the county, city or town in which the business operates.
 - E. The cost to the business for the benefits the business provides to its employees in this state will meet the minimum requirements for benefits established by the Commission.
 - F. If the business is new and primarily will be located in a county whose population:
 - a) Is 100,000 or more, the capital investment in personal property in this state is at least \$50,000,000 and the business will create at least 100 new, permanent jobs in this state by the last day of the fourth quarter that it is in operation; or

- b) Is less than 100,000, the capital investment in personal property in this state is at least \$20,000,000 and the business will create at least 35 new, permanent jobs in this state by the last day of the fourth quarter that it is in operation.
- G. If the expansion of the business primarily will be located in a county whose population:
 - a) Is 100,000 or more, the capital investment in personal property in this state for the expansion is at least \$10,000,000, the business has at least 100 employees in this state at the time of application and the expansion creates at least 20 new, permanent jobs in this state by the last day of the fourth quarter that it is in operation; or
 - b) Is less than 100,000, the capital investment in personal property in this state for the expansion is at least \$4,000,000, the business has at least 35 employees in this state at the time of application and the expansion creates at least 10 new, permanent jobs in this state by the last day of the fourth quarter that it is in operation.
- H. The business has obtained a statement from the governing body of each local government whose tax revenue will be affected by the exemption is signed and dated, indicating that:
 - 1) The taxes to be paid by the business if the business is certified are sufficient to pay for any investment required to be made by the local government for services associated with the relocation or expansion of the business, including, without limitation, any cost related to the construction and maintenance of roads, services for the provision of sewer and water, fire and police protection and the construction and maintenance of schools; and
 - 2) The local government is in favor of the exemption and recognizes the potential amount of property of the business which will be exempt from taxation if the Commission certifies the business, and the business has provided a copy of the state to the Commission;
- I. The business has executed an agreement with the Commission that grants the Commission the right to review any document which the Commission determines is necessary to verify the eligibility of the business for the partial abatement.
- J. If the Commission grants a partial abatement to a business pursuant to the regulations:
 - a) Between July 1 and December 31, the partial abatement applies retroactively from that July 1 if the governing body of the local government whose tax revenue will be affected by the exemption provides written authorization, and if no such authorization is provided, the exemption applies from the date agreed upon by the applicant and the governing body that is noted in the authorization; and
 - b) Between January 1 and June 30, the exemption may be applied beginning on the following July 1, unless the applicant and the governing body of the local government whose tax revenue will be affected by the exemption agree upon another date and the governing body provides written authorization.
- K. If the commission grants a partial abatement pursuant to section 4 of the regulations, the commission shall immediately forward a certificate of eligibility for the exemption that states the percentage of the property that is exemption to:
 - (a) The Department of Taxation; and

DRAFT

- (b) The County Assessor of each county in which personal property used in connection with the business will be located.

For the application form please contact:

Nevada Commission on Economic Development
Capitol Complex
5151 South Carson Street
Carson City, NV 89710
(702) 687-4325

WP61.PPTAX.gdl 9/30/97





NEVADA

Sales and Use Tax Deferral

Commission on

Economic Development

NEVADA GUIDELINES FOR SALES AND USE TAX DEFERRAL
FOR PURCHASE OF CAPITAL GOODS AND EQUIPMENT

1. A person may apply to the Commission on Economic Development for sales and use tax deferral "if a purchase is made outside of the state from a retailer who is not registered with the department, an application for a deferment must be made in advance or, if the purchase has been made, within 60 days after the date on which the tax was due. If a purchase is made in this state from a retailer who is registered with the department and to whom the tax is paid, an application must be made within 60 days after the payment of the tax. If the application for a deferment is approved, the taxpayer is eligible for a refund of the tax paid." (NRS 372.397(2))
2. Eligible Goods - are those capital goods for which an allowance for depreciation is authorized pursuant to the U.S. Internal Revenue Code, Section 179, as described in Publication 534, Depreciation under "Qualifying Property," and which will directly provide jobs within the State of Nevada as a result of the use of the capital goods by the purchaser. Ineligible capital goods purchases shall include, but may not be limited to: buildings or their structural components, equipment utilized by a public utility, medical treatment equipment, and machinery and equipment used in mining and gaming.
3. The Commission on Economic Development shall certify the applicant's eligibility for deferment if:
 - A. The purchases are consistent with the commission's State Plan for industrial development and diversification. Business sectors that meet the overall objectives of the State Plan for Economic Diversification and Development will be given consideration for tax deferral by the Commission on Economic Development. Such objectives include:
 - a. Diversification of the gaming and hospitality industry;
 - b. Attraction of basic industries such as manufacturing, warehousing and distribution, and back-office operations;
 - c. Attraction of business facilities and services such as corporate headquarters, research and development operations, and producer services; and
 - d. Expansion of existing basic businesses and industries as described above. Such expansions, in order to qualify for tax deferral, must also make a capital investment by increasing the square footage and size of its existing operation.
 - B. The commission determines that the deferment is a significant factor in the decision of the person to locate or expand a business in this state; and
 - C. The purchase will provide a minimum of 10 direct permanent primary jobs in Nevada.
 - D. The company's average hourly wage for employees at the Nevada facility equals or exceeds 80 percent of the average statewide hourly wage as established by the Nevada Department of Employment, Training and Rehabilitation on July 1 of each fiscal year. The average wage for FY 1998 is established at \$12.91 per hour.
 - E. The company will provide a medical insurance plan for all employees which includes an option for health insurance coverage for dependents of employees.

4. The amount of taxes deferred by a single applicant is limited to \$3.5 million over 5 years; except that an applicant may petition the Commission for consideration of deferrals exceeding that amount. If the Commission determines certification above the allowed \$3.5 million is in the best interest of the State, it may respond favorably to the petition.

5. The Commission on Economic Development reserves the right to consider each application on a case-by-case basis in making a determination to grant or deny certification.

6. Applicant should allow a minimum of 15 working days for processing applications. Those requiring special review and consideration may require a longer period of time to complete the certification process.

Upon certification, the commission shall immediately forward the application for deferment to the Nevada Tax Department who administers the deferral. The Tax Commission will determine what purchases qualify for deferral, verify the sale, the price paid and the date of sale and assign the applicable period for payment of the deferred tax. A security for the payment in an amount of tax deferred will be required of the certified company.

7. The applicant will be required to register with the Department of Taxation on a separate form if an account has not been established.

If You Do Not Have An Established Account, Request The Appropriate Form From:

Nevada Department of Taxation
Capitol Complex
Carson City, NV 89710
(702) 687-4820

Send Completed Applications To:

Nevada Commission on Economic Development
Capitol Complex
Carson City, NV 89710
(702) 687-4325

A:TAX-DEF.AME
6/6/97

INCENTIVE PROGRAMS BY STATE

STATE	Corporate Income Tax	Corporate Income Tax Credits or Exemptions	Tax Credits for Creation of Jobs	Enterprise Zones (Active and Inactive)	Sales and Use Tax Exemptions (Machinery & Equipment)	Sales and Use Tax Exemptions (on items financed with IDBs)	Sales and Use Tax Abatement (on machinery and equipment)
Alabama	X	X	X	X	X	X	
Alaska	X						
Arizona	X	X	X	X	X		
Arkansas	X	X	X	X	X		
California	X		X	X	X		
Colorado	X	X	X	X	X		
Connecticut	X	X	X	X	X		
Delaware	X	X	X	X	Xa		
Florida	X	X	X	X	X		
Georgia	X		X	X	X		
Hawaii	X	X	X	X			
Idaho	X	X	X		X		
Illinois	X	X	X	X	X		
Indiana	X	X	X	X	X		
Iowa	X	X	X	X	X		
Kansas	X	X	X	X	X	X	
Kentucky	X	X	X	X	X		
Louisiana	X	X	X	X	X		
Maine	X	X	X		X		
Maryland	X	X	X	X	X		
Massachusetts	X	X	X		X		
Michigan	X	X		X	X		
Minnesota	X	X	X	X	X		
Mississippi	X	X	X		X		
Missouri	X	X	X	X	X		
Montana	X	X	X		n/a	n/a	n/a
Nebraska	X	n/a	X	X	X		
Nevada	None	n/a		X			X
New Hampshire	X		X		n/a	n/a	n/a
New Jersey	X	X	X	X	X		
New Mexico	X	X		X	X		
New York	X	X	X	X	X		
North Carolina	X		X		X		
North Dakota	X	X	X		X		
Ohio	X	X	X	X	X		
Oklahoma	X	X	X	X	X		
Oregon	X	X		X	n/a	n/a	n/a
Pennsylvania	X	X	X	X	X		
Rhode Island	X	X	X	X	X		
South Carolina	X	X	X	X	X		
South Dakota	None	n/a					
Tennessee	X	X	X	X	X		
Texas	None	n/a		X	X		
Utah	X		X	X	X		
Vermont	X	X	X	X	X		
Virginia	X	X	X	X	X		
Washington	None	n/a	X	X			X
West Virginia	X	X	X	X	X		
Wisconsin	X	X		X	X		
Wyoming	None	n/a					
Number of States	45	38	41	39	41	2	2

Sales, Use and/or Property Tax Exemptions (on fuel and raw materials)	Sales, Use and/or Property Tax Exemptions (pollution control devices)	Property Tax Exemption and/or Abatement (for industrial & recycling industries)	Sales and Use Tax Deferrals	Property & Inventory Tax exemptions on goods in transit (Freeport Law)	Property Tax and/or Ad Valorem Tax exemption (on business inventories)	State Loan Guarantees (for building construction & machinery and equipment)	Right-to-Work State	STATE
X	X	X		X	X		X	Alabama
						X		Alaska
X	X			X	X		X	Arizona
X	X	X		X	X		X	Arkansas
X				X	X	X		California
X		X		X	X	X	X	Colorado
X	X	X		X	X	X		Connecticut
X		Xb		X	X			Delaware
X	X	X		X	X		X	Florida
X	X	X		X	X		X	Georgia
	X	X		X	X	X		Hawaii
X	X	X		X	X		X	Idaho
X	X	X		X	X	X		Illinois
X	X	X		X	X	X		Indiana
X	X	X		X	X	X	X	Iowa
X	X	Xc		X	X		X	Kansas
X	X	X		X	X			Kentucky
X	X	X		X	X	X	X	Louisiana
X	X	X		X	X	X		Maine
X	X	X		X	X	X		Maryland
X	X	X		X	X	X		Massachusetts
X	X	X		X	X	X		Michigan
X	X	X		X	X			Minnesota
X	X	X		X	X	X	X	Mississippi
X	X	X		X	X	X		Missouri
		X	n/a	X	X			Montana
X	X	X		X	X	X	X	Nebraska
X	X	X	X	X	X		X	Nevada
X	X	X	n/a	X	X	X		New Hampshire
X	X	X		X	X	X		New Jersey
X		Xc		X	X			New Mexico
X	X	X		X	X	X		New York
X	X			X	X		X	North Carolina
X	X	X		X	X	X	X	North Dakota
X	X	X		X	X	X		Ohio
X		X		X	X	X		Oklahoma
X		X	n/a	X	X	X		Oregon
X	X	X		X	X			Pennsylvania
X	X	X		X	X	X		Rhode Island
X	X	X		X	X	X	X	South Carolina
X		X		X	X		X	South Dakota
X	X	X		X	X	X	X	Tennessee
X	X	X		X	X	X	X	Texas
X	X			X	X		X	Utah
X	X	X		X	X	X		Vermont
X	X	X		X	X	X	X	Virginia
X			X	X	X	X		Washington
X	X			X	X	X		West Virginia
X	X	X		X	X			Wisconsin
X	X			X	X	X	X	Wyoming
47	40	42	2	49	49	31	22	

Footnotes

* States that do not levy a corporate income tax: Nevada, South Dakota, Texas, Washington and Wyoming.

* States that do not levy a sales or use tax: Montana, New Hampshire and Oregon

a. The state imposes no sales tax. Instead, a business license tax and a use tax on personal property leases are levied.

b. There is no state-level tax on real or personal property.

c. Businesses using Industrial Revenue Bonds (IRB) as a financing mechanism may enjoy certain tax exemptions.

SOURCE: Business Information Services, State and Financial Incentives; Nevada Commission on Economic

Development, Research Division.

APPENDIX I: Executive Director's Exemption and Refund
Report Prepared by Department of Taxation
in February 1999



Executive Director's Exemption and Refund Report

February 1999

Sales and Use Taxes

372.265 Constitutional and statutory exemptions

Due to an Attorney General's opinion, this exemption now has a significant affect on Nevada. Property purchased in other states for use in Nevada, which has been legally taxed in the other state, is no longer subject to Nevada use tax. While no information or estimate is available, two areas of potential significant revenue loss are motor vehicles and construction components.

372.270 Proceeds of Mines.

Based on March 1998 estimated figures: \$217.7 million.

372.275 Fuel used to propel motor vehicle.

Estimate of annual revenue gain if the exemption did not exist is as follows. Diesel = \$22.3** million (255.2 million gallons); Gasoline = \$75.6** million (864.1 million gallons). Neither figure includes potential governmental exemptions. Diesel figure does not take into account for gallonage which may have been refunded for various reasons. Information is from actual gallonage consumed in FY 98 and is based on an average price of \$1.25 per gallon for both types of fuel.

372.280 Animals and plants intended for human consumption; feed; fertilizer.

Based on 1995 information received from Nevada Agricultural Statistics Service, the estimate for this exemption is \$16.7 million.

372.283 Prosthetic devices, orthotic appliances and certain supports and casts; appliances and supplies relating to ostomy; products for hemodialysis; medicine.

This estimate is for prosthetic devices, orthotic appliances, casts and supports only. It does not include ostomy, hemodialysis or medicines as no information is available for these products. Estimate of annual revenue gain if exemption did not exist is \$553,200*.

372.284 Food for human consumption.

Based on a prior fiscal study completed by the Department, the revenue loss due to the exemption for food is approximately \$81.4* million annually.

372.285 Meals and food products sold to students or teachers by school, organization of students or parent- teacher association.

Based on estimate for K-12 school districts: \$3.5* million. Figure does not include university or college information.

374.291 Works of fine art for public display.

The result of this exemption is a reduction in tax collected (Local school support and City/County taxes). For various reasons, the actual amount cannot be determined at this time. Based on the first two years of the program, the initial annual loss will range from \$152,827 to \$7,192,651.

- 372.287 **Textbooks sold within the University and Community College System of Nevada.**
While no current information is available, the fiscal note completed on this bill during the 1989 session indicated a tax loss of \$75-80,000 per year was anticipated. No update has been completed since the original fiscal note.
- 372.290 **Containers.**
No information is available.
- 372.295 **Gas, electricity and water.**
Based on information received from the PUC, based on calendar year 1997: \$109.9 million.
- 372.300 **Domestic fuels.**
Not including propane, \$41,224* estimated annually from firewood.
- 372.305 **Personal property used for performance of contract on public works executed before July 1, 1955, and**
- 372.310 **Personal property used for performance of written contract executed before March 29, 1955.**
Time frame for qualification for these two exemptions was over 40 years ago. No information is available.
- 372.315 **Newspapers.**
Based on study of Nevada published newspapers in February 1999: \$7.6 million.
- 372.316 **Manufactured homes and mobile homes.**
Based on the assumption that all reported sales of mobile home dealers are sales that qualify for exemption, if the exemption did not exist \$4.18** million in revenue would be gained annually.
- 374.322 **Aircraft, aircraft engines and component parts of aircraft.**
No information is available. Sellers of aircraft are permitted to sell tax exempt. However, the purchaser must pay the 2% portion. There are no records of who those purchasers are.
- 372.320 **Occasional sales. (property other than vehicles)**
Based on rough estimate of ¼ of 1 percent of all taxable sales, estimate is \$4 million.
- 374.040.2 **“Occasional sale” defined. (vehicles)**
Based on information provided by DMV reports to the Department, the general fund loss for FY 98 was \$5.35** million per year for the 2% portion that was not taxed.
- 372.325 **Sale to United States, state or political subdivision.**
Not including sales to the United States (constitutional issue), March 1999 estimate for state and local sales equals \$18.1* million.
- 372.326 **Personal property sold by or to nonprofit organization created for religious, charitable or educational purposes.**
This issue has vacillated until once again voted on (November 6, 1996) by the people of Nevada. Now, the exemption as interpreted since 1955 has been restored. The fiscal note developed at the time this bill was written indicated a potential tax loss of \$1.3 million. However, it is important to note the actual taxing of sales made by this group of organizations was for a short period of time.

- 372.327 **Loan or donation to United States, state, political subdivision or religious or eleemosynary organization.**
No information is available, however it is felt this would be minimal.
- 372.330 **Sale to common carrier.**
No information is available, however it is felt this would be minimal.
- 372.335 **Property shipped outside state pursuant to sales contract; delivery by vendor.**
To lose this exemption would put Nevada at a competitive disadvantage with virtually all other states, as most all states have this exemption. However, information received from the Attorney General's office indicates this would be a constitutional matter. The revenue loss for this exemption is estimated to be \$91.3* million.
- 374.287.1.d **Any ophthalmic or ocular devices or appliance prescribed by a physician or optometrist.**
Annual loss due to this exemption is approximately \$2.18* million.
- 374.030.3.e.1 & .2 **Trade-in value of used vehicle or farm equipment.**
Annual loss due to this exemption for vehicles is approximately \$14.55* million. While no information available for farm equipment, it is believed to be minimal.
- 372.340 **Personal property sold to or used by contractor who is a constituent part of governmental, religious or charitable entity.**
No information is available, however it is felt this also would be minimal.
- 374.357 **Abatement for eligible machinery or equipment used by certain businesses.**
Sales tax abated for FY 98 \$1,512,779.72

CONCLUSION

BASED ON THIS STUDY, THE TOTAL CURRENT DOLLAR AMOUNT OF SALES AND USE TAX EXEMPTION CONSERVATIVELY WOULD BE \$677,995,029. (678 M)

* Revenue loss based on prior study or fiscal note, using Economic Forum growth figures for current calculation.

** Revenue loss based on actual Department reports, other agency filings with this Department, or from information obtained from other agencies.

Business Tax

- 364A.151 **Exclusion of hours from calculation for employment of pupil as part of program that provides work-study.**
No information available.
- 364A.1525 **Requirements to qualify as organization created for religious, charitable or educational purposes.**
No information available.
- 364A.160 **Exemption for natural person with no employees during calendar year.**
No information available.

- 364A.170 **Exemption for proposed business; eligibility for exemption; repayment of amount of exemption for failure to comply; adoption of regulations.**
Business tax abated for FY98 \$59,625.
- 364A.175 **Exemption for activities conducted pursuant to certain contracts executed before July 1, 1991.**
No information available.

Excise Tax

Note: All excise tax statutes contain provisions for refund of previously collected taxes, or restrictions on the Department of Taxation collecting taxes under certain conditions. These refund and restriction provisions are listed with each excise tax.

Insurance Premium Tax:

Exemptions:

- 679A.160 **Application of code to particular types of insurers.** Unless otherwise provided, no provision of this code applies to:
- Fraternal benefit societies, as identified in chapter 695A of NRS, except as stated in chapter 695A of NRS.
 - Hospital, medical or dental service corporations, as identified in chapter 695B of NRS, except as stated in chapter 695B of NRS.
 - Motor clubs, as identified in chapter 696A of NRS, except as stated in chapter 696A of NRS.
 - Bail bondsmen, as identified in chapter 697 of NRS, except as stated in NRS 680B.025 to 680B.039, inclusive, and chapter 697 of NRS.
 - Risk retention groups, as identified in chapter 695E of NRS, except as stated in chapter 695E of NRS.
 - Health and welfare plans arising out of collective bargaining under chapter 288 of NRS, except that the commissioner may review the plan to ensure that the benefits are reasonable in relation to the premiums and that the fund is financially sound.
- No information is available.

- Adjustments*** 680B.120 Refund of overpayments.
FY 98 \$214,468.37

680B.050 Credit if home office or regional home office is in Nevada in an amount equal to 50% of the aggregate amount of tax and the full amount of ad valorem taxes paid by the insurer, however, the total credit shall not reduce the amount of tax payable to less than 20% of the tax otherwise payable by the insurer.
FY 98 \$6,758,830.14

686C.280 Life/Health Guaranty Association offset is issued to each insurer paying an assessment under this chapter in the form of a certificate of contribution. The insurer may offset an amount equal to 20% of the amount certified against its liability for 5 years.

FY 98 \$3,249,179.99

687A.060 Property/Casualty Guaranty Association credit is issued to each insurer paying an assessment under this chapter in regards to insolvent insurance companies. The insurer may apply this credit in an amount equal to 20% of the assessment against its liability for 5 years.

FY 98 \$1,850,397.18

Tire Tax:

Exemptions:

No Exemptions

Cigarettes Tax:

Exemptions:

370.070 The provisions of NRS 370.001 to 370.430, inclusive, do not apply to common carriers while engaged in interstate commerce which sell or furnish cigarettes on their trains, buses or airplanes.
No information available.

370.290 Exemption for cigarettes exported from state; notice to department of taxation and state of destination; penalty.
No information available.

Refunds:

370.280 Tax refunds.

1. Upon proof satisfactory to the department, refunds shall be allowed for the face value of the cigarette revenue stamp tax paid, less any discount previously allowed, upon cigarettes that are sold to:
 - (a) The United States Government for Army, Air Force, Navy or Marine Corps purposes and are shipped to a point within this state to a place which has been lawfully ceded to the United States Government for Army, Air Force, Navy or Marine Corps purposes;
 - (b) Veterans' hospitals for distribution or sale to disabled service or ex-servicemen interned therein, but not to civilians or civilian employees;
 - (c) Any person if sold and delivered on an Indian reservation or colony where an excise tax has been imposed which is equal to or greater than the rate of the cigarette tax imposed under this chapter; or
 - (d) An Indian if sold and delivered on an Indian reservation or colony where no excise tax has been imposed or the excise tax is less than the rate of the cigarette tax imposed under this chapter.
2. Upon proof satisfactory to the department, refunds shall be allowed to cigarette dealers, or to manufacturers or their representatives, for the face value of the cigarette revenue stamp tax paid, less any discount previously allowed upon cigarettes destroyed because the cigarettes had become stale. Applications for refunds shall be submitted in an amount of not less than \$15 and shall be accompanied by an affidavit of the applicant setting forth:
 - (a) The number of packages of cigarettes destroyed for which refund is claimed;
 - (b) The date or dates on which the cigarettes were destroyed and the place where destroyed;

- (c) That the cigarettes were actually destroyed because they had become stale;
- (d) By whom the cigarettes were destroyed; and
- (e) Other information which the department may require.

3. Upon proof satisfactory to the department, refunds may be allowed to licensed wholesale cigarette dealers for the face value of the cigarette metered machine stamp tax paid, less any discount previously allowed upon:

- (a) The balance of unused stamps on the descending register of a cigarette meter machine destroyed by fire, if the cigarette meter counting positions can be determined by the manufacturer of the meter stamping machine;
- (b) Cigarettes which were stamped on their carton covers because of stamping machine failure to open the carton and stamp the cigarette packs; or
- (c) Cigarettes which were not stamped but were registered on the machine as being stamped because of failure of the meter counters.

4. Any refund shall be paid as other claims against the state are paid.

Military Sales cannot be compiled.

Tribal Refunds for FY 98 \$4,226.80

Other Refunds for FY 98 \$449,163.89

Restrictions:

- 370.515** **Restriction on collection by department of tax for products sold on Indian reservation or colony.**
Tribal Sales approximated \$13,445,250 in FY 1998.

Tobacco Products Other Than Cigarettes:

Exemptions:

No Exemptions

Refunds:

- 370.503** Allowance of refund for certain taxes paid.

1. Upon proof satisfactory to the department, a refund must be allowed for the taxes paid pursuant to NRS 370.450, upon products made from tobacco other than cigarettes, that are sold to:

- (a) The United States Government for the purposes of the Army, Air Force, Navy or Marine Corps and are shipped to a point within this state to a place which has been lawfully ceded to the United States Government for the purposes of the Army, Air Force, Navy or Marine Corps;
- (b) Veterans' hospitals for distribution or sale to disabled servicemen or ex-servicemen interned therein, but not to civilians or civilian employees;
- (c) Any person if sold and delivered on an Indian reservation or colony where an excise tax has been imposed which is equal to or greater than the rate of the tax imposed pursuant to NRS 370.501; or
- (d) An Indian if sold and delivered on an Indian reservation or colony where no excise tax has been imposed or the excise tax is less than the rate of the tax imposed pursuant to NRS 370.501.

2. Any refund must be paid as other claims against the state are paid.

Military Sales cannot be compiled.

Tribal Refunds for FY 98 \$863.18

Other Refunds for FY 98 \$0.00

Restrictions:

370.515 **Restriction on collection by department of tax for products sold on Indian reservation or colony.**
Tribal Sales approximated \$1,429,687.46 in FY 1998.

Controlled Substance:

Exemptions:

No Exemptions

Estate Tax:

Exemptions:

No Exemptions

Refunds:

375A.220 **Refund of overpayment.**

1. Whenever the department determines that an overpayment of the tax due under NRS 375A.100 has been made, the person making payment is entitled to a refund of the amount erroneously paid on presentation of proof satisfactory to the department that he is entitled to a refund.
2. An application for the refund must be made to the department within 1 year after the date the federal estate tax has been finally determined.
3. On proof satisfactory to the department that the applicant is entitled to a refund, the department shall refund that amount plus interest as provided by NRS 375A.225.
4. The amount of the refund must be paid from the estate tax account in the state general fund.

Total Refunds for FY 1998 = \$1,260,592.34

Liquor Tax:

Exemptions:

369.175 **Common carriers engaged in interstate commerce. (Trains, buses or airplanes)**

369.335 **Sales to certain instrumentalities of Armed Forces.**

369.370(2) **Exports**

369.370(4) **Shipments lost, stolen or damaged in transit, or damaged or spoiled on the premises.**
Total losses, exports, military and airlines exemptions for FY 1998 = \$188,760.62

Refunds:

Same statutes as above
Total Refunds in FY 1998 = \$22,875.

Motor Vehicle Fuel Excise Tax:

Exemptions:

365.220

Exempt transactions and sales

1. Motor vehicle fuel so long as it remains in interstate or foreign commerce.
2. Motor vehicle fuel or fuel for jet or turbine-powered aircraft exported from this state by a dealer.
3. Motor vehicle fuel or fuel for jet or turbine-powered aircraft sold to the United States Government for official use of the United States Armed Forces.
4. Motor vehicle fuel or fuel for jet or turbine-powered aircraft distributed, or delivered on the order of the owner, to a dealer.
5. Leaded racing fuel.

Total exempt for FY98 - unavailable

365.230

Exempt sales by dealer in individual quantities of 500 gallons or less for export.

Total exempt for FY98 - unavailable

Refunds:

365.370

Any person who exports any motor vehicle or fuel for jet or turbine-powered aircraft from this state, or who sells any such fuel to the United State Government for official use of the United States Armed Forces, or who buys and uses any such fuel for purposes other than for the propulsion of motor vehicles or jet or turbine-powered aircraft, and who has paid any tax on such fuel levied or directed to be paid as provided by this chapter, either directly by the collection of the tax by the vendor from the customer or indirectly by the addition of the amount of the tax to the price of the fuel, must be reimbursed and repaid the amount of the tax so paid by him except as follows:

1. Refund claims must be paid by prescribed classes in accordance with the department's regulations.
2. The minimum claim for refund must be based on at least 200 gallons purchased and used in a 6-month period.
3. No refund of motor vehicle fuel taxes may be made for off-highway use of motor vehicle fuel consumed in watercraft in this state for recreational purposes.
4. A person who exports, sells, buys or uses aviation fuel for any purpose is not entitled to reimbursement of any tax paid by him on such fuel.

Total refunded for FY98 - \$959,482.06

APPENDIX J: Certification Reports on Tax Incentives
from Commission on Economic
Development, August 11, 1998

SALES AND USE TAX ABATEMENT CERTIFICATIONS
(From November 1995 thru August 6, 1998)

<u>COMPANY NAME</u>	<u>NATURE OF BUSINESS</u>	<u>DATE CERTIFIED</u>	<u>ESTIMATED CAPITAL PURCHASES</u>	<u>CO'S AVER HRLY WAGE</u>	<u>GENERAL DESCRIPTION OF EQUIPMENT</u>	<u>PRIMARY JOBS CREATED</u>
Foster West Corporation	Manufacturing - CL	11-15-95	224,640	\$12.00	High Perf. Custom Plastic Compounds	10
Kaiser Aluminum & Chem Corp	Manufacturing - ST	11-15-95	26,708,500	12.00+	Manufacturer of Aluminum Can Stock	40 to 50
Kal Kan Foods	Manufacturing - ST	11-15-95	11,000,000	13.50	Manufacturer of Dry Packaged products Pedigree & Whiskas brands	140 to 150
National Rx Service Inc. of Nevada	Distribution - WA	11-15-95	20,000,000	18.60	Distribution of Dispensing of Maintenance Prescription 330 Drugs	
Levi Strauss	Distribution - Expansion - CL	11-15-95	38,197,076 (-23,000,000)	12.66	Reg. Distributor of largest brand name apparel	310
			15,197,076			
Good Humor-Breyers Ice Cream	Manufacturing - CL	12-13-95	1,844,596	13.21	Ice Cream	50
JCH Enterprises, Inc.	Manufacturing/Wholesale/Dist. - CL	12-13-95	342,685	14.05	Electrical Wire & Cable & Electrical Harnesses	10
Equipment Maintenance Services	Remanufacturing - EL	02-01-96	1,262,743	19.15	Heavy Industrial electro-mechanical equipment	24
Rafaco	Manufacturing/Printing - Expansion - WA	02-01-96	410,220	12.24	Keno Tickets, placemats, quest checks & stationery	10
Serrot Corporation	Manufacturing/Expansion - CL	02-01-96	4,126,601	13.98	Mfg. & installs geosynthetic plastic linings	15 to 20
Precision Valve, Inc.	Manufacturing/Distribution - WA	04-04-96	280,000	13.00	Mfg./Dist. hydraulic flight control systems/parts	12
R.R. Donnelley & Sons	Printing & Prepress - WA	05-02-96	54,601,250	13.50	Printing and Prepress	87
ThermoFusion - Nevada	Manufacturing - WA	05-02-96	202,924.52	14.50	Heat Treating, Carburizing & Hardening of Metal Parts	10
Potlatch Corporation	Manufacture/Conversion - CL	05-02-96	6,168,606	16.30	Paper Products	16
High Vacuum Apparatus Mfg.	Manufacturing - WA	05-02-96	5,390,137	17.00	Parts for Vacuum Valves - Medical, etc.	25
Royal Sierra Extrusions, Inc.	Manufacturing - WA	05-02-96	3,800,000	12.28	PVC Windows & Door profiles, etc.	24
WAVE	Manufacturing/Dist. - CL	05-02-96	7,548,672	11.95	Steel framed used comp suspended ceiling systems	50
Veka West, Inc.	Manufacturing - WA	05-02-96	2,469,483	12.10	PVC profiles for windows & door mfgs	27
Lawson Mardon Labels, Inc.	Industrial Printing - WA	06-06-96	3,940,000	15.11	Glue applied labels and picture postcards	22
TMS Recycling, Inc.	Recycling/Remanufacturing - WA	06-06-96	784,865	12.74	Absorbent hydro seed mix, repackaging	17
On-Time Manufacturing, Inc.	Manufacturing - LY	06-06-96	132,595	18.07	Mfg. close tolerence, high tech component parts	10
UCA&L (Upgrade Corp)	Service Support - CL	06-06-96	5,000,000	12.00	Provides Tech support to various software industries	450
Marshall Precision Machining	Manufacturing/Machining - WA	08-01-96	9,808,404	13.21	Mfg./Machine parts for medical & semi-conductors	78
Merck & Co., Inc.	Warehousing/Distribution - WA	09-05-96	1,350,000	15.80	Pharmaceuticals	25
NOS Communications, Inc.	Telecommunications Service - CL	11-07-96	973,512.19	12.83	Domestic & int'l long distance, paging, conf. calling	350
Craftsman Press West, L.P.	Printing - LY	12-05-96	9,050,000	15.37	Prints catalogs, brochures, publications, etc.	150
SMI Joist	Manufacturing - CH	01-09-97	2,695,613	12.87	Mfg. Joists	153
FlexoTech LLC	Manufacturing - CL	01-09-97	1,454,286	23.83	Mfg/Dist - Flexible Packaging Materials	15
A-55 Limited Partnership	Manufacturing - WA	02-06-97	2,184,359.24	19.97	Mfg/Clean Fuels	14
Michelin North America, Inc.	Manufacturing - WA	02-06-97	57,734,244	15.63	Mfg/Tires	100
Renal Treatment Centers	Medical Laboratory Analysis - CL	04-03-97	2,419,542.26	16.75	Laboratory Analysis / Medical	75
Viking Metallurgical Corp.	Manufacturing - Exp. - WA	05-01-97	9,500,000	16.60	Mfg. - Seamless Rings	11
Polyvision	Manufacturing - WA	08-07-97	2,210,564	13.53	Mfg. - Lenses	18
Las Vegas Offset, Inc.	Printing - CL	08-07-97	7,870,000	16.40	Printing	23
MegaWall	Manufacturing - CL	08-07-97	4,967,483	21.56	Mfg/Concrete Walls	44
Quebecor Printing Nevada, Inc.	Printing - LY	08-07-97	36,000,000	16.58	Printing	159-379
Ocwen Federal Bank	Mortgage Management - CL	09-25-97	13,500,000	14.27	Mortgage Management	240-1781
Caribbean Super Absorbent Co.	Manufacturing - LY	10-09-97	6,314,257	13.51	Mfg. Superabsorbent Polymer	28
Sweetheart Cups	Manufacturing - CL	11-06-97	4,000,000	13.01	Mfg. Foam Cups & Plates - Expansion	
Pabco Gypsum	Manufacturing - CL	11-06-97	12,520,000	14.84	Mfg. Wallboard - Expansion	45
U.S. Gypsum	Manufacturing - WA	11-06-97	8,953,809	12.94	Mfg. Wallboard - Expansion	10
UPS Worldwide Logistics	Warehousing/Distribution - LY	11-06-97	6,0550,433	15.01	Warehousing/Distribution	25

<u>COMPANY NAME</u>	<u>NATURE OF BUSINESS</u>	<u>DATE CERTIFIED</u>	<u>ESTIMATED CAPITAL PURCHASES</u>	<u>CO'S AVER HRLY WAGE</u>	<u>GENERAL DESCRIPTION OF EQUIPMENT</u>	<u>PRIMARY JOBS CREATED</u>
Valley Joist	Manufacturing - LY	01-08-98	2,527,356.85	12.95	Mfg. Custom Joists/Girders	100
Mack Trucks, Inc.	Distribution - WA	01-08-98	474,880	14.60	Dist/Mack Trucks Parts	13
Serrot Corporation - Exp.	Mfg./Distribution - CL	01-08-98	4,126,580	13.57	Mfg./Dist - Plastic Lining	15-20
Gilroy Foods - Exp.	Mfg./Dehydration - CH	03-05-98	4,943,706	19.21/10.32	Mfg./Dehydration - Onions/Garlic	25
Berry Plastics	Manufacturing - CL	03-05-98	2,815,000	12.99	Mfg. Plastic Containers	11
Dunsirn Industries, Inc.	Manufacturing - WA	05-07-98	3,714,500	14.41	Mfg. - Wire/Paper Cutting	39
OfficeMax, Inc.	Distribution - CL	05-07-98	3,429,000	14.00	Distribution - Office Supplies	40
A&B Precision Metals - Exp.	Manufacturing - WA	05-07-98	181,144	13.21	Mfg. - Precision Metals	17-20
CSAA	Call Center - CL	05-07-98				
McCandless Int'l Trucks, Inc.	Repair/Paint/Dist. - CL	06-19-98	549,706	17.75	Paint/Repair Lg. Trucks / Distribution	20
Royal Sierra Extrusion	Manufacturing - WA	08-06-98	1,991,182.29	12.93	Mfg/PVC Window & Door profiles - Expansion	23
Dusan Equipment Corp.	Manufacturing - CL	08-06-98	800,364	21.15	Mfg/Design - Automatic molding equipment	17-30
Dongsung America Co., Inc.	Manufacturing - CL	08-06-98	4,500,000	13.61	Mfg/Dist Organic photoconductor	77

TOTAL COMPANIES: 54

\$401,048,516.35

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Revised 8/10/98

SALES AND USE TAX DEFERRAL CERTIFICATIONS
(From January 1989 thru August 10, 1998)

<u>COMPANY NAME</u>	<u>NATURE OF BUSINESS</u>	<u>DATE CERTIFIED</u>	<u>ESTIMATED CAPITAL PURCHASES</u>	<u>GENERAL DESCRIPTION OF EQUIPMENT</u>	<u>PRIMARY JOBS CREATED</u>
Lynx Golf, Inc.	Manufacturing	1-3-89	\$ 4,000,000	Plastics Casting Equipment	Up to 70
Continental Lime, Inc.	Lime Quarry	1-4-89	2,221,075	Equip. for Ore Processing Plant	Up to 15
Stillwater Geothermal I	Power Generation (Geothermal)	1-11-89	3,016,094	Turbines & Control Equipment	200
Western States Minerals Corp.	Mining	1-23-89	2,000,000	Equipment for Ore Processing Plant	50
K-Fun Television, Inc.	Television Production	2-22-89	105,000	TV Production Equipment	15-30
American Ready-Mix, Inc.	Cement Manufacturing	2-22-89	509,000	Trucks & Loaders	5 1/2
The HVR Company	Manufacturing	2-22-89	5,000,000	Food Mfg. & packaging equipment	35
Rabbit Creek Mining, Inc.	Mining	3-13-89	23,000,000	Equipment for Ore Processing Plant	Up to 150
Atlas Gold Mining, Inc.	Mining	3-27-89	5,144,000	Ore Processing Equipment	20
Monoflex, Inc.	Manufacturing	6-14-89	194,150	Well & Irrigation Mfg. Plant	6
Kidd & Company, Inc.	Manufacturing	6-28-89	*107,294 (tax only)	Marshmallow Mfg. Equipment	70
New-Com, Inc.	Construction	6-29-89	392,000	Backhoe	10
Wells Cargo, Inc.	Asphalt Plant	09-5-89	700,000	Heavy Equipment	Job Retention
Bemis Technologies	Manufacturing	9-14-89	12,600,000	Production Machinery & Equipment	75
Design Group	Printing	10-30-89	2,959,168	Presses, machinery & dies	50
T.J. Maxx	Warehousing/Distribution	10-30-89	7,245,000	Heavy Equipment, Racks, Conveyors, etc.	400
Calibrated Forms Co., Inc.	Printing	11-2-89	750,000	Heavy Equipment, presses, etc.	25
Service Control Corporation, West	Commercial Laundry	11-21-89	4,580,000	Laundry & Dry Cleaning Equipment	30
New-Com, Inc.	Construction	1-4-90	320,575	Hydraulic Hammer & Flatbed Dump	12
Continental Lime, Inc.	Lime Quarry	1-4-90	2,000,000	Additional Processing Equipment	(See 1989)
Mt. Vernon Plastics Corp.	Manufacturing	2-26-90	10,520,400	Plastics Molding Injection Equipment	136
Aeromedical Services, Int'l.	Air Ambulance	4-10-90	700,000	Aircraft	(Job Retention) 3
New-Com, Inc.	Construction	4-26-90	558,000	Trencher	+ 3
Smithers-Oasis Company	Manufacturing	6-12-90	1,045,000	Heavy Equipment, Packaging, Conveyor, Etc.	27
American Ready-Mix, Inc.	Manufacturing	6-29-90	132,000	Heavy Equipment & Cement Bulker	5
Franke, Inc.	Manufacturing	7-17-90	1,400,000	Food Service Equipment Manufacturing	35
Western Coach Services, Inc.	Transportation	7-30-90	184,000	Buses	(Retention of 50 jobs)+ 6
NSD West, Inc.	Distribution	8-27-90	460,000	Shelving, Office Furnishings	30
Underwood & Sons, Corp.	Printing	9-11-90	155,000	Printing Equipment	2
Bowman & Sons Printing	Printing	9-28-90	850,000	Hell Color Scanner	25
R.R. Donnelley & Sons Company	Printing	11-9-90	4,800,000	Printroll Devices/Bindery Lines	20
Master-Halco, Inc.	Manufacturing	11-9-90	4,640,000	Heavy Equipment, Conveyors, Taks, Weavers	80
Coastal Chem, Inc.	Manufacturing	12-7-90	14,000,000	Chemical Plant Equipment for Mining	28
New-Com, Inc.	Construction	1-3-91	130,213	Front End Loader	(Job Retention) + 5
Geothermal Power Partners, L.P./	Power Generation	1-18-91	20,500,375	Pump, Tanks, Dryers, Condensers, etc.	10
Nevada Cogeneration Associates, #1	Power Generation	2-6-91	45,094,000	Power Plant Generation Equipment	20
Ralston Purina Company	Manufacturing	2-28-91	31,763,000	(150 Construction jobs over 2 years)	
Shaw Construction Company	Construction	3-8-91	361,209	Food Processing Equipment	175
Nevada Cogeneration Associates, #2	Power Generation	4-29-91	44,858,000	50 Ton Crane	3
Silver State Disposal Services, Inc.	Recovery & Recycling Plant	5-3-91	2,993,250	Power Plant Generation Equipment	20
Arimetco International, Inc.	Copper Mining	5-14-91	7,900,000	(150 Construction Jobs over 2 years)	
Chromalloy Nevada	Manufacturing	5-28-91	3,090,000	Trucks, Baler, Dumpsters, etc.	60
Pilot Company	Manufacturing	7-16-91	1,000,000	Heavy Equipment, Tanks, Plant Equipment	35
Saguaro Power Company	Power Generation	10-11-91	20,807,922	Heavy Equipment, Blenders, Lab Equipment, Milling Machines, Welders, etc.	30
				Heavy Equipment, Air Quality Controls, Office Furnishing, etc.	64
				Turbines, Generators, etc.	25

<u>COMPANY NAME</u>	<u>NATURE OF BUSINESS</u>	<u>DATE CERTIFIED</u>	<u>ESTIMATED CAPITAL PURCHASES</u>	<u>GENERAL DESCRIPTION OF EQUIPMENT</u>	<u>PRIMARY JOBS CREATED</u>
MGM Grand Movieworld, Inc.	Recreation - CL	11-18-91	50,000,000	Theme Park equipment & Furnishings (+1,250 construction jobs over 2 years)	650
Nevada Sun Peak Limited	Power Generation - CL	1-8-92	48,163,049	Gas Turbines (+120 Construction Jobs)	13
Elite Spice, Inc.	Manufacturing - CL	1-21-92	503,857	Food Processing Equipment	15
Moapa Energy Limited	Recycling Press to Create Energy - NY	3-24-92	111,208,000	Generators & Turbines, etc.	200-400 construction jobs over 2 years; 45 permanent jobs
Westinghouse Electric Supply	Co./Distribution Center - WA	6-24-92	2,040,000	Conveyor system, computer system, etc.	32
Las Vegas Cogeneration Limited Partnership	Power Generation - CL	8-21-92	58,000,000	Turbines, generators, pump tanks, etc.	150 construct. jobs over 2 years; 49 permanent jobs
Sierra Converting Corp.	Manufacturing - WA	9-1-92	111,565	Cutting Machine	4
Ocean Spray	Manufacturing - CL	9-18-92	17,292,685	Food processing equipment	150
Lechters Inc.	Distribution - CL	10-20-92	2,076,511	Kitchen Houseware & Accessories	45
RTP Company	Manufacturing - LY	11-5-92	1,113,000	Thermoplastics	10
Sylvan Spawn Lab	Manufacturing - LY	11-5-92	472,016	Mushroom Spawn	30
Potlatch Corporation	Manufacturing - CL	12-7-92	12,255,680	Processing Equipment	100
Great Basin Brewing Co.	Manufacturing - WA	2-26-93	155,000	Tanks, Pumps	Up to 20
Serrot Corporation	Manufacturing - WA	2-26-93	4,910,200	Extrusion machines, conveyors, water cooling, cranes, forklifts, etc.	100
S.L.O.C.C. Printers, Inc.	Producer Services - CL	5-18-93	330,300	Printing Presses	10
Roron Die Casting	Manufacturing - WA	5-18-93	200,000	Die-Cast Machine	9
A. Carlisle & Company of NV.	Producer Services - WA	5-18-93	486,570	Printing Presses	3
Blue Ribbon Graphics, Inc.	Producer Services - CL	6-9-93	340,000	Printing Presses	14
Potlatch Corporation (Phase 2)	Manufacturing - CL	7-13-93	4,528,000	Process Equipment	8 Additional
Environmental Containers, Inc.	Manufacturing - CL	08-26-93	1,145,731	Various mechanical devices and painting equipment	48
Continental Lime, Inc.	Lime Quarry - EL	08-26-93	5,502,444	Processing Equipment to expand existing plant	10
Burns Philp Foods	Manufacturing - WA	10-18-93	3,500,000	Food dehydration facility	60
CIMCO Nevada	Manufacturing - LY	12-16-93	3,070,000	Injection molding machines, grinders, thermolators, etc.	100+
BTS Group	Manufacturing - WA	12-16-93	307,300	Degreasing baskets, trays & machines, spray guns, etc.	70-90
MicroMetl Corporation	Manufacturing - WA	12-16-93	607,314	Brake tooling, Amada Turret, forklifts, fans, pumps, etc.	10
A & B Precision Metals	Manufacturing - WA	12-16-93	1,031,271	Press brakes, welders, hardware machines, etc.	0-50 in expansion for a total of 160
Fortifiber	Manufacturing -LY	02-24-94	1,057,300	Heavy equipment, plastic film coated and laminating equip.	45
Omohundro	Manufacturing - DO	05-05-94	385,000	Carbon fiber marine sailboat mast mfg.	69 now/90 w/in 2 yrs
Cyprus-Foote Mineral	Manufacturing/Chemicals - ES	05-05-94	3,500,000	Lithium carbonate manufacturing	5-18
Mupac Corporation	Manufacturing - WA	08-31-94	426,018	Sheet Metal fabrication for computer enclosures	10-12
Crown Laboratories	Manufacturing - CL	08-31-94	4,900,939	Mfg. nutritional products for hospitals & nursing homes	20
North Sails Nevada, Inc.	Manufacturing - DO	12-09-94	1,450,000	Manufacturer of sail masts	50-60
Poly Pipe Industries	Manufacturing - LY	12-09-94	2,633,403	Manufacturer of polyethylene pipe	30
R.R. Donnelley & Sons Company	Managing/Distribution - WA	02-14-95	29,985,000	Managing, reproducing & distribution of printed materials	28
Trimm Technologies	Manufacturing - CL	02-14-95	1,460,500	Manufacturing/Design Computer peripherals	60
Royal Sierra Extrusions, Inc.	Manufacturing - WA	02-14-95	3,354,223	Manufacturing of PV Vinyl Extrusions	75
Nelson Pacific Corporation dba Delta Industries	Manufacturing - WA	02-14-95	450,774	Manufacturer of drawer slide/cabinet hardware	15
Diamond Plastics Corporation	Manufacturing - HU	02-25-95	6,500,000	Manufacturer PVC pipe for water & sewer systems	55
Leviton Manufacturing Co., Inc.	Manufacturing - WA	4-11-95	6,115,000	Manufacturer Electrical Wiring Devices/Dist	40
Veka West, Inc.	Manufacturing - WA	5-13-95	4,450,967	Manufacturer vinyl extrusions for windows	14
Continental Lime	Manufacturing - HU	11-15-95	9,071,000	Manufacturer of Quicklime	16
Foster West Corporation	Manufacturing - CL	11-15-95	224,640	Manufacturer of High Perf. Custom Plastic Compounds	10
Kaiser Aluminum & Chemical Corp.	Manufacturing - ST	11-15-95	26,708,500	Manufacturer Aluminum Can Stock	40-50
Levi Strauss	Distribution - CL	11-15-95	38,197,076	Distribution of Largest Brand Name Apparel	310
Equipment Maintenance Service	Manufacturing/Remanufacturing - EL	2-1-96	1,262,743	Remanufacturer of Heavy Industrial Electro-Mech Equip	24

<u>COMPANY NAME</u>	<u>NATURE OF BUSINESS</u>	<u>DATE CERTIFIED</u>	<u>ESTIMATED CAPITAL PURCHASES</u>	<u>GENERAL DESCRIPTION OF EQUIPMENT</u>	<u>PRIMARY JOBS CREATED</u>
Serrot Corporation	Manufacturing - CL	2-1-96	4,126,601	Manufacturer & install geosynthetic plastic lining	15-20
R.R. Donnelley	Printing - WA	5-2-96	54,601,250	Printing & Prepress	87
High Vacuum Apparatus Mfg.	Manufacturing - WA	5-2-96	5,390,137	Manufacturing vacuum valves	25
Royal Sierra Extrusions, Inc.	Manufacturing -WA	5-2-96	3,800,000	Mfg. PVC Window & Door profiles, etc.	24
WAVE	Manufacturing/Distribution - CL	5-2-96	7,548,672	Mfg. steel frames suspended ceilings	50
Veka West, Inc.	Manufacturing - WA	5-2-96	7,332,190.44	Mfg. PVC profiles for window & door mfg industry	27
Upgrade Corp dba UCA&L	Service Support - CL	6-6-96	5,000,000	Service Support Technical	450
Marshall Precision Machining	Manufacturing/Machining - WA	8-1-96	9,808,404	Parts for Medical and Semi-Conductors	78
SMI Joist	Manufacturing - CH	1-9-97	2,695,613	Mfg. Joists	153
FlexoTech, LLC	Manufacturing - CL	2-6-97	1,454,286	Mfg. Flexible Packaging Materials	15
Michelin North America, Inc.	Manufacturing - WA	2-6-97	57,734,244	Tire Manufacturing	100
Renal Treatment Centers	Laboratory Medical Analysis - CL	4-3-97	2,419,542.26	Medical Laboratory Analysis	
Viking Metallurgical Corp.	Manufacturing/Expansion - WA	5-1-97	9,500,000	Mfg. - Seamless Rings	11
Quebecor Printing Nevada, Inc.	Printing - WA	8-7-97	36,000,000	Printing	159-379
Las Vegas Offset, Inc.	Printing - CL	8-7-97	7,870,000	Printing	23
Polyvision	Manufacturing - WA	8-7-97	2,210,564	Polycarbonate Ophthalmic Lenses	18
Ocwen Federal Banks	Mortgage Management - CL	9-25-97	13,500,000	Mortgage Management Center	240-1781
Pabco Gypsum	Manufacturing - CL	11-06-97	12,520,000	Mfg. - Wallboard - Expansion	45
Valley Joist	Manufacturing - LY	01-08-98	2,527,356.85	Mfg. Customized Joists/Girders	100
Mack Trucks, Inc.	Distribution - WA	01-08-98	474,880	Distribution of Mack Truck Parts	13
Serrot Corporation	Manufacturing/Distribution	01-08-98	4,126,580	Mfg/Dist. Plastic linings	15-20
Gilroy Foods	Manufacturing/Dehydrating - CH	03-05-98	4,943,706	Mfg/Dehydration - Onions/Garlic	25
Berry Plastics	Manufacturing - CL	03-05-98	2,815,000	Mfg/Plastic Containers	11
Dunsirn Industries, Inc.	Manufacturing - WA	05-07-98	3,714,500	Mfg. Wire/Paper Cutting	39
OfficeMax, Inc.	Warehousing/Distribution - CL	05-07-98	3,429,000	Warehouse/Distribution - Office Products	40
California State Automobile Assoc.	BackOffice - Call Center - CL	05-07-98			
McCandless Int'l Trucks, Inc.	Paint/Repair Vehicle/Dist.- CL	06-19-98	549,706	Paint/Vehicle Repair Lg. Trucks	20
Royal Sierra Extrusions	Manufacturing - WA	08-06-98	1,991,182.29	Mfg/PVC Window & door profiles	23
Dunsan Equipment Corp.	Manufacturing/Designer - CL	08-06-98	800,364	Mfg/automatic molding equipment	17-30
Dongsung America Company	Manufacturing/Dist - CL	08-06-98	4,500,000	Mfg/Organic photoconductor mfg lines/printers & faxes	77

BUSINESS TAX ABATEMENT CERTIFICATIONS
(From May 1994 thru August, 1998)

<u>COMPANY NAME</u>	<u>NATURE OF BUSINESS</u>	<u>DATE CERTIFIED</u>	<u>CAPITAL INVESTMENT</u>	<u>TYPE OF BUSINESS</u>	<u>JOBS CREATED</u>	<u>NEW BUSINESS</u>	<u>EXPANDED BUSINESS</u>
Omohundro	Manufacturing - DO	05-05-94	\$6,000,000	Sail Boat Mast Production	69	Yes	
North Sails NV, Inc.	Manufacturing - DO	12-09-94	\$1,450,000	Sail Mast Production	50	Yes	
Trimm Technologies	Manufacturing - CL	02-14-95	\$1,460,500	Mfg/Design Computer Peripheials	60	Yes	
Diamond Plastics	Manufacturing - HU	02-14-95	\$6,500,000	Mfg. PVC pipe for water & sewer sys.	55	Yes	
Reno Air	Airline - WA	02-14-95	\$11,000,000	Airline Reservations, Admin., Pilot/Flight Attendant/Mechanic Base	120		Yes
Levi Strauss	Distribution - CL	11-15-95	38,197,076	Regional Distributor of largest brand-name apparel	310	Expansion	
Maxton Manufacturing Co.	Manufacturing - DO	04-04-96	2,000,000	Mfgs hydraulic elevator valves	50	Yes	
Kaiser Aluminum	Manufacturing - ST	04-04-96	45,000,000	Mfgs. Aluminum	40-50	Yes	
R.R. Donnelley & Sons	Printing/Publishing - WA	05-02-96	54,601,250	Specialized in digital prepress & printing	87	Yes	
Upgrade Corp. dba UCA&L	Service Support - CL	06-06-96	5,000,000	Service Support Technical	450	Yes	
Marshall Precision Machining	Manufacturing/Machining - WA	08-01-96	9,808,404	Parts for medical & semi-conductor	78	Yes	
NOS Communications, Inc.	Telecommunications Services - CL	11-07-96	973,512.19	Domestic & long distance, paging, conf calling	350	Expansion	
Craftsman Press West, L.P.	Printing - WA	12-05-96	9,050,000	Catalogs, brochures, publications, etc.	150	Yes	
SMI Joist	Manufacturing - CH	01-09-97	2,695,613	Joists Manufacturing	153	Yes	
Michelin North America, Inc.	Manufacturing - WA	02-06-97	57,734,244	Tire Manufacturing	100	Yes	
Renal Treatment Centers	Laboratory - CL	04-03-97	9,000,000	Medical Laboratory - diagnostic	75	Yes	
Quebecor Printing Nevada, Inc.	Printing - WA	08-07-97	36,000,000	Printing	159-379	Yes	
Ocwen Federal Bank	Mortgage Management - FL	09-25-97	13,500,000	Mortgage Management	240+	Yes	
Sweetheart Cups	Manufacturing - CL	11-06-97	4,000,000	Mfgs. Foam cups & plates	140	Expansion	
Valley Joist	Manufacturing - LY	01-08-98	10,000,000	Mfgs. Customized Girders/Joists	100	Yes	
Gilroy Foods	Manufacturing - CH	03-05-98	4,943,706	Mfgs/dehydrates onions & garlic - Expansion	25		Expansion
Dongsung Americas	Manufacturing - CL	08-06-98	4,500,000	Mfgs Organic photoconductor for printers	77	Yes	

APPENDIX K: Information Brief on State Tax Expenditure
Reports Prepared by National Association of
State Budget Officers, June 1994



State Tax Expenditure Reports

Topic

Most state tax codes embody a number of exemptions, deductions, credits and deferrals. In many instances, these provisions are designed to encourage certain taxpayer activities or to limit the tax burden on individuals or business entities. These 'tax expenditures' can have a significant impact on state tax revenues. To provide a better picture of this government activity some states have compiled tax expenditure reports.

This Information Brief summarizes the current practices of state budget offices that prepare tax expenditure reports and describes some of their advantages and disadvantages. Additionally, this Information Brief discusses several policy considerations that should be recognized when discussing the concept and use of tax expenditure reports.

The information contained in this report is the result of a NASBO survey of state budget offices that prepare tax expenditure reports. A summary of the survey results appears in the Appendix.

Background

A tax expenditure is the revenue lost as a result of a law (or an administrative or judicial interpretation of a law) that allows a group of taxpayers to pay less taxes. States identify and define individual tax expenditures differently.

Laws which provide preferential treatment to selected taxpayers are a form of indirect spending made through the tax system. This form of indirect spending can help advance public policy goals. For example, a child care program can be financed by direct appropriation or by tax relief. If the child care program is financed by tax relief, individuals who participate in the child care program pay less taxes. The revenue lost to provide child care tax relief represents a tax expenditure and is the equivalent of an expenditure through the budget.

Therefore, tax expenditures are tax reductions in the form of tax credits, deductions, exemptions, exclusions, credits, preferential tax rates, tax abatements, and tax deferrals that provide preferential treatment to selected taxpayers. Tax expenditures provide an alternative method for advancing public policy objectives.

Since the early 1970s, over half the states have prepared a tax expenditure report. Several state budget offices are required to report tax expenditures periodically. Tax expenditure reports, sometimes called tax expenditure budgets, provide a potentially powerful tool in state policy making.

Table 1
Tax Expenditure Reports Currently
Prepared by Budget Agencies

California	New York
Idaho	Oklahoma

Maine*	Pennsylvania
Maryland	Tennessee**
Massachusetts	Virginia^
Michigan	Wisconsin
Missouri	

Note: States included are based on Budget Processes in the States, NASBO 1992.

* The report is prepared by the Bureau of Taxation and Issued by the Bureau of the Budget. Both agencies are in the Department of Administrative and Financial Services.

** Report issued by the Department of Finance and Administration of which the Division of the Budget is part.

^ The report is issued by the Department of Taxation rather than the Department of Planning and Budget. Both agencies are headed by the Secretary of Finance.

What is Reported in a Tax Expenditure Report?

There is no uniform guide for tax expenditure reporting used by states. The formats and contents of state tax expenditure reports vary because of the differences in how states identify, define and estimate tax expenditures. Some states do not report tax exemptions based on constitutional provisions as tax expenditures. For example, food items are frequently exempt from taxation and may not be considered a tax expenditure. Also, states differ on whether estimates of tax expenditures should be based on actual cash flow or tax liabilities.

However, nearly all state tax expenditure reports contain a core set of features. Tax expenditure reports usually comprise the following:

- A description of the tax expenditure with a legal reference;
- A cost estimate of the tax expenditure; and
- In some cases, supplemental analysis of who benefits from the tax expenditure.

The most distinctive feature of state tax expenditure reports is a catalog listing of the tax expenditures and their costs. Many states provide a specific item description of the expenditure and, where possible, an estimation of the revenues forgone. In most instances, the tax expenditure description includes a reference to the statutory source of the expenditure.

The listing of tax expenditures may be organized by revenue type (such as sales taxes, corporate, or individual income taxes) or by functional categories (such as charitable organizations, small business, or the elderly).

Tax expenditure reports differ in how cost estimates are classified and analyzed. Some states provide only specific tax expenditure item descriptions and cost estimates. Other states provide more detailed analysis of who actually benefits from the tax expenditure. For example, Massachusetts provides information on the impact of tax expenditures on

beneficiaries by beneficiary income level.

Additionally, a few states report repealed or sunset tax expenditures.

A comparison of the information reported in tax expenditure reports prepared by state budget offices appears in the Appendix.

How are Tax Expenditure Reports used in the Policy Process?

State budget office staff indicated that tax expenditure reports are principally used as informational or reference resources by policy makers. Most budget offices indicated that tax expenditure reports lead to major policy decisions only when there was a need for additional revenues.

Tax expenditure reports are not ordinarily a formal part of the budget process. However, some offices did note that the reports improve the understanding and level of discussion by policy makers regarding their state's tax policy.

Legislative and executive decision makers frequently use tax expenditure reports to identify funds for general or specific purposes. Typically, policy makers sift through tax expenditure lists to search for additional state revenue.

For example, in the 1993 fiscal year, tax expenditures were discussed during legislative hearings in Idaho as the state was considering broadening the sales tax base. However, the discussions were not in the context of appropriation debates but in the context of efforts to secure additional tax revenue through changes in tax policy.

Most of the budget offices contacted indicated that the use of tax expenditure reports was not effective in initiating an assessment of tax expenditures versus direct expenditures. Additionally, none of the state budget offices indicated that tax expenditure reports have a formal and distinctive role in the budget deliberation process.

The Impact of Tax Expenditure Reports on Policy Making

Tax expenditure reports that are included in the governor's budget document or released at the same time as the executive budget are usually overshadowed by the budget itself. Tax expenditure reports that are issued at other times also often receive little public attention.

During legislative budget negotiations, there is seldom a formal public discussion of tax expenditures to control spending. None of the budget officials surveyed indicated that tax expenditures were discussed in any type of systematic fashion to control spending.

Tax expenditure reports receive the most attention during tax policy discussions that occur in the budget process. Therefore, tax expenditure reports impact budget deliberations by educating policy makers and providing an alternative method for increasing revenues. Additionally, tax expenditure reports compliment tax policy deliberations about the equity or fairness of a tax preference.

Sales and use taxes garner the most notice when it comes to discussing or analyzing a state's tax expenditures. Many states exempt certain goods and services from their sales tax base. Consequently, the number of

exemptions that exist makes this tax an attractive category when seeking additional revenue. Proposals to obtain more sales and use tax revenues will often include broadening the tax base by repealing certain exclusions, credits or exemptions. Examples of common sales and use tax expenditures include:

- Advertising Services
- Lottery Tickets
- Newspapers
- Food at Hospitals, Schools, or Colleges
- Prescription Drugs
- Legal Services
- Beauty and Barber Shops
- Laundry, Tailoring, and Shoe Repair Services
- Charitable Organizations
- Insurance Services

Tax Expenditure Reporting

Governments have used tax credits, deductions and other tax exemption devices for many years to promote a variety of public policy goals. In this way, policy goals are met by granting selected taxpayers a tax reduction. Tax expenditure reporting provides a picture of indirect spending in government programs.

Tax expenditures, as previously noted, are comparable to direct government expenditures in that both accomplish certain public policy goals. However, unlike direct expenditure programs, tax expenditures do not ordinarily require periodic appropriations.

Generally, there are two advantages to using a tax expenditure to finance a program rather than using a direct expenditure. First, there is no need to establish an administrative structure for the new government program. The program could operate through the existing tax collecting structure. Second, by using the tax system, the program may reach a wider population of beneficiaries than using a free standing program that beneficiaries would have to apply to for benefits.

There are also important drawbacks to using a tax expenditure as opposed to a direct expenditure. A tax expenditure is not subject to the state annual or biennial budgetary processes. Therefore, it is not evaluated as part of overall state spending. Additionally, anyone can claim the benefit of a tax expenditure, particularly income tax expenditures. The only precaution against abuse is the regular tax enforcement and audit process. Lastly, tax expenditures are available only to persons who pay taxes. With exception, many deserving non-taxpayers may not receive any benefits.

Tax Expenditure Identification and Analysis

In order to be useful to policy makers, tax laws and provisions in a tax expenditure report must be analyzed. Unfortunately, uniform criteria to identify tax expenditures for analysis do not exist.

Generally, the states surveyed analyze tax expenditures that:

1. have substantial revenue loss; and
2. have a defined set of beneficiaries and are therefore subject to cost

benefit analysis.

Although many tax expenditure reports do not use uniform criteria to analyze tax expenditures, some states are beginning to provide a basis for thinking about tax expenditures systematically. The tax expenditure reports of Massachusetts and Virginia provide two examples.

The Massachusetts tax expenditure report illustrates the process of tax expenditure analysis by using a sample tax expenditure. Within the text of the tax expenditure report, a job incentive program funded by a special corporate excise tax credit and deduction is described. To analyze the tax expenditure, a series of questions are formed:

- What problem does the tax expenditure address;
- Is the tax expenditure more effective than a direct expenditure;
- Who are the beneficiaries of the tax expenditure; and
- What are the costs and benefits of the tax expenditure?

Massachusetts also measures the total benefit and average benefit per tax return for income groups who are affected by tax expenditures.

In Virginia, the legislature directed the Secretary of Finance to prepare a sales and use tax expenditure report to analyze the impact of ten sales and use tax exemption categories. The Secretary was instructed to analyze sales and use tax expenditures over a five year period and to issue an annual report to legislative finance committees each year on two of the exemption categories.

The significance of the Virginia tax expenditure report is that criteria for preparing analysis of tax exemptions is mandated by state statute. Specifically, the Virginia tax code mandated the following criteria to be used in considering the fiscal, economic and policy impact of each exemption:

1. Impact of the revenues forgone;
2. Identification of the beneficiaries of the exemption;
3. Identification of the direct or indirect state budgetary assistance received by taxpayers or industries;
4. Comparison of the Virginia exemption to the tax systems of other states;
5. Identification of the exemption if it is required as a result of federal or state constitutional, judicial, or statutory mandate;
6. Determination of the beneficiary's state tax burden;
7. Identification of similar taxpayers or industries that do not enjoy the exemption; and
8. Review of other criteria, i.e. the impact of state regulations, local taxes or exemptions, and the regional impact.

The approaches by Massachusetts and Virginia illustrate the complexity of the issues that arise when analyzing tax expenditure programs. However, the significance of systematically evaluating the costs and benefits of particular tax expenditures as investment decisions is very important.

Missouri recently enacted a statute requiring the systematic examination

of certain tax expenditure programs. The budget office already prepares a tax expenditure report that is submitted to the legislature along with the state's budget. A 1993 law now requires the budget office to prepare a cost/benefit analysis of selected tax expenditures. The analysis is required to be prepared periodically.

None of the states surveyed currently perform routine cost/benefit analysis on tax expenditures. Yet, routine cost/benefit analysis would help identify the economic and tax revenue benefits of specific tax expenditures and their relationship to particular state policy objectives.

**Estimating Lost
Tax Expenditure
Revenues:
Limitations**

Quantifying the lost revenue of a particular tax expenditure is not always possible. For instance, all property tax exemptions have unidentifiable revenue losses that include an exemption for most of the real and personal property of federal, state and local agencies. Additionally, repeal of tax expenditures always involves effective dates and may have other timing implications that would cause tax expenditure estimates to differ from repeal estimates.

Users of tax expenditure reports need to be aware of other potential problems. First, the accuracy of tax expenditure estimates may vary. For some items, the availability of tax return data increases the precision of the tax expenditure estimate. In other instances, this calculation must be factored from federal estimates, be based on non-tax state or national data, or where no data is available, simply come from discussions with knowledgeable sources. In most cases, the size of the potential estimating errors is simply not known.

New York addresses this shortcoming using a reliability index. Tax expenditure costs are assigned a category based upon the accuracy of the available data and the procedures used in estimating forgone revenue. Tax expenditures are categorized into five levels of reliability. Tax expenditures that are very reliable are assigned levels near 1 and tax expenditure cost estimates that are less reliable are assigned levels near 5. For instance, cost estimates from actual tax returns are assigned a level 1 reliability. Where no reliable cost data exists, a tax expenditure is assigned a level 5 reliability.

Second, caution should be applied when using tax expenditure budget totals for particular taxes or for expenditures in particular functional categories. The cost of all tax expenditures taken together is generally not the sum of separate expenditure amounts. Each estimate is prepared on the assumption that all other provisions remain in place and that taxpayer behavior does not change.

Lastly, revenue loss estimates have been made without taking into account how repeal of a provision might change taxpayer behavior. For example, if the sales tax exemption for a particular item were repealed, the item would become more expensive to consumers, so one would expect sales of that item to decline. The revenue gain from repealing the provision would be, therefore, somewhat less than if the level of sales for the affected items remained the same. On the other hand, some of the income not spent on that item might be spent on other taxable items.

Integration into Tax expenditure reports are not currently used by states to control

the Budget Process spending in the budget process. J. Harris and S. Hicks, authors of "Tax Expenditure Reporting: The Utilization of an Innovation," conclude that tax expenditure reports are used, but only for considering tax policy. The authors attribute this fact to the tendency of policy makers to focus more on acquiring more revenue rather than focusing on how current revenue is allocated.

Furthermore, the authors believe that a special means of accounting for tax expenditures is needed because conventional budgetary controls over direct expenditures do not apply to tax expenditures. Tax expenditure accounting is a term for describing a rational system for establishing budgetary control over tax expenditures. Such a system might require:

- Identifying specific cost and benefit objectives;
- Institutionalizing tax expenditures in the oversight processes;
- Monitoring of results; and
- Periodic review of results relative to objectives.

Current tax expenditure reporting is a part of tax expenditure accounting. However, to incorporate tax expenditures into the state budget process there is a persistent need to subject tax expenditures to more rigorous analysis.

Summary

Since its conceptual inception over 20 years ago tax expenditure reports have sparked interest as a way to monitor indirect government spending. Tax expenditure reports are used more and more frequently by states with the goal of subjecting tax expenditures to periodic review in a manner similar to direct budget expenditures.

However, tax expenditures are seldom the subject of public or organized debates in legislative negotiations during the budget process. None of the budget offices surveyed indicated that tax expenditures were discussed in any type of systematic fashion. Tax policy is frequently deliberated during the budget process but tax expenditures do not occupy a substantial part of the discussions. When tax expenditures are considered in the context of the budget process it usually involves changes in tax policy to obtain more revenue.

Tax expenditure reports have potential as a policy tool in the budget process because they quantify indirect spending made through the tax system. Reporting tax expenditures serves as an analytical tool that describes a greater range of state expenditures.

Acknowledgment: Dennis Quinn, NASBO intern for fall 1993, assisted in the survey of state budget offices that prepare tax expenditure reports.

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APPENDIX L: Guidelines for Legislative Approval of Tax Exemptions to Draft Constitutional Amendment Recommended by Legislative Committee to Study the Distribution among Local Governments of Revenue from State and Local Taxes

Recommended Guidelines for the Evaluation of Tax Exemptions

An exemption from property taxes and/or sales taxes shall be considered only if it meets the following requirements:

- 1. the proposed exemption will achieve a bona fide social or economic purpose;**
- 2. the proposed exemption is structured in such a way that the intended beneficiaries of the exemption are solely eligible for the exemption;**
- 3. the proposed exemption will not cause a material fiscal impact upon any of the units of government that would otherwise receive the revenue;**
- 4. the proposed exemption will not impair the ability of a unit of government that has pledged revenue from the tax source being considered for exemption from meeting its requirements with bond-holders;**
- 5. the proposed exemption, if approved, will be reviewed no less than every five years to determine if the purpose of the exemption is still valid and that the exemption is being utilized effectively;**
- 6. exemptions granted within similarly situated classes (i.e., individuals, economic development, etc.) will be based upon similar criteria insofar as is practical.**