



Tax policy for the New Nevada 

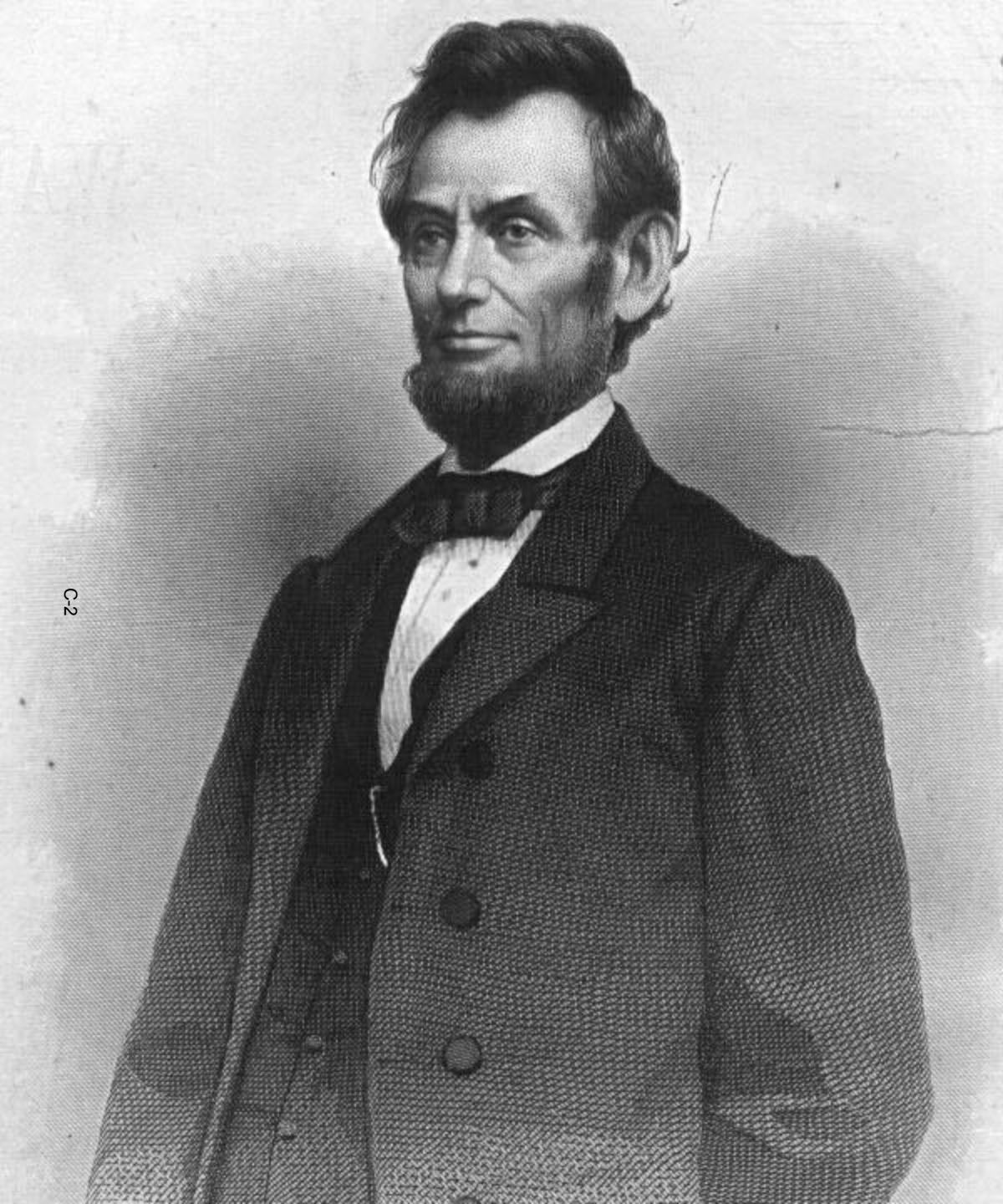


Assembly Bill 464

Assembly Committee: Taxation

Exhibit: C Page: 1 of 9 Date: 04/17/15

Submitted by: Assemblyman Armstrong



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**My great concern is not whether you have failed, but whether you are content with your failure.
- Abraham Lincoln**

What is the purpose of AB464?



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We are here to improve education



**Where did I start and how
did we get to this point?**

Please see exhibit AB464 vs. Executive Budget

**TABLE 1
GENERAL FUND REVENUE FOR 2015-17 BIENNIUM: ASSEMBLY BILL 464 VERSUS THE EXECUTIVE BUDGET**

AB 464 creates one Modified Business Tax (MBT) for all taxpayers on gross wages, eliminating the deduction for allowable health care expenses. The MBT tax structure provides an exemption equal to \$50,000 in quarterly gross wages with a 1.56% tax rate on quarterly gross wages over \$50,000. The Business License Fee (BLF) is changed to a \$300 annual fee for all businesses, except for corporations with an annual fee of \$500. AB 464 also repeals the Branch Bank Excise Tax. The revenue from the provisions of AB 464 is designed to cover the Branch Bank Excise Tax, the Governor's recommended Slot Route Operator gaming percentage fee tax proposal, the current MBT on nonfinancial and financial businesses and the Governor's recommended MBT-mining proposal.

A Line	B <u>Amounts are in Millions of Dollars</u>	C AB 464 2015-17 Biennium		D The Executive Budget 2015-17 Biennium		E FY16 & FY17 Comparison AB 464 vs Executive Budget		F 2015-17 Biennium Comparison AB 464 versus The Executive Budget		
		FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	AB 464	Executive Budget	Biennium Difference
		AB 464 Estimate	AB 464 Estimate	Executive Budget Estimate	Executive Budget Estimate	AB 464 vs Executive Budget	AB 464 vs Executive Budget			
1	Gaming Percentage Fee Tax - SRO Restricted Slots			\$16.5	\$22.5	-\$16.5	-\$22.5	\$0.0	\$39.0	-\$39.0
2	MBT-Mining (2% of all taxable wages)			\$7.4	\$7.2	-\$7.4	-\$7.2	\$0.0	\$14.6	-\$14.6
3	MBT - Nonfinancial (Exempt up to \$85,000, 1.17% over \$85,000)			\$405.6	\$425.9	-\$405.6	-\$425.9	\$0.0	\$831.6	-\$831.6
4	MBT - Financial (2% on all taxable wages)			\$25.0	\$25.9	-\$25.0	-\$25.9	\$0.0	\$50.9	-\$50.9
5	MBT (Exempt up to \$50,000; 1.56% over \$50,000)	\$641.3	\$673.2			\$641.3	\$673.2	\$1,314.5	\$0.0	\$1,314.5
6	Branch Bank Excise Tax			\$2.9	\$2.9	-\$2.9	-\$2.9	\$0.0	\$5.8	-\$5.8
7	Business License Fee - Current	\$139.0	\$142.7	\$76.5	\$78.5	\$62.5	\$64.3	\$281.8	\$155.0	\$126.8
8	<u>New Structure based on Revenue of the Business</u>			<u>\$187.5</u>	<u>\$250.0</u>	<u>-\$187.5</u>	<u>-\$250.0</u>	<u>\$0.0</u>	<u>\$437.5</u>	<u>-\$437.5</u>
9	Total	\$780.4	\$815.9	\$721.4	\$813.0	\$58.9	\$3.0	\$1,596.3	\$1,534.4	\$61.9

Summary of AB 464

- Sections 8 and 9 establish the MBT on all businesses with 1.56% tax rate on quarterly gross wages that exceed \$50,000. This eliminates the current MBT on Nonfinancial Institutions (MBT-NFI) with a 1.17% tax rate on quarterly taxable wages that exceed \$85,000 and the MBT on Financial Institutions (MBT-FI) with a 2.0% tax rate on all quarterly taxable wages.
- Section 42 repeals the sections in NRS Chapter 363A for the current MBT on Financial Institutions and the Branch Bank Excise Tax as well as the section in NRS Chapter 363B that provides for the deduction for certain expenses for health insurance or a health benefit plan for employees from gross wages.
- Sections 18 and 19 change the current initial and annual business license fee (BLF) from \$200 to \$300 per year for all businesses, except corporations organized pursuant to the laws of Nevada and foreign corporations transacting business in the State are required to pay \$500.
- Section 17 of this bill requires a business to include in an application for the issuance or renewal of a state business license submitted between November 1, 2015, and October 31, 2021: (1) the business activity code of the business; (2) the gross receipts or sales of the business; and (3) whether those gross receipts or sales were the result of business conducted solely in this State or both within and outside this State.
- Sections 1-7, 11-16, and 20-39 make conforming changes to various sections of the NRS regarding the MBT provisions in Sections 8, 9, and 42.
- Section 41 establishes that the amendatory provisions of the bill relating to the changes in the MBT do not apply to any MBT taxes due for any period ending on or before June 30, 2015.
- Section 43 establishes the following: 1.) the provisions regarding the changes to the MBT, the BLF, and the Branch Bank Excise Tax are effective July 1, 2015; 2.) the business reporting requirements in Section 17 are effective on November 1, 2015, and expire by limitation on October 31, 2021; 3.) Section 5 expires on June 30, 2023, which is the expiration date for the transferrable film tax credit date program established in the 2013 Session; and 4.) Sections 6 and 7 expire on June 30, 2036, which is the expiration date for the transferrable tax credit program approved during the 28th Special Session.

Details of AB464



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Discussion of Sections of the Bill



Overview of Bill

- Section 8,9 – Increases the Modified Business Tax (MBT) to 1.56% and lowers the exemption to 50k per quarter for all businesses
- Section 42 – Repeals the healthcare deduction for the MBT computation and eliminates the Bank Branch Excise Tax
- Sections 18,19 – Increases the business license fee to \$500 for Corporations and \$300 for all other businesses
- Section 17 – Starts the process for collecting data we currently do not have

Tax Policy Discussion



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Why does this policy make sense?

Why does this policy make sense?

- **Simple**
 - Quick and cheap to implement
 - Easy to calculate
- **Predictable**
 - We have 10 years of data to forecast the MBT
- **Transparent**
 - It is clear what is being taxed and there is no “accounting magic” to get around tax
- **Broadens current tax structure**
 - Every business entity in the state will pay BLF
 - Addition of over 5,000 businesses will pay MBT
- **Starts the process of a broader tax reform for Nevada**