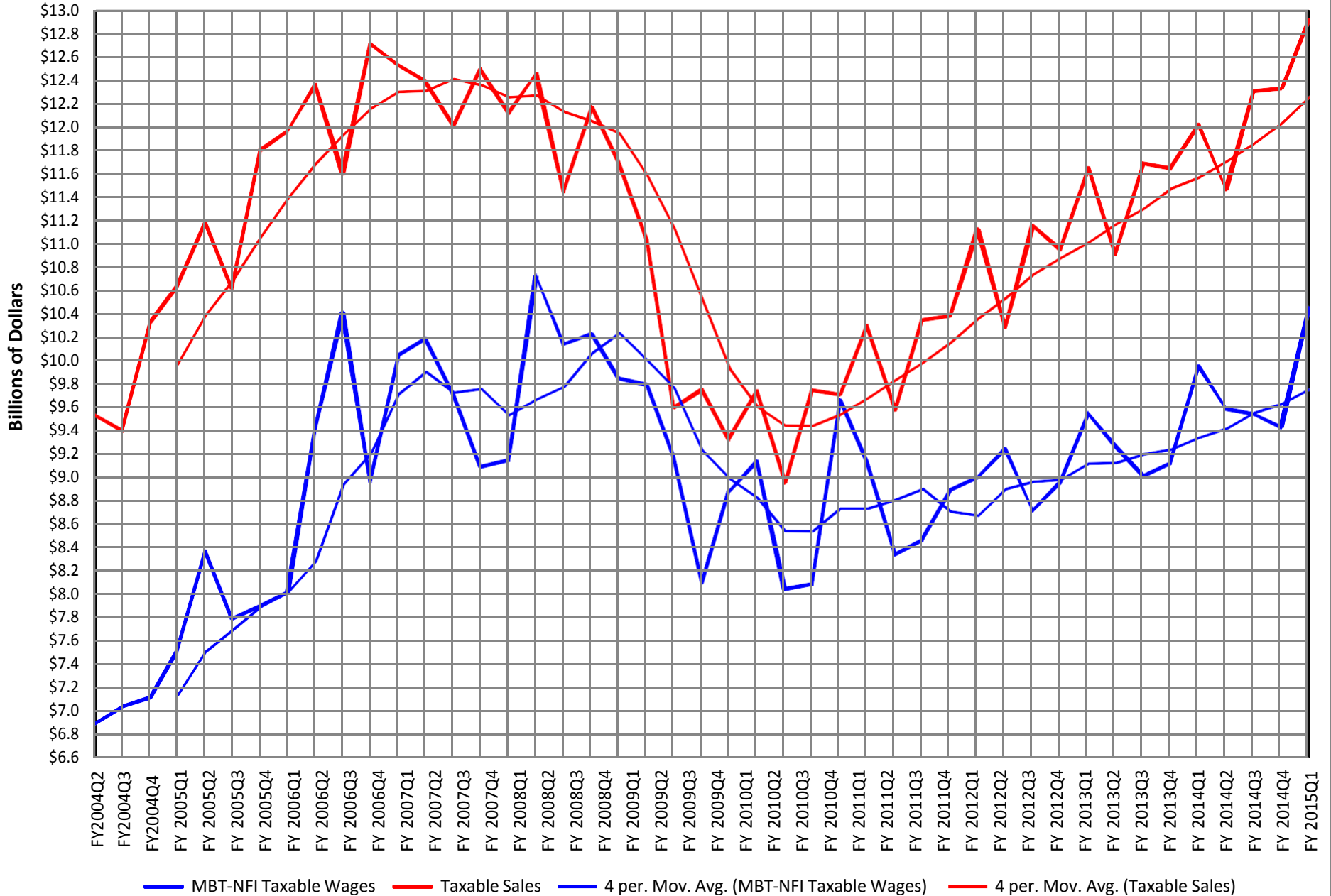


CHART 1

Taxable Wages for the Modified Business Tax on Nonfinancial Institutions and Total Taxable Sales

Actual Reported: FY2004-Second Quarter to FY 2015-Second Quarter



Assembly Committee: Taxation
Exhibit: F Page: 1 of 3 Date: 04/17/15
Submitted by: Assemblyman Armstrong

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 | B | C | D | E | F | G | H | I | J | K |
|------|---|-------------------------------|--|--|--|--|---|---|---------------------|------------------------|
| Line | <u>Amounts are in Millions of Dollars</u> | AB 464 2015-17 Biennium | | The Executive Budget 2015-17 Biennium | | FY16 & FY17 Comparison AB 464 vs Executive Budget | | 2015-17 Biennium Comparison AB 464 versus The Executive Budget | | |
| | | FY 2016 AB 464 Estimate | FY 2017 AB 464 Estimate | FY 2016 Executive Budget Estimate | FY 2017 Executive Budget Estimate | FY 2016 AB 464 vs Executive Budget | FY 2017 AB 464 vs Executive Budget | AB 464 | Executive Budget | Biennium Difference |
| | | 1 | Gaming Percentage Fee Tax - SRO Restricted Slots | | | \$16.5 | \$22.5 | -\$16.5 | -\$22.5 | \$0.0 |
| 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> | | | \$187.5 | \$250.0 | -\$187.5 | -\$250.0 | \$0.0 | \$437.5 | -\$437.5 |
| 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:
 - 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.

TABLE 2
NUMBER OF MBT TAXPAYERS PAYING UNDER CURRENT LAW VERSUS UNDER ASSEMBLY BILL 464

| | Total Taxpayers (FY 2014) (1) | Number of Taxpayers Exempt from MBT (Current Law) (2) | Number of Taxpayers Paying MBT (Current Law) (3) | Number of Taxpayers Exempt from MBT (AB 464) (4) | Number of Taxpayers Paying MBT (AB 464) (5) | Difference: AB 464 Versus Current Law |
|---------|-------------------------------|---|--|--|---|---------------------------------------|
| MBT-NFI | 52,061 | 39,870 | 12,191 | 33,804 | 18,257 | 6,066 |
| MBT-FI | 1,301 | - | 1,301 | 951 | 350 | (951) |
| Total | 53,362 | 39,870 | 13,492 | 34,755 | 18,607 | 5,115 |

NOTES:

- (1) The change in total taxpayers between the current law and AB 464 was performed based on the number of entities who filed a tax return for either the MBT-NFI or MBT-FI in FY 2014, based on information obtained from the Department of Taxation and compiled by the Fiscal Analysis Division.
- (2) The number of taxpayers in this column represents those taxpayers whose taxable wages (gross wages less health care deductions) did not exceed \$85,000 per quarter in FY 2014. No MBT-FI taxpayers would be considered exempt under the current law, as all taxable wages were subject to the full 2 percent rate in FY 2014.
- (3) The number of taxpayers in this column represents those taxpayers whose taxable wages (gross wages less health care deductions) exceeded \$85,000 per quarter in FY 2014, as well as all taxpayers who were subject to the MBT-FI that year.
- (4) The number of taxpayers in this column represents those taxpayers for both the MBT-FI and MBT-NFI whose gross wages did not exceed \$50,000 per quarter in FY 2014.
- (5) The number of taxpayers in this column represents those taxpayers for both the MBT-FI and MBT-NFI whose gross wages exceeded \$50,000 per quarter in FY 2014.
- (6) For the MBT-NFI, current law for FY 2014 taxes total taxable wages (gross wages less health care deductions) at a rate of zero for the first \$85,000 in taxable wages for a calendar quarter, and at a rate of 1.17 percent for all taxable wages in excess of \$85,000 in a calendar quarter. AB 464 provides an exemption for the first \$50,000 in gross wages per calendar quarter (with no deduction allowed for health care expenses), and gross wages in excess of \$50,000 per calendar quarter are taxed at a rate of 1.56 percent.
- (7) For the MBT-FI, current law for FY 2014 taxes all total taxable wages (gross wages less health care deductions) at a rate of 2 percent. AB 464 provides an exemption for the first \$50,000 in gross wages per calendar quarter (with no deduction allowed for health care expenses), and gross wages in excess of \$50,000 per calendar quarter are taxed at a rate of 1.56 percent.