



Revenue Plan Fact Sheet

20th Special Session—2003

Nevada Legislative Counsel Bureau
Fiscal Analysis and Research Divisions
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Introduction

The 20th Special Session of the Nevada Legislature convened on June 25th and ended on July 22nd of 2003. The Governor's proclamation calling the 20th Special Session stated: "The Legislature may consider a tax plan sufficient to meet all of the appropriations and other spending measures that were passed during the 72nd Session of the Nevada Legislature and which may be passed during this Special Session." Although the Governor authorized the consideration of other measures during the 20th Special Session, the defining bill was Senate Bill 8 adopting the key components of the revenue plan and funding for education. Two other measures, Senate Bill 2 and Assembly Bill 4, also added significant components to the revenue package.

Senate Bill 8 contains eight key components that will raise the majority of the revenue needed to balance the budget for the 2003-2005 Biennium:

- Modified business tax—general business
- Modified business tax—financial institutions (plus excise tax for branch offices)
- Annual business license fee
- Increase in taxes on gross gaming revenue and restricted slot operations
- Increase in cigarette tax
- Increase in liquor taxes
- Live entertainment tax
- Increase in real property transfer tax

Assembly Bill 4 and **Senate Bill 2** add two more components to the revenue package:

- Increase in fees for filings with Secretary of State
- Reduction in collection discounts for certain taxes

Several taxes that overlapped the new provisions were repealed in the 20th Special Session, such as the optional real property transfer tax, the per-employee business license tax, and the casino entertainment tax.

Through the combination of new revenue sources and repealed taxes, the three bills will raise an estimated \$836 million in new net revenue over the biennium.

Senate Bill 8 also creates an eight-member Legislative Committee on Taxation, Public Revenue and Tax Policy to review and study the impacts of the taxes and fees used to generate revenue and any other relevant issues of tax or fiscal policy. The Committee must report its findings to the 2005 Legislature.

A one-page summary of the key components of the new revenue plan may be found on page 4 of this fact sheet. For more information on the new tax rates and fees, including effective dates and estimated revenues, see pages 2 and 3.



2003 Revenue Plan

Fiscal Year
Estimated Revenue
(in millions)

Revenue Source	Tax Rate/Fee	Additional Information	2003-2004	2004-2005
Modified Business Tax – General (Senate Bill 8)	Imposes 0.7 percent tax on gross wages paid, lowering to 0.65 percent on July 1, 2004, with deduction for the amount paid by the employer for health insurance or health benefit plans.	New gross wage tax is payable quarterly. Repeals and replaces quarterly business tax of \$25 per employee (\$100 per year). Effective October 1, 2003.	\$139.7 (\$60.9)	\$181.8 (\$83.8)
Modified Business Tax – Financial Institutions (Senate Bill 8)	Imposes 2 percent tax on gross wages paid by financial institutions with deduction for the amount paid by the employer for health insurance or health benefit plans, plus a \$7,000 annual excise tax for each branch office.	New gross wage tax is payable quarterly. Bank franchise fee of \$1,750 payable quarterly for each branch office in Nevada in excess of one. Wage tax effective October 1, 2003; excise tax effective January 1, 2004.	\$1.3 \$15.5	\$2.6 \$21.4
Business License Fee (Senate Bill 8)	Creates \$100 annual license fee for businesses.	Annual license fee of \$100 replaces one-time licensing fee of \$25. Effective July 22, 2003.	\$22.1	\$24.5
Gross Gaming Revenue Tax and Restricted Slot Tax (Senate Bill 8)	Increases gross gaming revenue tax rate by 0.5 percent for non-restricted licensees. Increases fee for operation of slot machines in restricted locations by 33 percent.	3 percent tax on monthly gross gaming revenue up to \$50,000 increased to 3.5 percent. 4 percent tax on monthly gross gaming revenue over \$50,000 and up to \$134,000 increased to 4.5 percent. 6.25 percent tax on monthly gross gaming revenue over \$134,000 increased to 6.75 percent. Effective August 1, 2003. Quarterly fees increased from \$61 to \$81 for first five slot machines. For each additional machine over 5, quarterly fees increased from \$305 plus \$106 to \$405 plus \$141. Effective July 22, 2003.	\$41.0 \$2.3	\$51.1 \$2.4
Cigarette Tax (Senate Bill 8)	Increases tax by 45 cents per pack.	Tax of 35 cents/pack (10 cents to counties and 25 cents to State) increased to 80 cents/pack (10 cents to counties and 70 cents to State). Effective July 22, 2003.	\$63.3	\$70.0
Liquor Taxes (Senate Bill 8)	Increases taxes on intoxicating liquors by 75 percent.	Over 22 percent alcohol—increased from \$2.05 to \$3.60 per gallon. 14 to 22 percent alcohol—increased from 75 cents to \$1.30 per gallon. Under 14 percent alcohol—increased from 40 cents to 70 cents per gallon. Beer (malt beverages)—increased from 9 cents to 16 cents per gallon. Effective August 1, 2003.	\$13.9	\$15.5

2003 Revenue Plan

Fiscal Year
Estimated Revenue
(in millions)

Revenue Source	Tax Rate/Fee	Additional Information	2003-2004	2004-2005
Live Entertainment Tax (Senate Bill 8)	<p>If maximum seating is less than 7,500—imposes 10 percent tax on admission charge, plus 10 percent tax on food, refreshments, and merchandise.</p> <p>If maximum seating 7,500 or more—imposes 5 percent tax on admission charge only.</p>	<p>Exemptions from tax include: (1) non-gaming establishments with maximum seating less than 300; (2) gaming establishments with maximum seating less than 300 and with less than 51 slots or 6 games or any combination within those limits; (3) nonprofit organizations; (4) boxing matches; (5) private events; and (6) certain accessory entertainment in venues such as trade shows or shopping malls.</p> <p>Changes to existing casino entertainment tax (CET) are effective September 1, 2003, with repeal of CET on January 1, 2004.</p> <p>Live entertainment tax effective January 1, 2004.</p>	\$41.5	\$75.4
Real Property Transfer Tax (Senate Bill 8)	Imposes state tax of \$1.30 per \$500 of value on transfer of real property.	<p>Existing transfer tax is 65 cents per \$500 of value, plus an additional 60 cents per \$500 of value in Clark County (proceeds to school district for capital projects). All proceeds from tax increase go to the State. Increase will add \$520 to transfer tax on \$200,000 residence.</p> <p>Effective October 1, 2003.</p>	\$51.4	\$69.9
Fees to Secretary of State (Senate Bill 2 and Assembly Bill 4)	Increases or creates various fees payable to the Secretary of State.	<p>Bills amend and create fees payable to Secretary of State by businesses and other entities and persons in Chapters 78-90, 92A, 104, 105, 116, and 225 of the <i>Nevada Revised Statutes</i>. Legislative intent stated in S.B. 8 is that fees will not be increased again for a period of ten years.</p> <p>Effective on November 1, 2003, with minor exceptions.</p>	\$18.9	\$25.2
Tax Collection Discounts (Assembly Bill 4)	Reduces collection discounts granted to retailers and wholesalers to offset the costs of collection of certain taxes, and increases fees for certain tax permits.	<p>Reduces collection discounts from:</p> <p>3 percent down to 0.5 percent for importers, liquor manufacturers, cigarette dealers; and</p> <p>2 percent down to 0.5 percent for wholesale tobacco products dealers.</p> <p>Effective August 1, 2003.</p> <p>Reduces collection discounts from:</p> <p>1.25 percent down to 0.5 percent for timely payment of sales and use taxes. (Additional revenues are allocated to the State General Fund and the Distributive School Account.)</p> <p>Effective July 1, 2003.</p> <p>Increases sales tax permit fees from \$1 to \$5.</p> <p>Effective July 22, 2003.</p>	\$14.8	\$15.9

Revenue Plan Highlights

Modified Business Tax:

- General business—New tax of 0.7 percent on gross wages paid, lowering to 0.65 on July 1, 2004, with deduction for amounts paid by employer for health insurance or health benefit plans (effective October 1, 2003).
- Financial institutions—New tax of 2 percent on gross wages paid by the financial institution with deduction for amounts paid by employer for health insurance or health benefit plans (effective October 1, 2003); plus \$7,000 per year for each branch office in Nevada (effective January 1, 2004).

Business License Fee:

- \$100 annual license fee substituted for one-time licensing fee of \$25 (effective July 22, 2003).

Gross Gaming Revenue/Restricted Slot Taxes:

- Increase of 0.5 percent in tax rate on gross gaming revenue of nonrestricted licensees (effective August 1, 2003).
- Increase of 33 percent in fee for operation of slot machines in restricted locations (effective July 22, 2003).

Cigarette Tax:

- Increase of 45 cents per pack (effective July 22, 2003).

Liquor Taxes:

- Increase of 75 percent (effective August 1, 2003).

Live Entertainment Tax:

- If maximum seating less than 7,500—New tax of 10 percent on admission charge, plus 10 percent tax on food, refreshments, and merchandise, with certain exemptions as noted on pages 2 and 3 (effective January 1, 2004).
- If maximum seating 7,500 or more—New tax of 5 percent on admission charge only (effective January 1, 2004).

Real Property Transfer Tax:

- Additional tax of \$1.30 per \$500 of value (effective October 1, 2003).

Miscellaneous:

- Increased Secretary of State fees (effective November 1, 2003, with minor exceptions).
- Reductions in tax collection discounts (effective between July 1, 2003, and August 1, 2003).

Repealed Taxes:

- Optional tax on real property transfer (effective July 22, 2003).
- Annual per-employee business license tax (effective October 1, 2003).
- Casino entertainment tax (effective January 1, 2004).



Legislative Counsel Bureau

Lorne J. Malkiewich, Director

Mailing Address:

401 South Carson Street
Carson City, NV 89701-4747

Physical Address:

Sedway Office Building
333 East Fifth Street
Carson City, NV

Fiscal Analysis Division

Mark Stevens, Assembly Fiscal Analyst
Gary Ghiggeri, Senate Fiscal Analyst
Telephone: (775) 684-6821
Fax: (775) 684-6475
E-mail: fiscal@lcb.state.nv.us

Research Division

Robert E. Erickson, Research Director
Telephone: (775) 684-6825
E-mail: research@lcb.state.nv.us