

# NEVADA DEPARTMENT OF TAXATION

HTTP://TAX.STATE.NV.US



# NEVADA TAX NOTES

*Official newsletter of the Department of Taxation*

October 2005

(O) 2786



ISSUE NO. 152

## DEPARTMENT OF TAXATION OFFICES

### MAIN OFFICE

1550 E. College Parkway, Suite 100  
Carson City, Nevada 89706

Mailing: 1550 E. College Parkway, Suite 115  
Carson City, Nevada 89706

Phone: (775) 684-2000 (Switchboard)  
1-800-992-0900 (In-State Toll Free)

Fax: (775) 684-2020

### RENO DISTRICT OFFICE

Kietzke Plaza  
4600 Kietzke Lane, Building L, Suite 235  
Reno, Nevada 89502

Phone: (775) 688-1295

Fax: (775) 688-1303

### LAS VEGAS DISTRICT OFFICE

Grant Sawyer Office Building  
555 E. Washington Avenue, Suite 1300  
Las Vegas, Nevada 89101

Phone: (702) 486-2300

Fax: (702) 486-2373

### HENDERSON FIELD OFFICE

2550 Paseo Verde Parkway, Suite 180  
Henderson, Nevada 89074

Phone: (702) 486-2300

Fax: (702) 486-3377

### ELKO FIELD OFFICE

850 Elm Street  
Elko, Nevada 89801

Phone: (775) 753-1115

Fax: (775) 778-6814

**Advisory:** Due to the monthly and quarterly tax filing requirements, our offices are extremely busy the last few days of any month with people filing their tax returns. It is recommended, whenever possible, that you time your visits to the office for other than the last few days of the month to avoid a long wait.

\* \* \*

## COMMUNICATING BY MAIL WITH THE DEPARTMENT

If you are writing or sending information to one of the Department's Revenue Officers, Tax Examiners, or other staff, please use the **mailing address** of the appropriate office and be sure to include your account number. If you are filing a tax return, please use the envelope the Department provided because it is addressed directly to the bank.

## "ASK THE ADVISORS" BASIC TRAINING

The Department will be presenting basic tax training as well as industry-specific training throughout the year. The three-hour, free workshops include training on business license requirements, sales and use tax, modified business tax, financial institutions tax, live entertainment tax, business license requirements, sales tax permit fees, collection of taxes, how to complete tax returns, resale certificates, exemptions, how to prepare amended tax returns, how to prepare for an audit, Taxpayer's Bill of Rights and your petition rights. The workshops will be held in the Henderson Office at the address listed on this page and will begin at 9:00 a.m. The next class is scheduled for Tuesday, October 18, 2005. Classes are also scheduled for Tuesday, January 17, 2006 and Tuesday, February 21, 2006. For more information and reservations call 702-486-2354.

"Ask the Advisors" information may also be accessed from the Department website at <http://tax.state.nv.us> and by selecting the "Ask the Advisors." There, you may view a PowerPoint presentation of Department of Taxation workshop information or plan to attend the next scheduled training.

## NEW TAXPAYER IDENTIFICATION NUMBER

The Department of Taxation is in the process of developing a new computer Tax Administration System (TAS) as part of our continuous effort to provide consistent, effective and efficient administration of taxes. As the Department moves toward improved service and proficiency through new technology, there is a need for the assignment of a new Taxpayer Identification Number (TID) for every entity registered with the Department of Taxation. The 10-digit numerical TID will serve as a unique identifier for reference when communication occurs between taxpayers and the Department.

The first phase of system implementation took place in June 2005 and included the administration of Business License (BL) registration and renewal, and Modified Business Tax (MBT) filing. In the future, all BL and MBT correspondence from the Department will reference the taxpayer's TID.

In addition to the 10-digit TID, a 3-digit prefix will be printed on BL renewals and MBT returns to identify the associated tax and form type. For example, a MBT General Business tax return will have the 3-digit prefix and TID printed on the form in the following format:

**020-TX-1234567890**

The 3-digit prefix and TID will print on all MBT returns and BL renewals. Please contact and share this information with your tax preparer so that necessary updates are made for your own record-keeping purposes.

## MBT ACCOUNT CONSOLIDATION

With the implementation of our new Tax Administration System (TAS), employers who are subject to the Modified Business Tax (MBT) will be required to report their payroll on a consolidated basis if they share a single Federal Employer Identification Number (FEIN). In other words, for purposes of the MBT only, a group of affiliated companies using a single FEIN must report their payroll under a single account (and will receive one MBT return from the Department). The example below illustrates this account consolidation:

Identification UI Account	FEIN	Taxpayer Number
1234500	88-1234567	1234567890
1234501	88-1234567	1234567890
1234502	88-1234567	1234567890

The consolidation is required by the Department of Taxation only and does not affect the Unemployment Insurance (UI) number given you by the Employment Security Division. Likewise, it does not affect employers who are subject to the Modified Business Tax on Financial Institutions (MBTFI). Most employers, including those subject to the MBTFI, will not experience a change in the way they report their payroll. However, employers who share a single FEIN will be impacted in the way they report payroll for purposes of the MBT. Effective July 1, 2005, all returns will reflect this consolidation.

## 2004 GENERAL ELECTION BALLOT QUESTION 8

In the 2004 general election, Ballot Question #8 was defeated. This repealed NRS 374.107, 374.112, 374.113, 374.286, 374.291, 374.2911, 374.322 and 374.323 and redefined NRS 374.040 & 374.070. Effective **January 1, 2006**, the following exemptions from local sales and use taxes have been rescinded:

- Exemption on the sale of, and the storage, use or other consumption in a county of, farm machinery and equipment employed for the agricultural use of real property. Will go back to a vote of the people in November 2006.
- Exemption on the sale of any ophthalmic or ocular device or appliance prescribed by a physician or optometrist.
- Exemption for the sale of aircraft, aircraft engines and component parts of aircraft which are for use by a commercial air carrier.
- Exemption on the sale of engines, chassis, parts and components of professional racing vehicles; certain vehicles used by professional racing team or sanctioning body.
- Exemption from the sales of, and the storage, use or other consumption in a county of, works of fine art for public display.
- Private party sales of vehicles will become fully exempt from all sales and use taxes.
- The amount of any allowance against the selling price given by a retailer for the value of a used vehicle which is taken in trade on the purchase of another vehicle was extended and will remain in effect until January 1, 2007.

## LIVE ENTERTAINMENT TAX 2005 LEGISLATIVE CHANGES

Senate Bill 3 and Assembly Bill 554 of the 2005 Legislative Session provided changes to NRS 368A Tax on Live Entertainment **effective July 1, 2005**. The major changes are listed below:

1. The 10% tax rate is applicable to admission charges, merchandise, food and refreshments sold at live entertainment facilities where the occupancy is at least **200 (reduced from 300 patrons)**. The 5% tax rate on admission charges only remains the same for facilities with occupancy of 7,500 or more.
2. The term "seating capacity" has been changed to "**maximum occupancy**," which is defined as the maximum occupancy of the facility determined by the State Fire Marshal or other local governmental agency. If the maximum occupancy has not been pre-determined for the facility, the maximum occupancy will be designated at the time occupancy

permits for the facility are obtained. If maximum occupancy cannot be determined by these methods, the higher tax rate of 10% applies, unless it can be proven otherwise by the taxpayer.

3. Exemptions from live entertainment tax have been expanded to include the following:
  - Live entertainment provided by or entirely for the benefit of a nonprofit corporation organized under NRS Chapter 82.
  - Live entertainment that is incidental to an amusement ride, motion simulator, etc.
  - Live entertainment provided to the public at an outdoor area free of admission charges and other purchase requirements.
  - Outdoor concerts held at non-gaming facilities.
  - Beginning July 1, 2007, all NASCAR events.
  - Free live entertainment provided in a restaurant that is incidental and provides only ambience to the patrons.

Taxpayers should review *Nevada Revised Statutes* Chapter 368A and corresponding *Nevada Administrative Code* Chapter 368A for complete information on Live Entertainment Tax. All live entertainment taking place outside a licensed gaming establishment is administered and collected by the Department of Taxation; if you are a licensed gaming establishment please refer to the Nevada Gaming Control Board website at <http://gaming.nv.gov>.

### **CERTAIN MEMBERS OF NEVADA NATIONAL GUARD AND THEIR DEPENDENTS ELIGIBLE FOR SALES TAX EXEMPTION**

**Effective July 1, 2005**, the 2005 Legislature (Assembly Bill 580) amended NRS 372.325 and related statutes to provide an exemption from Nevada sales tax on sales of tangible personal property to certain Nevada National Guard members who have been called to active duty and their qualifying dependents living at the same physical address in Nevada. The period of tax-exempt status is based on the start and end dates of active duty mobilization orders which include July 1, 2005 and after. The effective dates will be specified on the individual's letter of exemption issued by the Department of Taxation.

Certain Nevada National Guard members, either Air Guard or Army Guard, who are engaged in full-time National Guard duty, as defined in 10 U.S.C. Section 101 (d) (5) and have been called into active duty are eligible for the exemption. Qualifying dependents are relatives of the Nevada National Guard member eligible for the exemption who (a) reside at the same home or dwelling in Nevada as the member; and (b) are related by blood, adoption or marriage to the member within the first degree of consanguinity or affinity to the member (spouse and children).

Vendors selling tangible personal property to eligible members and their qualifying dependents are authorized to sell to them tax exempt. The vendor shall account for

the exempt sale on its sales/use tax return under exemptions. For audit purposes, the vendor should retain a copy of the individual's letter of exemption to document the transaction as tax exempt. However, documentation adequate to prove the purchase was made by a qualifying member of the Nevada National Guard who is engaged in full-time National Guard duty and has been called into active service, or that a purchase was made by a qualifying dependent who has been issued a dependent identification card by the National Guard, is acceptable. This exemption only applies to Nevada sales/use tax and does not provide exemption from any other tax. Any vendor having questions concerning the exemption letter should contact the Department of Taxation.

### **PASSENGER CAR, GOVERNMENTAL SERVICE FEE FORMS**

On or before the last day of the month following each calendar quarter, a short-term lessor is required to file with the Department of Taxation a Quarterly 6% Passenger Car Governmental Service Fee Return (STL-02). All short-term lessors located in Washoe County must also file the 2% Washoe County Car Rental Fee (STL-03) form and those located in Clark County must also file the 2% Clark County Car Rental Fee (STL-05) form. These forms are available on the Department's website at and clicking on Forms/Excise Taxes/Short Term Lease or by calling Terry Sumner at (775) 684-2117.

### **CONSTRUCTION CONTRACTOR EXEMPTION FROM SALES TAX INCREASE**

Effective October 1, 2005, the sales/use tax rate in Churchill County will increase by  $\frac{1}{4}$  of one percent (0.25%) to a total rate of 7.25%. The increase will be utilized to support infrastructure.

Also effective October 1, 2005, the sales and use tax rate in Clark County will increase by  $\frac{1}{4}$  of one percent (0.25%) to a total rate of 7.75%. The increase will be utilized to employ and equip additional police officers.

All vendors selling in or delivering into those counties on or after that date will be required to collect tax at the appropriate new rate.

Existing construction contracts entered into and signed **prior** to October 1, 2005, **may be** exempt from the additional  $\frac{1}{4}$  percent increase **if** an exemption letter is obtained from the Department **and** copies of qualifying contracts are submitted for Departmental review and authorization.

The exemption is only available to contractors with existing construction contracts; it is not available to vendors with purchase agreements or sales contracts.

For more information on how to obtain a Contractor's exemption letter, please contact the Carson City office of the Department of Taxation at (775) 684-2000.

## TRADESHOWS/CONVENTIONS

Effective July 1, 2005, SB3 of the 2003 Special Session now requires that a person or governmental entity that operates a facility at which one or more trade shows or conventions are held is responsible for the payment of a licensing fee on behalf of persons who do not have a State Business License but who take part in an exhibition to conduct business.

The operator of the facility may choose to pay the licensing fee required by one of the following methods:

(a) On an annual basis by remitting to the Department the sum of \$5,000 on or before July 1 for all the exhibitions held at that facility during the fiscal year beginning on that day; or

(b) On a quarterly basis by remitting an amount equal to the product of the total number of businesses taking part in each exhibition at the facility during a calendar quarter who do not have a State Business License, multiplied by the number of days on which the exhibition is held at the facility during the calendar quarter, multiplied in turn by \$1.25 for each exhibition held at the facility during the calendar quarter.

## FILE AND PAY MODIFIED BUSINESS TAX AND RENEW YOUR BUSINESS LICENSE ONLINE

The Department of Taxation is in the process of implementing a new computer system. The first phase went operational in June 2005 and included Business License (BL) registration and renewal, and Modified Business Tax (MBT). Additionally, the Department can now accept electronic payments online for BL and MBT at [www.nevadatax.nv.gov](http://www.nevadatax.nv.gov). Sales Tax will be added to the online tax site in the summer of 2006. Currently, you may file a Nevada Business Registration, register to use the website, and file and pay your BL and MBT by e-check. To register to use the website, you may request that your authorization code be mailed, or you may confirm your account using information from a previously filed Modified Business Tax return. If you are not paying MBT taxes, you will have to request your authorization via the mail. This is necessary since we can only confirm MBT account data at this time. Please do not use information from your Sales Tax account. This information is not yet available to the system and its use will cause a delay in processing your registration.

## RESALE CERTIFICATES

If tangible personal property is purchased by someone who is going to resell the product, or incorporate the property into a final product for sale or resale, that purchaser can provide the vendor with a "resale certificate." The certificate is signed and dated by the purchaser, and it represents the purchaser's assurance that the property is for eventual resale. It is the retailer's responsibility to use reasonable care when exempting a transaction from sales tax based on a "resale certificate." Technically known as "good faith acceptance," this means that it must be reasonable to assume the purchaser is in the business of selling the type of products being purchased. Blank resale certificates may be purchased at most stationery stores or may be downloaded from the Department's website. It is important to make sure the form you purchase complies

with NAC 372.730, which specifies the information that must be included on the form. An acceptable form could look like the sample shown here.

### Blank "Resale Certificate"

I hereby certify that I hold a valid seller's permit, number ....., issued pursuant to Chapters 372, 374, and 377 of the *Nevada Revised Statutes*; that I am engaged in the business of selling.....; and that the tangible personal property described in the second paragraph of this certificate, which I purchased from ....., will be resold by me in the form of tangible personal property. I further certify that in the event any of the property is used for any purpose other than retention, demonstration or display while I am holding it for sale in the regular course of business, it is understood that I am required by Chapters 372, 374, and 377 of the *Nevada Revised Statutes* to report it and pay the tax measured by the purchase price of the property. Description of the property to be purchased:

Purchaser: .....

Address: .....

Dated: ..... At.....

Signature of Authorized Purchaser.....

The description of the property to be purchased must include either an itemized list of the property to be purchased for resale, or a general description of the kind of property to be purchased for resale.

## TOBACCO AND LIQUOR TAX COMPLIANCE INVESTIGATORS

The Department currently has Compliance Audit Investigators working in the field to ensure compliance with Nevada tobacco and liquor laws. These visits have led to many seizures of illegal liquor and tobacco products. As a reminder to retailers, all tobacco and liquor **must** be purchased through a Nevada licensed wholesaler. Wholesalers and retailers are required to maintain records of all tobacco and liquor received, sold or distributed for a period of not less than 4 years. These records must be available at the wholesaler's or retailer's place of business for inspection during normal business hours. **If records showing purchases from Nevada licensed wholesalers are not readily available, the tobacco and/or liquor will be seized.** Retailers are responsible for ensuring that each package of cigarettes sold or displayed in their place of business has a Nevada cigarette revenue stamp affixed. A current list of Nevada licensed cigarette, other tobacco products and liquor wholesalers are available on our website.

## HOLIDAY CLOSURES

The Department of Taxation offices will be closed on the following days in observance of the listed fourth quarter 2005 Holidays and New Year's Day 2006:

- |                           |                  |
|---------------------------|------------------|
| • Friday, October 28      | Nevada Day       |
| • Friday, November 11     | Veterans Day     |
| • Thursday, November 24   | Thanksgiving Day |
| • Friday, November 25     | Family Day       |
| • Monday, December 26     | Christmas Day    |
| • Monday, January 2, 2006 | New Year's Day   |