

NEVADA DEPARTMENT OF TAXATION

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NEVADA TAX NOTES

Official newsletter of the Department of Taxation

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DEPARTMENT OF TAXATION OFFICES

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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. If you are filing a tax return, please use the envelope the Department provided because it is addressed directly to the bank. Please do not send correspondence with your return to the bank.

SALES AND USE TAX IS NOW IN OUR NEW COMPUTER SYSTEM: FILE AND PAY ONLINE

At the end of July, the Department of Taxation added Sales and Use Taxes (SUT) to the Tax Administration System (TAS) that we have been in the process of developing. This is being done in a systematic phased approach. In May 2005, we first fielded the administration of the Business License (BL) registration and renewal, and Modified Business Tax (MBT) filing.

Taxpayers are now able to enter a new Nevada Business Registration (NBR), and/or register to use the website and file and pay returns for these three tax types online at our website: www.nevadatx.nv.gov, or you may click on the "Online" link on the Department website and you will be transferred.

Additionally, the new system will enable the Department to separate a taxpayer's Use Tax liability from the Sales Tax they have collected and are remitting to the Department. In accordance with *Nevada Revised Statutes* (NRS) 372.370 and 374.375, the collection allowance of 0.5% will be allowed only on the Sales Tax collected portion of the tax liability.

In the future, all SUT, BL and MBT correspondence from the Department will reference the taxpayer's identification number (TID).

In addition to the 10-digit Taxpayer Identification Number (TID), a 3-digit prefix will be printed on BL renewals, MBT and SUT returns to identify the associated tax and form type. For example, a SUT return will have the 3-digit prefix and the TID printed on the sales/use tax returns in the following format:

001-TX-1234567890

Please contact your tax preparer and share this information with them, so that necessary updates are made for your own record keeping purposes.

TAS will also enable the Department of Taxation to become more efficient in notifying taxpayers when they have become delinquent in any tax filing; processing deficiency determinations on non-filed tax returns; and notifying taxpayers of bond requirements. When a taxpayer's account becomes delinquent, they will immediately receive notification and be asked to file the tax return within a specific amount of time. If the tax return is not filed, a deficiency determination will be computed using the best information available to the Department and the taxpayer will be billed. As with all determinations, the taxpayer will have 45 days to submit the assessment for the deficiency determination or petition the determination.

RESALE NUMBERS

With the transition to the Department's new UTS computer system, new account numbers have been assigned to each taxpayer. The new account numbers are randomly assigned in the following sequence: 100xxxxxxx – xxx. Resale certificates should be updated periodically for accuracy. Anyone needing to clarify the validity of an account number as a valid resale number should contact their local office of the Department.

**RESALE CERTIFICATES:
FREQUENTLY ASKED QUESTIONS**

What is a "resale certificate"? How is it used?

If tangible personal property is being purchased by someone who is going to resell the product at retail, 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 sale.

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.

A vendor's responsibility to collect sales tax for sales of tangible personal property in Nevada is only relieved upon receipt of a completed and signed resale certificate containing a valid resale number or other documentary evidence that a sale is to a tax-exempt entity. Sellers should take care not to accept copies of resale permits or verbal representation that the purchaser has a valid resale number.

If you are unsure of the taxpayer's status upon receipt of a resale certificate, the Department upon request will verify whether a taxpayer is a seller or consumer. In addition, sellers should be aware that a new resale certificate must be obtained if the business ownership changes.

Where can I get blank "resale certificates"?

A blank resale certificate form may be downloaded from the Departmental website at: http://tax.state.nv.us/documents/Resale_Cert.pdf . Blank resale certificate forms/cards may also be purchased at most office supply/stationery stores. It is important to make sure that the form you acquire complies with *Nevada Administrative Code* (NAC) 372.730, which shows what the form must include. For example, a resale certificate may be in the following format and **MUST** contain all the information stipulated:

SAMPLE 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: 199.... 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 detailed description of the kind of property to be purchased for resale.

It is good practice to periodically update your business's resale certificate files. The Department recommends every two to three years per NRS 372.160. Sellers are required to have a properly completed resale certificate on file for each purchaser who purchases product without payment of the tax, and with the intent to resell the product. If you have questions, please contact the Department's nearest district office.

**CONFUSION REGARDING
TAXPAYER IDENTIFICATION NUMBERS (TID)
AND
FEDERAL IDENTIFICATION NUMBERS (FID)**

The Department has become aware that there is confusion regarding the Department of Taxation's 10-digit Taxpayer Identification Number (TID) and the 9-digit Federal Identification Number (FID), issued by the U.S. Federal Government.

The 10-digit TID is issued by the Department to accounts registered with it and is unique to the Department of Taxation. Its sole use is by the Department of Taxation; its use is not shared with any other city, county, State, or federal entity. The TID is not a replacement or substitution for a Federal Identification Number.

**RENT AND LEASE PAYMENTS
ON TANGIBLE PERSONAL PROPERTY
MUST BE REPORTED IN COLUMN F**

When an election is made to charge tax on the lease or rental stream of payments rather than the purchase price of an item being rented or leased out, the tax is considered a Use Tax rather than a Sales Tax (NAC 372.080). The tax is on the lessor's use or consumption of the property regardless of whether the property is originally purchased in-state or out-of-state. The subsequent rental of the property is not a "sale," and any reimbursement of tax by the lessee to the lessor is strictly a contractual matter between the two parties. Therefore, the lessor is not entitled to a collection allowance because they collect no tax. Rather, the lessor self-accrues and remits the tax on its own behalf. Consequently, the 0.5% collection allowance provided for in NRS 372.370 is not applicable and will not be allowed on this tax. Since the lessor incurs no "cost of collecting the tax," lease and rental payments must be reported in Column F of the revised Sales and Use Tax return. If, during an audit of periods starting after July 31, 2006, lease or rental payments are found to have received the 0.5% collection allowance due to their placement in Column A, an adjustment will be made to

recoup that collection allowance amount plus any applicable penalties and/or interest.

**SCOPE OF LIQUOR LICENSES
HELD BY SUPPLIERS, IMPORTERS,
WHOLESALEERS AND RETAILERS**

Nevada Revised Statutes Chapter 369 regulates the distribution and sale of liquor within the borders of Nevada by use of a three-tier system. The system is structured as follows:

- A **SUPPLIER** of alcohol into the State of Nevada is required to hold a current Nevada Certificate of Compliance with the Department of Taxation in order to ship alcoholic beverages into this State.
- An **IMPORTER** of liquor holds a privileged license permitting him to purchase liquor from a valid Certificate of Compliance holder. The license entitles the importer to be the first in possession of such liquors at the specified place listed on the license. An importer may also hold a wholesaler's license.
- The **WHOLESALER'S** privilege license permits the holder to sell liquor to other wholesalers, retailers, and instrumentalities of the Armed forces.
- A **RETAILER** of liquor holds a license that permits the holder to purchase liquor only from a licensed importer/wholesaler (NRS 369.487). A retailer may only sell liquor to the final consumer. A retailer may not sell liquor for resale.

A list of current suppliers and importer/wholesalers can be viewed on the Department's internet website at www.tax.state.nv.us/forms.htm#liquorforms

Be advised, warehouse clubs such as Costco and Sam's Club are not licensed liquor wholesale dealers.

Transportation of Alcohol

- Alcohol product may only be imported and delivered into Nevada via common carrier, contract carrier, or a special permit carrier.
- A retailer is required to obtain a special permit from the Department to transfer liquor in its original package. Pursuant to NRS 369.4865, this permit is restricted to the transfer of liquor to an affiliated store when not violating any franchise agreements.

Retailers of alcohol are advised to consult with the city or County in which their business physically resides for additional licensing requirements.

Pursuant to NRS 369.420, any shipment of liquor that does not follow the three-tier system (Supplier to

Importer/Wholesaler, Importer/Wholesaler to Retailer) is subject to seizure by the Department.

BUSINESS RECORDS NEEDED FOR SALES AND USE TAX AND MODIFIED BUSINESS TAX AUDITS

Businesses should retain all basic records per NRS 372.735 for not less than four years for businesses registered with the Department, and not less than eight years for businesses not registered with the Department. Retaining proper records will expedite an audit if you are contacted for one. The following records are the minimum that should be retained by your business:

- Sales journal: This is an accounting device that records the monthly sales. It should be supported by individual sales invoices that show all parts of the sales transaction. Sales invoices should be pre-numbered and issued in sequential order. All documents used to file the monthly/quarterly Sales/Use Tax returns should be kept together.
- Purchase journal/cash disbursements journal: This is a listing of all items the business purchases whether for inventory, assets or operating expenses. The journal is supported by paid vendor invoices which are usually filed in alphabetic order by the vendor name.
- The payroll journal: This is a detailed listing of each employee's pay history and is required for all payroll-related taxes. Records regarding healthcare benefit payments made on behalf of the employees by the business should be available for the Modified Business Tax portion of the audit. Also, all Employment Security Division Reports (form NUCS 4072) should be available for the entire audit period.
- Bank records should include a check register, deposit receipt, bank statements, bank reconciliations, and, if available, cancelled checks. Business checks should be issued in sequential order.
- Monthly, quarterly and annual tax returns for State and local taxing authorities should be supported by all working papers and details related to filing returns.
- Accounting records can be completed in-house or by a bookkeeping/accounting service. If you use an outside service, you should be provided with the basic journals and ledgers in order to review your business's financial history. As your business grows, your accounting structure should be routinely re-evaluated. If you maintain records in a computer system, they should be complete and timely, so that they may be used

in the audit process. A backup of computer records is also recommended, as it could be helpful in the audit process.

"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, Live Entertainment Tax, collection of taxes, resale certificates, exemptions, how to prepare amended tax returns, how to prepare for an audit and your petition rights. The workshops will be held in the Henderson office listed on this page and begin at 9:00 a.m. and conclude at 12 p.m. The next class is scheduled for Tuesday, October 17, 2006. "Ask the Advisors" classes are not scheduled in November and December due to the holidays.

"Ask the Advisors" information may also be accessed from the Department's Website at <http://tax.state.nv.us> and "Ask the Advisors." At this site you may view a Power Point presentation of the Department of Taxation workshop information or plan to attend the next scheduled training.

PLEASE CLOSE YOUR ACCOUNT

When you decide to close your business or sell it, you must close your account with the Department of Taxation. If you fail to notify the Department of your business' closure or inactivity, the Department will record delinquencies against the account. Our new data base could potentially use Best Information Available and file returns for your business and create a debt to the State, which could result in collections, liens and unfavorable information filed on your credit report.

To close an account, all returns must be filed & paid in full. Any unsold, remaining Inventory is liable for Use Tax. Use Tax for unsold inventory is due on the final Sales/Use Tax return.

The security posted when the account was established, may be refunded when the account is closed and all returns are filed, entered on the account and paid in full.

HOLIDAY CLOSURES

The Department of Taxation offices will be closed the following days in the fourth quarter of 2006:

Friday, October 27, 2006 – Nevada Day
Friday, November 10, 2006 – Veterans' Day
Thursday, November 23, 2006 – Thanksgiving Day
Friday, November 24, 2006 – Family Day
Monday, December 25, 2006 – Christmas Day
Monday, January 1, 2007 – New Year's Day