

NEVADA DEPARTMENT OF TAXATION

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NEVADA TAX NOTES

Official newsletter of the Department of Taxation

JANUARY 2007

ISSUE NO. 157

DEPARTMENT OF TAXATION OFFICES

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RENO DISTRICT OFFICE

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Reno, Nevada 89502

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LAS VEGAS DISTRICT OFFICE

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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.

"ASK THE ADVISORS" BASIC TRAINING—SOUTH

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 12:00 p.m. The next class is scheduled for Tuesday, January 16, 2007. Subjects presented at the January 16 workshop will include basic taxation, restaurant and comp issues. The workshop scheduled for Tuesday, February 20, 2007, will address basic taxation, construction and use tax issues. The topic of the March 20, 2007 (also a Tuesday), workshop will be basic taxation in Nevada.

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

“ASK THE ADVISORS” BASIC TRAINING—NORTH

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 are held in the **Reno Office** listed on this page and begin at 9:00 a.m. and conclude at 12 noon. The next class is scheduled for Wednesday January 17, 2007. Subjects presented at the January 17 workshop will include basic taxation, restaurant and comp issues. The workshop scheduled for Wednesday, March 14, 2007, will address basic taxation, automotive and boating sales and leasing issues.

TRADE-IN ALLOWANCE TAX CREDIT CHANGE FOR VEHICLES

In the general election on November 7, 2006, the electorate approved Ballot Question 8. The passage of this question will affect the amount of the tax credit a purchaser will receive for the trade-in of a vehicle toward the purchase of another vehicle.

Effective January 1, 2007, the trade-in allowance for vehicles will be treated as a deduction from gross receipts rather than a credit toward the local portion of the tax. For example, if a dealer sells a vehicle for \$25,000 but gives the purchaser \$15,000 in credit on the trade-in of another vehicle, the tax will be calculated on the net sales price of \$10,000. The tax will be calculated at the full rate of the county in which the sale occurs (for example, 7.75% for Clark County). With respect to trade-downs (a transaction where the allowance for the trade-in exceeds the sales price), the amount deducted may not exceed the total sales price. The deduction for a trade-in or trade-down, as applicable, must be reported in the exemption column of the Sales/Use Tax Return as described below.

Beginning with the filing of the January 2007 Sales/Use Tax Return due on February 28, 2007, retailers of vehicles will no longer be required to submit the Supplemental Trade-In/Trade-Down worksheet with the Sales/Use Tax return. Instead, these transactions will be included on the regular Sales/Use Tax Return as follows: (1) Trade-In—the total value given for a trade-in is to be reported in the exemption column; i.e., a customer purchases a vehicle for \$25,000 and is given \$15,000 for a trade-in, the \$25,000 is entered in Column A (Total Sales) and the \$15,000 is entered in Column B (Exempt Sales); and (2) Trade-Down—only the total value of the vehicle purchased is reported in the exemption; i.e., a customer purchases a vehicle for \$25,000 and is given \$30,000 for a trade-in, the \$25,000 is reported in Column A (Total Sales) and the \$25,000 is also reported in Column B (Exempt Sales).

The trade-in or trade-down for vessels was not affected by the vote; therefore, the trade-in allowance tax credit will remain at the local county rate, for example, 5.75% for Clark County. Vessel dealers will still be required to submit the Supplemental Trade-In/Trade-Down worksheet with their Sales/Use Tax Return.

NEW EXEMPTION FOR FARM MACHINERY AND EQUIPMENT

In the general election on November 7, 2006, the electorate approved Ballot Question 8. The passage of this question exempts the sales of Farm Machinery and Equipment from both the state and local portions of Sales and Use Tax. As a result, Sales and Use tax will be eliminated on the sale of Farm Machinery and Equipment beginning January 1, 2007.

(a) “Farm machinery and equipment” means a farm tractor, implement of husbandry, piece of equipment used for irrigation, or a part used in the repair or maintenance of farm machinery and equipment. The term does not include:

- (1) A vehicle required to be registered pursuant to the provisions of chapter 482 or 706 of NRS; or
- (2) Machinery or equipment only incidentally employed for agricultural purposes.

(b) “Farm tractor” means a motor vehicle designed and used primarily for drawing an implement of husbandry.

(c) “Implement of husbandry” means a vehicle that is designed, adapted or used for agricultural purposes, including, without limitation, a plow, machine for mowing, hay baler, combine, piece of equipment used to stack hay, till, harvest, handle agricultural commodities or apply fertilizers, or other heavy, movable equipment designed, adapted or used for agricultural purposes.

Beginning with the filing of the January 2007 Sales/Use Tax return due on February 28, 2007, transactions involving farm machinery or equipment will be reported in Column A (Total Sales) and then exempted in Column B (Exempt Sales). For example: A vendor sells a farm tractor for \$20,000. It will be reported in Column A and Column B, thus resulting in no tax.

PENALTY AND INTEREST

Pursuant to NRS 360.417, the Department will impose a 10% penalty when a person fails to pay any tax to the State within the time required. In addition, interest must be computed on the late payment at the rate of 1% per month. Periodically, taxpayers will call or write to the Department requesting a waiver or reduction of a penalty or interest. NRS 360.419 allows for waiver or reduction by the Executive Director or a hearing officer but only if the late payment of tax is a result of circumstances beyond the taxpayer’s control and

occurred despite the exercise of ordinary care and without intent. Hardship is not included in the NRS 360.419 criteria. In determining whether to waive or reduce the penalty or interest, the Department shall consider any evidence that shows the late payment was caused by circumstances that were not directly related to the actions of the taxpayer or his agent, including, without limitation:

- 1) Fire, earthquake, flood or other acts of God, theft, or the death or serious illness of the taxpayer or his agent or a member of the immediate family of the taxpayer;
- 2) An error or the misconduct of an employee of the taxpayer;
- 3) Erroneous written information provided to the taxpayer or his agent by the Department; and
- 4) The misaddressed but timely mailing of the return or payment.

In the case of a late filed return, pursuant to NAC 360.396, the tax must also be paid within 120 days of the due date.

A person seeking waiver or reduction of penalty and interest must file a statement with the Department, **signed under oath**, setting forth the facts upon which he bases his claim. The statement must include the signature of the taxpayer declaring, "Under penalties of perjury, I declare, to the best of my knowledge and belief, these statements to be true, correct, and complete." This is a requirement of NRS 360.419, and any requests for waiver or reduction of penalty and interest will be returned to the taxpayer if this statement and signature is not included. The Department is in the process of creating a standard form that may be used by taxpayers, and it will be posted to the Department website in January 2007.

ADVERTISEMENT OF ASSUMPTION OR ABSORPTION OF TAX BY RETAILER

It is unlawful for any retailer to advertise or hold out or state to the public or to any customer, directly or indirectly, that the sales tax or any part thereof will be assumed or absorbed by the retailer or that it will not be added to the selling price of the property sold or that if added, it or any part thereof will be refunded. (NRS 372.115)

RELIGIOUS, CHARITABLE AND EDUCATIONAL ORGANIZATIONS EXEMPT FROM SALES AND USE TAX

Religious, charitable and educational organizations that are granted exemption from sales and use taxes for purchases or sales can only use their exemption in an official capacity. Exemption status cannot be transferred to individual organization members nor to anyone else for their personal use. Misuse of an organization's

exemption may result in its revocation by the Department.

Pursuant to NRS 372.348(2), this exemption is only valid for 5 years. There must be an issue date and an expiration date on the exemption letter. Purchases of tangible personal property subject to sales tax made prior to the issue date or after the expiration date on the exemption letter are subject to sales tax. If you have any questions as to the validity of an exemption letter, please contact the Carson City office of the Department of Taxation.

DISCOUNT COUPONS

Many businesses offer their own coupons involving reductions in the price of meals and beverages as an inducement to trade at their place of business. Examples are "\$2.00 off a lunch buffet," "buy-one-get-one-free" or "two-for-one." The Department has received a number of complaints from customers who were charged sales tax on the full retail price of the items for which they had a discount coupon. If a retailer provides its own non-reimbursable coupon to a customer, the coupon must be treated as a "cash discount." In other words, sales tax must only be calculated on the net sales price charged the customer (NRS 372.025(3)(a) and 372.065(3)(a)).

EXAMPLES:

- 1) Get \$2.00 off an \$8.00 lunch buffet—the tax is due on the actual cash selling price of \$6.00.
- 2) Buy one dinner entrée for \$15.00, get one entrée free—tax is due on the actual cash-selling price of \$15.00.
- 3) Buy two buffets for the price of one at \$10.00—tax is due on the actual cash selling price of the one buffet, \$10.00.

Since these coupons are treated as discounts rather than "complimentary," the value of coupons redeemed should not be included in tax calculations by the seller.

If a retailer receives a manufacturer's coupon for which he is reimbursed, it is considered part of gross receipts and is subject to sales tax.

VETERINARIANS AND VETERINARY SUPPLIES

Veterinarians are the consumers of tangible personal property they use in the treatment of animals and are required to pay sales tax on the purchase price of the property to their Nevada registered vendors. Prescription drugs prescribed by a veterinarian for treatment of an animal are not exempt from sales or use tax. If the veterinarian also sells such items as dog foods, medicines, vitamins, or other pet supplies, he must

charge and report the Nevada sales tax on these transactions; however, if he has paid the Nevada tax to his vendor on the items he resold, he may take a credit for tax paid on purchases resold. If the veterinarian provides his resale certificate to his supplier or purchases from an out-of-state non-registered vendor, he must accrue and report the Nevada use tax on his consumed property.

The Department of Taxation offices will be closed the following days in the first quarter of 2007:

Monday, January 1, 2007—New Year's Day
Monday, January 15, 2007—Martin Luther King Day
Monday, February 19, 2007—Presidents Day