

**PROPOSED REGULATION OF THE
NEVADA TAX COMMISSION**

LCB File No. R135-24

July 15, 2024

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: § 1, NRS 360.090, 375.015 and 375.090.

A REGULATION relating to taxation; revising requirements for a business entity to claim a certain exemption from the real property transfer tax; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law imposes taxes on transfers of real property and authorizes the Department of Taxation to adopt regulations to carry out the provisions of law governing those taxes. (NRS 375.015, 375.020, 375.023, 375.026) Existing law exempts from such taxes a transfer between business entities that constitutes a mere change in identity, form or place of organization, unless the transfer is made to a business entity formed for the purpose of avoiding taxes on the transfer. (NRS 375.090) This regulation requires a business entity claiming this exemption to submit to the county recorder: (1) an affidavit containing an attestation by the affiant that the business entity to which the real property is being transferred was not formed for the purpose of avoiding the taxes on transfers of real property; and (2) certain documentation sufficient to establish that the real property is not being transferred to a business entity formed for the purpose of avoiding those taxes.

Section 1. Chapter 375 of NAC is hereby amended by adding thereto a new section to read as follows:

1. A business entity claiming that a transfer is exempt from the taxes imposed by chapter 375 of NRS pursuant to subsection 1 of NRS 375.090 shall submit to the county recorder with the declaration of value required by NRS 375.060 the affidavit in the form prescribed by the Department for use by a county recorder, which is known as the “Affidavit for Exemption 1.”

Such an affidavit must:

(a) Contain an attestation by the affiant that the business entity to which the real property is being transferred was not formed for the purpose of avoiding the taxes imposed by chapter 375 of NRS; and

(b) Be accompanied by documentation sufficient to establish that the real property is not being transferred to a business entity formed for the purpose of avoiding taxes imposed by chapter 375 of NRS, including, without limitation, a plan of reorganization, proof of continuity of interest, proof of continuity of business enterprise, proof of legitimate business purpose for the reorganization or any other documentation requested by the Department.

2. As used in this section, “plan of reorganization” means a written plan which states the reason or purpose for the reorganization of a business entity and the type of change in:

(a) Identity, including, without limitation, a change from a business entity of one type to another business entity of the same type, such as a change from one limited-liability company to another limited-liability company;

(b) Form, including, without limitation, a change from one type of business entity to another type of business entity, such as a change from a limited-liability company to a corporation or a change from a general partnership to a limited partnership; or

(c) Place, including, without limitation, a change to the jurisdiction in which a business entity is organized, such as a change from a corporation organized pursuant to the laws of the State of California to a corporation organized pursuant to the laws of this State.