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## Bill Explanation

**ASSEMBLY BILL 517**  
**Assembly Committee on Taxation**  
**Hearing: April 10, 2003**

**EXPLANATION** –Pursuant to **Section 13**, imposes a tax of 14 percent on the net income of a financial institution derived from business conducted within the state. Also provides for the allocation of net income by regulation of the Nevada Tax Commission for those financial institutions that conduct business both within Nevada and outside the state and the quarterly filing of tax returns and payment of the tax. If approved, **Section 32** provides that the act is effective upon passage and approval for adopting regulations and on July 1, 2004 for all other purposes, including imposition of the tax.

**Section 1:** Adds sections 2 to 26 as a new chapter of the NRS.

**Sections 2 to 7:**

Establish statutory definitions for the following terms:

- “Commission” is the Nevada Tax Commission.
- “Financial institution” includes any institution licensed or registered to do business pursuant to chapter 604 (check cashing services), 645B (mortgage brokers), 645E (mortgage companies), 649 (collection agencies) or titles 55 (banks) or 56 (other financial institutions) of the NRS or a similar institution licensed pursuant to federal law.
- “Gross income” includes all gains, profits and other income earned by a financial institution.
- “Net income” means gross income minus all ordinary and necessary expenses incurred to conduct business.
- “Taxpayer” includes anyone liable for the tax on financial institutions.

**Section 8:** Provides a legislative declaration that places the legal incidence of the tax on the institution and not the customer.

**Section 9:** Requires the Department of Taxation to adopt regulations as necessary to administer the occupancy tax.

**Section 10:** Provides that records of the establishment must be maintained and made available to the department upon request.

**Section 11:** Provides that the department may perform audits of the records and that it will charge the establishment for the costs of auditing records that are kept outside Nevada.

**Section 12:** Provides that the records are confidential and privileged except under certain specified circumstances, including confidential disclosure to the Governor, Attorney General or their representatives and the exchange of information with the Commissioner of Financial Institutions.

**Section 14:** Provides that upon written application, the department may extend the date for the payment of the tax by 30 days.

**Section 15:** Provides that the remedies of the state for collection of the tax are cumulative.

**Sections 16 to 18:**

Establish procedures and requirements for the crediting or refunding of any tax, penalty or interest erroneously or illegally computed or collected.

**Section 19:** Prohibits a legal action to prevent collection of tax and a legal action to recover any amount unless a claim for refund or credit has been filed.

**Sections 20 & 21:**

Establish procedures for claimant to file an action to recover amounts erroneously or illegally collected.

**Sections 22 & 23:**

Establish conditions for judgments, including the rate of interest.

**Section 24:** Provides for the recovery of amounts by the department through legal action.

**Section 25:** Establishes procedures for the cancellation of illegally determined amounts.

**Section 26:** Provides penalty for falsifying records with intent to evade tax or defraud state.

**Sections 27 to 30:**

Include references to occupancy tax or provisions relating to occupancy tax in appropriate sections of chapter 360 of the NRS.

**Sections 31, 33 and 37:**

Authorize the Commissioner of Financial Institutions to share information with the Department of Taxation for purposes of administering and collecting the tax on financial institutions that are regulated by the commissioner.

**Sections 32 and 34:**

Authorize the Commissioner of Financial Institutions to impose an administrative fine of up to \$10,000 on a mortgage broker or a mortgage company, respectively, for failure to pay the tax on financial institutions.

**Sections 35, 39, 40 and 41:**

Authorizes the Commissioner of Financial Institutions to impose an administrative fine of up to \$500 and suspend or revoke the license of a collection agency, an installment loan company, a debt adjuster, or a thrift company, respectively, for failure to pay the tax on financial institutions.

**Sections 42 to 45:**

Authorizes the imposition of the tax on financial institutions on the financial activities of insurance companies, insurance guaranty associations, captive insurers and fraternal benefit societies.