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# BDR 32-36 S.B. 314

## EXECUTIVE AGENCY FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: March 31, 2003Agency Submitting: Compliance Division, Department of Taxation

Items of Revenue or Expense, or Both	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Effect on Future Biennia
Category 01, Salaries/Benefits (Expense)		\$128,195	\$128,195	\$256,390
Category 03, In State Travel (Expense)		\$3,500	\$3,500	\$7,000
Category 04, Notification Cost and Operating/Support Costs (Expense)		\$23,500	\$23,500	\$47,000
Category 05, Equipment (Expense)		\$3,000	\$3,000	\$6,000
Total		\$158,195	\$158,195	\$316,390

Explanation (Use Additional Sheets of Attachments, if required)

SB 314 proposes that the Department of Taxation collect data concerning electronic commerce that is conducted in this state and report that data to the Legislature by February 1 each odd-numbered year and to the Legislative Commission by February 1 of each even-numbered year. The Department currently does not have the expertise or an individual that could perform this function. The expense figures shown above are for an individual with the expertise to perform the necessary statistical analysis in generating the report. The costs shown above would be ongoing each fiscal year starting with fiscal year 2003-04.

As an alternative, attached is an analysis if the Department were to outsource the job in order to meet the requirements of SB 314. We contacted Jeremy Aguero with Applied Analysis to provide us with an estimate of the costs necessary to perform the functions of SB 314. Those costs shown would be ongoing each fiscal year starting with fiscal year 2003-04.

As a sideline, the Department is currently working with LCB - Legal in crafting bill language for the adoption of the Streamlined Sales Tax Agreement for this legislative session in order for Nevada to become a governing state (AB 514). The Legislature by passing the proposed Streamlined Sales Tax Agreement this session would automatically require all remote sellers (electronic commerce) to report and pay sales/use tax to the Department of Taxation starting January 1, 2006. First, there are certain conditions that Nevada needs to meet. However, Nevada is well poised to make those adjustments (i.e., NRS changes, etc.). We believe that this is a better vehicle for the reporting and payment of electronic commerce that is conducted in this state.

Name Dino DiCianno  
Title Deputy Executive Director

## DEPARTMENT OF ADMINISTRATION'S COMMENT

Date April 01, 2003

The Agency estimate of the fiscal impact appears to be reasonable.

Name John P. Comeaux  
Title Director Dept of Admin.

Dino:

Pursuant to your request, below is a general estimate of professional service cost potentially associated with Senate Bill No. 314, dated March 17, 2003 ("SB314"). SB314, in summary, requires the Department of Taxation to collect and report data concerning electronic commerce that is conducted in this state. As we understand it, SB314 mandates the Department annually report on the number and value of electronic commercial transactions, and other pertinent data, to the Legislature and Legislative Commission on an annual basis by February 1 of each year for the preceding calendar year's transactions. We further understand the objectives of these reports would include: (1) the number of retailers domiciled in the state who engage in electronic commerce; (2) annual gross sales of such commerce; (3) estimates of the number of such transactions; (4) estimates of the number of transactions conducted outside of the state by retailers operating within the state; (5) estimates of total value of those transactions; (6) a computation of estimated revenues from the sales and use taxes that are not collected for those transactions conducted outside the state; and (7) an estimate of all revenue paid to the state by retailers who are engaged in electronic commerce. Obviously this is a complex task.

Based on our experience and understanding of the state's existing governmental agencies, business reporting requirements, and available data sources on this subject matter, we believe that the multi-step approach outlined below is necessary to meet the objectives set forth in SB314.

1. **Literature review (\$8,000 to \$12,000):** As a first step in the process, the state would likely be well-served to review the results of similar studies recently performed. Such a review would likely include academic studies, dissertations, technical analyses performed on the sector and other relevant information produced by governmental agencies and professional organizations, including the GAO. The range of expenses here is a reflection of how detailed this literature search needs to be.
2. **Database development and baseline estimates (\$12,500 to \$15,000) –** The objective of this analysis is to collect all available information on businesses potentially engaging in electronic commercial transactions within the State of Nevada. Developing a statistical sample will be meaningless unless the state has a sense of the size and diversity of the state's economy. There are several data sources, including without limitation the Department of Taxation, that have a great deal of information in this area. We would anticipate that this would be an effort in data analysis and refinement as opposed to primary research.
3. **Statistical sampling/surveying for electronic commercial transactions and sales volumes (\$50,000 to \$75,000) –** SB314 calls for an estimate of the number and value of electronic commercial transactions conducted in this state by "retailers operating within this state" and an estimate of the number and value of electronic commercial transactions conducted outside the State by "retailers operating within this state." Additionally, the bill requires that these estimates be derived through statistical sampling, which will require a direct survey of Nevada businesses, and very possibly, Nevada consumers. This distinction will largely turn on what is meant by "retailers operating in within this state." Note that section 2 (f) through require estimates of lost sales tax revenue "because electronic commercial transactions are conducted outside the State." Important to this calculation are purchases by Nevada consumers from Internet sites with no physical nexus to the state. If these transactions are included, we assume that both businesses and residents will need to be surveyed and the results analyzed.

I hope you find this helpful. Please let me know if you have any questions.

Thank you,

Jeremy

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