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**QUESTION NO. 7**

SB 404  
Schneider

**Amendment to the Sales and Use Tax Act of 1955**

**Assembly Bill No. 611 of the 69th Session**

**CONDENSATION (ballot question)**

Shall the Sales and Use Tax Act of 1955 be amended to impose the sales and use tax upon items purchased by this state or by a local government or local governmental agency for resale to the public by the governmental entity?

Yes -----

No -----

**EXPLANATION**

The proposed amendment to the Sales and Use Tax Act of 1955 would impose the tax upon the gross receipts from the sale of tangible personal property purchased by the state or a local government or local governmental agency for resale to the public.

State law requires that private businesses collect sales taxes on items that they sell to the public. Some state agencies and local governments have shops or restaurants in which they also sell items to the public. These government-owned establishments, often operated in connection with public museums, ski slopes, or beaches, are not required to collect sales taxes from their customers. The proposed amendment to the Sales and Use Tax Act of 1955 would require that the state and local governments collect sales taxes on items that they purchase for resale to the public.

**ARGUMENTS FOR PASSAGE**

Stores and shops operated by agencies of state or local government often sell items such as posters, magazines, meals, and golf and ski accessories that are also offered for sale in private stores and restaurants. Because these government-run shops do not collect sales taxes from their customers, they enjoy an unfair advantage over their private competitors. This amendment would allow private businesses to compete on equal terms with governmental agencies. In addition, by ending the governmental exemption and thereby requiring governmental shops to collect sales taxes from their customers, the proposed amendment would modestly increase public revenues.

A "Yes" vote would amend the Sales and Use Tax Act of 1955 to impose sales and use tax upon items purchased by this state or by a local government or local governmental agency for resale to the public by the governmental entity.

EXHIBIT C Committee on Taxation

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## ARGUMENTS AGAINST PASSAGE

Shops and restaurants operated by state and local governmental agencies provide money to help support public museums, parks, and other places for public recreation. Therefore, it is appropriate that customers in governmental shops not be required to pay taxes on their purchases. In addition, certain private nonprofit agencies that sell items to the public are currently exempt from these taxes. Shops operated by governmental agencies are similar, in some ways, to those nonprofit shops and should therefore be treated the same by continuing to receive the same exemption.

A "No" vote would continue the current practice under the Sales and Use Tax Act of 1955 which prohibits the imposition of a sales and use tax upon items purchased by this state or by a local government or local governmental agency for resale to the public by the governmental entity.

## FISCAL NOTE

**Financial Impact - No.** The proposal to amend the Sales and Use Tax Act of 1955 would provide that state or local governments or governmental agencies must impose sales and use tax upon items sold to the public. The state or local governments or governmental agencies would be collecting the sales tax, not paying it. Approval of this proposal would have no adverse fiscal effect.

## FULL TEXT OF THE MEASURE

AN ACT relating to taxes on retail sales; providing for the submission to the voters of the question whether the Sales and Use Tax Act of 1955 should be amended to impose the tax on sales of items purchased by this state and local governments for resale to the public; contingently imposing analogous taxes on such sales; and providing other matters properly relating thereto.

**Section 1.** At the general election on November 3, 1998, a proposal must be submitted to the registered voters of this state to amend the Sales and Use Tax Act, which was enacted by the 47th session of the legislature of the State of Nevada and approved by the governor in 1955, and subsequently approved by the people of this state at the general election held on November 6, 1956.

**Sec. 2.** At the time and in the manner provided by law, the secretary of state shall transmit the proposed act to the several county clerks, and the county clerks shall cause it to be published and posted as provided by law.

**Sec. 3.** The proclamation and notice to the voters given by the county clerks pursuant to law must be in substantially the following form:

Notice is hereby given that at the general election on November 3, 1998, a question will appear on the ballot for the adoption or rejection by the registered voters of the state of the following proposed act:

AN ACT to amend an act entitled "An Act to provide revenue for the State of Nevada; providing for sales and use taxes; providing for the manner of collection; defining certain terms; providing penalties for violation, and other matters properly relating thereto." approved March 29, 1955, as amended.

THE PEOPLE OF THE STATE OF NEVADA,  
DO ENACT AS FOLLOWS:

Section 1. Section 14 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 765, is hereby amended to read as follows:

Sec. 14. "Seller" includes every person, *the State of Nevada, its unincorporated agencies and instrumentalities, any county, city, district or other political subdivision of this state* engaged in the business of selling tangible personal property of a kind, the gross receipts from the retail sale of which are required to be included in the measure of the sales tax.

Sec. 2. Section 50 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 771; is hereby amended to read as follows:

Sec. 50. 1. There are exempted from the computation of the amount of the sales tax the gross receipts from the sale of any tangible personal property to:

[1.] (a) The United States, its unincorporated agencies and instrumentalities.

[2.] (b) Any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.

[3.] (c) The State of Nevada, its unincorporated agencies and instrumentalities.

[4.] (d) Any county, city, district or other political subdivision of this state.

2. *Except as otherwise provided in subsection 2, there are exempted from the computation of the amount of the sales tax the gross receipts from the sale of any tangible personal property by:*

(a) *The State of Nevada, its unincorporated agencies and instrumentalities.*

(b) *Any county, city, district or other political subdivision of this state.*

3. *The provisions of subsection 2 do not apply to the sale of items of tangible personal property which are purchased by the governmental entity for resale to the public.*

Sec. 3. Section 3 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, at page 763, is hereby repealed.

Sec. 4. This act becomes effective on January 1, 1999.

Sec. 4. The ballot page assemblies and the paper ballots to be used in voting on the question must present the question in substantially the following form:

Shall the Sales and Use Tax Act of 1955 be amended to impose the sales and use tax upon items purchased by this state or by a local government or local governmental agency for resale to the public by the governmental entity?

Yes  No

Sec. 5. The explanation of the question which must appear on each paper ballot and sample ballot and in every publication and posting of notice of the question must be in substantially the following form:

(Explanation of Question)

The proposed amendment to the Sales and Use Tax Act of 1955 would impose the tax upon the gross receipts from the sale of tangible personal property purchased by the state or a local government or local governmental agency for resale to the public.

Sec. 6. If a majority of the votes cast on the question is yes, the amendment to the Sales and Use Tax Act of 1955 becomes effective on January 1, 1999. If less than a majority of votes cast on the question is yes, the question fails and the amendment to the Sales and Use Tax Act of 1955 does not become effective.

Sec. 7. All general election laws not inconsistent with this act are applicable.

Sec. 8. Any informalities, omissions or defects in the content or making of the publications, proclamations or notices provided for in this act and by the general election laws under which this election is held must be so construed as not to invalidate the adoption of the act by a majority of the registered voters voting on the question if it can be ascertained with reasonable certainty from the official returns transmitted to the office of the secretary of state whether the proposed amendment was adopted by a majority of those registered voters.

Sec. 9. NRS 374.075 is hereby amended to read as follows:

374.075 "Seller" includes every person, *the State of Nevada, its unincorporated agencies and instrumentalities, any county, city, district or other political subdivision of this state* engaged in the business of selling tangible personal property of a kind, the gross receipts from the retail sale of which are required to be included in the measure of the sales tax.

Sec. 10. NRS 374.330 is hereby amended to read as follows:

374.330 1. There are exempted from the computation of the amount of the sales tax the gross receipts from the sale of any tangible personal property to:

- [1.] (a) The United States, its unincorporated agencies and instrumentalities.
- [2.] (b) Any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.
- [3.] (c) The State of Nevada, its unincorporated agencies and instrumentalities.
- [4.] (d) Any county, city, district or other political subdivision of this state.

2. *Except as otherwise provided in subsection 3, there are exempted from the computation of the amount of the sales tax the gross receipts from the sale of any tangible personal property by:*

- (a) *The State of Nevada, its unincorporated agencies and instrumentalities.*
- (b) *Any county, city, district or other political subdivision of this state.*

3. *The provisions of subsection 2 do not apply to the sale of items of tangible personal property which are purchased by the governmental entity for resale to the public.*

Sec. 11. Sections 9 and 10 of this act become effective on January 1, 1999, only if the proposal submitted pursuant to sections 1 to 5, inclusive, of this act is approved by the voters at the general election on November 3, 1998.