

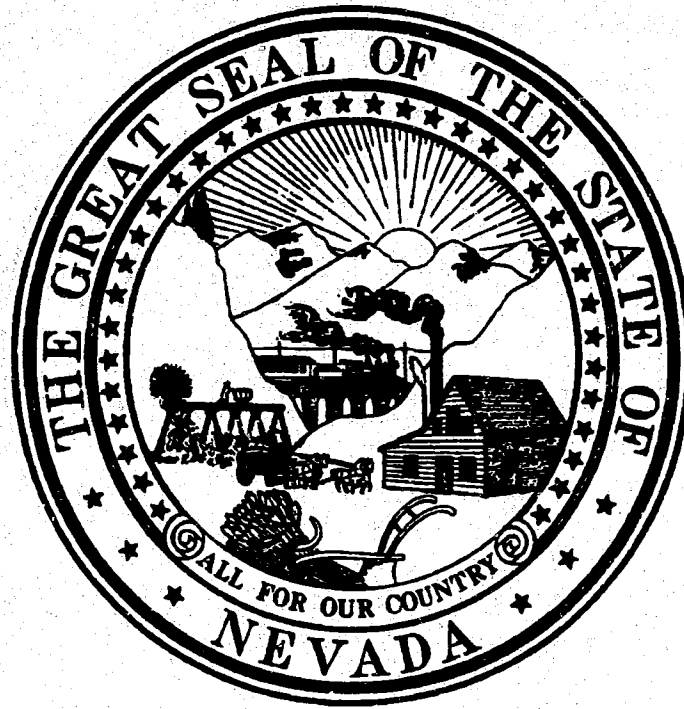
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State of Nevada
DEPARTMENT OF TAXATION

SB 382

April 8, 2003

Kenny C. Guinn
Governor

Barbara Smith Campbell
Chair, NV Tax Commission

Charles E. Chinnock
Executive Director

EXHIBIT HH Committee on Taxation

Date: 04/08/03 Page 1 of 18

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ADMISSIONS AND AMUSEMENT TAX ANALYSIS

Title of the Tax:	Admissions and Amusement Tax
Statutory Authority:	New Chapter
Basis of the Tax:	Spectator and participatory admission for entertainment including movies, concerts, plays, dinner theaters, night clubs, bars, cabarets, swimming, tennis, country club memberships; social, recreational and fraternal organization fees; recreational lessons, instruction, etc.
Procedure:	Transaction tax is added to the retail price of the admission or amusement payment.
Rate:	3 percent of admission price in excess of \$10.
Distribution:	State General Fund
Exemptions:	First \$10 of any admission charge. All admissions sold by government entities, public or private educational institutions; nonprofit organizations; a person who remits to a nonprofit organization at least 60 percent of the net revenue from the entertainment. Admissions provided for the right/privilege to have access to a convention, exhibition or trade show if the admission is not made available to the public.
Yield:	\$40 million in total additional revenue per fiscal year.
Department Requirements	
Existing Workload	None.
Impact – New Workload	Approximately 5,000 separate accounts reporting quarterly. This will generate filing, processing, and collecting 20,000 separate tax returns per year.
Regulations	New Chapter.
Resources – Costs, Equipment, Manpower, Space	Staff - \$ 901,000 (11 personnel FY 2004 & 2005) Operating/Support Costs - \$ 158,000 One time equipment/computers - \$ 81,000 Total Department Cost - \$ 1,140,000
Lead Time	Six months for hiring and training new personnel, developing applications and tax returns, and identifying and notifying businesses subject to new tax requirement. If passed in 2003 Legislature, earliest start time January 1, 2004.
Information Technology	Program ACES – treat as a monthly tax type. Existing ACES system to be replaced with a Unified Tax System. See Department IT Options.
Statute Changes	New Chapter.

SERVICES TAX ANALYSIS

Title of the Tax:	Services Tax
Statutory Authority:	NRS 372, 374, 377 currently exempts sales tax on services. A services tax is, therefore, not presumed to be a sales tax.
Basis of the Tax:	Assess tax on services, i.e. personal services, professional services, business services, financial services, media services, construction services, institutional services, transportation services, etc.
Procedure:	Service tax is added to service fees on all non-exempt services.
Rate:	3% for personal service over \$50 or 3% of amount charged for all other services. \$5 registration fee unless a business already has a seller's permit.
Distribution:	State General Fund
Exemptions:	Service the State is prohibited from taxing under the Constitution or laws of the US or State; service by one member of a group of affiliated enterprises to another member of the same group; service which is a component of new residential construction; child care; health care; public utility per 704 of NRS; service related to entertainment defined in sect. 5 of this act; advertising; and service related to the collection and disposal of garbage, as determined by statute.
Yield:	\$450 million FY 2005; Permit Fees \$450,000.
Department Requirements	
Existing Workload	None.
Impact – New Workload	Approximately 120,000 total service tax accounts reporting monthly or quarterly. This will generate filing, processing and collecting approximately 960,000 separate tax returns per year. Estimate that one half of sales and use tax accounts would also file for services tax.
Regulations	New Chapter.
Resources – Costs, Equipment, Manpower, Space	Staff - \$ 5,428,000 (120 Personnel FY 2004 - ongoing) Operating/Support Costs - \$ 888,000 One time equipment/computers - \$ 892,000 Total Department Cost - \$ 7,208,000
Lead Time	SB 382 proposes January 1, 2004. Department needs at least one year to implement.
Information Technology	Implement with existing ACES system. ACES system to be replaced with a Unified Tax System.
Statute Changes	New Chapter.

TAX ON SERVICES IMPLEMENTATION NEEDS/ONGOING COSTS

<u>Position Title</u>	<u>Grade/ Step</u>	<u>Tax on Services</u>	
		<u># Needed</u>	<u>Cost</u>
Tax Administrator II	AD 37-1	2	\$ 111,465
Supervising Auditor II	CP 38-1	2	115,817
Auditor III	CP 36-1	6	321,484
Auditor II	CP 34-1	47	2,333,069
Revenue Officer III	CP 34-1	2	99,280
Revenue Officer II	CP 32-1	20	921,232
Tax Examiners	CP 30-1	11	471,306
Accounting Assistant IV	AD 29-1	2	82,743
Accounting Assistant II	AD 25-1	16	576,837
Administrative Assistant I	AD 23-1	7	236,289
Accountant Technician III	AD 34-1	1	49,640
Accountant Technician I	AD 30-1	2	85,692
Intermittents	AD 11,500	2	\$ 23,000
Personnel Costs		120	\$ 5,427,852
Category 03 Instate Travel			63,060
Category 04 Operating		120	803,520
Category 10 O/S Audit Travel			10,000
Category 30 Training		120	12,000
Support Costs			\$ 888,580
One Time Equipment			
New Employee Pkg - Exe		91	244,608
New Employee Pkg - Sec		29	31,523
Calculators		120	15,600
Computers/Laptops		120	600,000
Onetime Costs			\$ 891,731
Total			\$ 7,208,163
Added Support Structure			\$ 1,136,292
Grand Total Implementation			\$ 8,344,455
# of New Accounts 120,000			

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SERVICES TAX MANPOWER REQUIRMENTS

Revenue Officers:

120,000 accounts divided by 5,470 accounts per revenue officer = 22 Revenue Officers.

Tax Examiners:

120,000 accounts divided by 10,250 accounts per tax examiner = 11 Tax Examiners.

Note: Revenue Officers and Tax Examiners are account driven.

Auditors:

90,000 separate accounts times 4 percent penetration = 3,600 accounts divided by 65 audits per year = 55 auditors.

Note: Total accounts added are 120,000; 90,000 separate accounts and 30,000 accounts combined with Sales and Use Tax. With the 30,000 combined accounts there are both savings and additional workload per auditor.

55 auditors includes working supervisors (auditor III's).

BUSINESS LICENSE FEE ANALYSIS

Title of the Tax:	Business License Fee: Yearly Fee of \$50.
Statutory Authority:	NRS 364A.020, NRS 364A.120, NRS 364A.130
Basis of the Tax:	Annual renewal of Business License Fees for all businesses including sole proprietors with no employees and all LLC, LLP & other partnerships. Consider businesses under Title 7.
Procedure:	Yearly renewal on anniversary month.
Rate:	\$50 per business, per year. Failure to pay renewal adds an additional \$50 reinstatement fee.
Distribution:	State General Fund
Exemptions:	Same as Business Tax
Yield:	\$7 million FY 2004; \$ 7.2 million FY 2005
Department Requirements	
Existing Workload	Currently a one time fee. Over 80,000 active business accounts.
Impact – New Workload	An additional 60,000 accounts would be registering sole proprietors with no employees and not currently registered. The Department would be receiving and processing an additional 140,000 annual returns with a decision to send out a yearly renewal return separate from the quarterly returns.
Regulations	NAC 364A.050, NAC 364A.104.
Resources – Costs, Equipment, Manpower, Space	Staff - \$ 4,765,000 (42 personnel & 14 support FY 2004) Operating/Support Costs - \$ 859,000 One time equipment/computers - \$ 384,000 Total Department Cost - \$ 6,008,000 Business Tax and Business License Fee considered together as one.
Lead Time	Implement July 1, 2003.
Information Technology	Reprogram ACES. Existing ACES system to be replaced with a Unified Tax System. See Department IT Options.
Statute/Regulation Changes	NRS 364A.130, NAC 364A.050, NAC 364A.104

BUSINESS TAX ANALYSIS

Title of the Tax:	Business Tax
Statutory Authority:	NRS 364A
Basis of the Tax:	Increase the tax to \$200 per year. Quarterly employee calculation based upon statutory formula.
Procedure:	Quarterly Filing: tax returns would be updated to show \$50 instead of \$25 per full time employee.
Rate:	\$50 per quarter per employee, full time equivalent. Full time equivalent is 468 hours per quarter.
Distribution:	State General Fund
Exemptions:	Current exempt organizations, calculation of hours for students, credit for on-site child care, proposed businesses under NV Commission on Economic Development and contracts signed prior to 7/1/91.
Yield:	\$172 million for FY 2004, including an additional \$80 million for sole proprietorships; \$177 million for FY 2005, including an additional \$82 million for sole proprietorships.
Department Requirements	
Existing Workload	80,000 active business tax accounts; 320,000 quarterly returns.
Impact - New Workload	Add 60,000 new accounts due to sole proprietorships. 60,000 new applications and 240,000 additional quarterly returns per year.
Regulations	NAC 364A.114
Resources - Costs, Equipment, Manpower, Space	Staff - \$ 4,765,000 (42 personnel & 14 additional support FY 2004) Operating/Support Costs - \$ 859,000 One time equipment/computers - \$ 384,000 Total Department Cost - \$ 6,008,000 Business Tax and Business License Fee considered together as one.
Lead Time	Implement July 1, 2003. Retroactive relief for up to four quarters per NRS 364A.190.
Information Technology	Reprogram existing ACES tax system.
Statute/Regulation Changes	NRS 364A.040, NRS 364A.130, NRS 364A.140, NRS 364A.150, NRS 364A.160, NAC 364A.114

INTOXICATING LIQUOR TAX ANALYSIS

Title of the Tax:	Intoxicating Liquor Excise Tax																				
Statutory Authority:	NRS 369																				
Basis of the Tax:	Tax on importing, storing, possessing or selling liquor in Nevada.																				
Procedure:	The tax is paid by a Nevada licensed importer or manufacturer upon the importation, possession, or sale of liquor in Nevada. The tax is due on the 20 th day of the following month after the liquor was shipped to a person in this state. If the importer pays the tax on or before the 15 th day of the month a 3% discount is given per NAC 269.014.																				
Rate:	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Type of alcohol beverage:</th> <th style="text-align: left;">Current rates are:</th> <th style="text-align: left;">Proposed increase (100%):</th> <th style="text-align: left;">Difference</th> </tr> </thead> <tbody> <tr> <td>Malt beverage, Up to 14% alcohol,</td> <td>\$.09 per gal.</td> <td>\$.18 per gal.</td> <td>\$.09</td> </tr> <tr> <td>14% to 22%,</td> <td>\$.40 per gal.</td> <td>\$.80 per gal.</td> <td>\$.40</td> </tr> <tr> <td>More than 22%,</td> <td>\$.75 per gal.</td> <td>\$1.50 per gal.</td> <td>\$.75</td> </tr> <tr> <td></td> <td>\$2.05 per gal.</td> <td>\$4.10 per gal.</td> <td>\$2.05</td> </tr> </tbody> </table>	Type of alcohol beverage:	Current rates are:	Proposed increase (100%):	Difference	Malt beverage, Up to 14% alcohol,	\$.09 per gal.	\$.18 per gal.	\$.09	14% to 22%,	\$.40 per gal.	\$.80 per gal.	\$.40	More than 22%,	\$.75 per gal.	\$1.50 per gal.	\$.75		\$2.05 per gal.	\$4.10 per gal.	\$2.05
Type of alcohol beverage:	Current rates are:	Proposed increase (100%):	Difference																		
Malt beverage, Up to 14% alcohol,	\$.09 per gal.	\$.18 per gal.	\$.09																		
14% to 22%,	\$.40 per gal.	\$.80 per gal.	\$.40																		
More than 22%,	\$.75 per gal.	\$1.50 per gal.	\$.75																		
	\$2.05 per gal.	\$4.10 per gal.	\$2.05																		
Distribution:	<p>Consolidated Tax Distribution: \$.50 per gallon of liquor over 22% alcohol by volume.</p> <p>Alcohol & Drug Abuse Account: the amount of tax exceeding \$3.95 (SB 382) per gallon on liquor over 22% alcohol by volume. The current amount is \$.15 cents per gallon. (\$.15, SB 382)</p> <p>All remaining revenues to State General Fund.</p> <p>Increased revenues from increased tax rate to State General Fund.</p>																				
Exemptions:	<p>Common carriers while engaged in interstate commerce.</p> <p>Army, Navy and Air Force exchanges; officer's, non-commissioned officer's and enlisted men's clubs or messes.</p> <p>Permissible persons: ministers, doctors, apothecary, pharmaceuticals, schools, universities, hospitals, clinics or industrial concerns where liquor is used for sacramental or industrial purposes and not for beverage purposes.</p>																				
Yield:	\$20.6/\$21.2 million in additional revenue for FY 2004/2005. Base revenue \$20 million.																				
Department Requirements																					
Existing Workload	Collect and deposit revenue generated. Verify importer and supplier reports each month through desk audits and track direct shipments of alcohol from the supplier to consumer. Prepare monthly statistical reports. Insure compliance of liquor tax statutes through field visits and audits. 66 existing wholesale accounts.																				
Impact – New Workload	Notification to wholesalers and retailers regarding the increase in tax rate.																				
Regulations	No new regulations needed for implementation.																				
Resources – Costs, Equipment, Manpower, Space	Mailing costs to notify and send new returns to all importers, wholesalers and suppliers for tax rate changes. Change monthly reporting forms to reflect new tax rate. Two additional revenue officers and one tax examiner shared with all excise tax area to insure enforcement and oversee investigations. See cigarette tax analysis.																				

	<p>Staff - \$ 284,000 (3 personnel, all Excise Tax, FY 2004 & ongoing) Operating/Support Costs - \$ 43,000 One time equipment/computers - \$ 23,000 Total Department Cost - \$ 351,000 Cigarette Tax and Liquor Tax considered together as one.</p>								
Lead Time	July 1, 2003.								
Information Technology	An Access database is maintained for returns of importers and wholesalers. The database needs to be updated to reflect new rates								
Statute Changes	<p>NRS 369.174 will need to be changed if the increased rate for alcohol over 22% is to be distributed to the General Fund, otherwise it will be distributed to the Alcohol & Drug Abuse Account. Currently all monies received from the over 22% category are distributed as follows:</p> <table style="width: 100%; border: none;"> <tr> <td></td> <td style="text-align: right;">Will change to:</td> </tr> <tr> <td>\$1.40 per gal General Fund</td> <td style="text-align: right;">\$3.95 per gal</td> </tr> <tr> <td>\$.50 per gal Consolidated Tax Distribution</td> <td style="text-align: right;">\$.50 per gal</td> </tr> <tr> <td>\$.15 per gal to Alcohol and Drug Abuse Fund</td> <td style="text-align: right;">\$.15 per gal</td> </tr> </table> <p>NRS 369.330 will need to be updated to reflect the new rate.</p>		Will change to:	\$1.40 per gal General Fund	\$3.95 per gal	\$.50 per gal Consolidated Tax Distribution	\$.50 per gal	\$.15 per gal to Alcohol and Drug Abuse Fund	\$.15 per gal
	Will change to:								
\$1.40 per gal General Fund	\$3.95 per gal								
\$.50 per gal Consolidated Tax Distribution	\$.50 per gal								
\$.15 per gal to Alcohol and Drug Abuse Fund	\$.15 per gal								

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CIGARETTE TAX ANALYSIS

Title of the Tax:	Cigarette Excise Tax
Statutory Authority:	NRS 370
Basis of the Tax:	Tax on the sale of cigarettes in Nevada.
Procedure:	A revenue tax stamp placed on the package or container of cigarettes is evidence tax has been paid. A Nevada licensed wholesaler purchases stamps from the Department of Taxation and affixes the stamps to the package of cigarettes. Tax is precollected by the wholesaler and must be recovered from the consumer by adding the amount of the tax to the selling price. Nevada Licensed wholesalers are allowed to defer their payment of stamps until the 25 th day of the following month of purchase. For example, if a wholesaler has been granted the authority to defer payment of stamps, and the order is placed in the month of October, the excise tax less collection allowance (3%) is due on November 25 th .
Rate:	The current rate is 17.5 mills per cigarette, which equates to \$.35 per pack of 20 cigarettes. The proposed increase for FY 2004 is 30 mills per cigarette or \$.60 per pack of 20 cigarettes. The proposed increase for FY 2005 is 37.5 mills per cigarette or \$.75 per pack of 20 cigarettes.
Distribution:	Currently the State General Fund (12.5 mills per cigarette) and consolidated tax distribution to local governments (5 mills per cigarette). Additional tax for FY 2004 (25 mills per cigarette) to State General Fund. Additional tax for FY 2005 (32.5 mills per cigarette) to State General Fund.
Exemptions:	Cigarettes sold on an Indian reservation or colony in which the tribal government has enacted an excise tax equal to or greater than the State of Nevada's rate.
Yield:	\$40/\$66 million in additional revenue for FY 2004/2005. Base Revenue \$60 million.
Department Requirements	
Existing Workload	Collect and deposit revenue generated. Fill cigarette stamp orders and verify wholesaler's inventory of stamps each month. Monitor Department's inventory of stamps in district offices and order stamps from the manufacturer. Prepare monthly statistical reports and a yearly report of cigarettes sold by non-participating manufacturers for the Attorney Generals office. Insure compliance of cigarette tax statutes through field visits and audits.
Impact – New Workload	Notification to wholesalers and retailers regarding the increase in tax rate. Additional workload for compliance and enforcement.
Regulations	No new regulations needed for implementation.

Resources – Costs, Equipment, Manpower, Space	<p>Mailing costs to notify wholesalers and retailers of tax rate changes and purchase limits. Cost to print new purchase orders with the new tax rate. Cost for new tax stamps. Additional staffing includes two revenue officers and one tax examiner to insure compliance and oversee investigations.</p> <p>Staff - \$ 284,000 (3 personnel, all Excise Tax, FY 2004 & ongoing) Operating/Support Costs - \$ 43,000 One time equipment/computers - \$23,000 Total Department Cost - \$ 350,000 Cigarette Tax and Liquor Tax considered together as one.</p>
Lead Time	<p>July 1, 2003.</p>
Information Technology	<p>An Access database is maintained for returns of wholesalers. The database needs to be updated to reflect new rates.</p>
Statute Changes	<p>NRS 370.165, NRS 370.260 and NRS 370.350 will need to be updated to reflect the new rate. Levy tax through transition of stamps.</p>

USE TAX ANALYSIS

Title of the Tax:	Use Tax
Statutory Authority:	NRS 372, NRS 374, NRS 377, NRS 377A
Basis of the Tax:	Purchased goods used by businesses.
Procedure:	Collection of "tax" on purchases consumed or used by all businesses.
Rate:	Same rate in existence for sales tax.
Distribution:	State General Fund
Exemptions:	No change to exemptions currently in existence.
Yield:	\$20 million per year.
Department Requirements	
Existing Workload	Currently the Department formally requests use tax filing on all sales tax accounts.
Impact - New Workload	Send supplemental use tax form with all Business License renewals. Process returns.
Regulations	Need for administrative procedures for implementation.
Resources - Costs, Equipment, Manpower, Space	No new resources required -- include in normal work process.
Lead Time	July 1, 2004
Information Technology	Special programming requirements necessary for ACES in order to establish procedure with Business License renewal. ACES is based upon calendar year not fiscal year.
Statute Changes	None

LODGING TAX ANALYSIS

Title of the Tax:	Lodging Tax
Statutory Authority:	NRS 244.3354
Basis of the Tax:	Tax per rental of transient lodging.
Procedure:	Administer through County, City and applicable organizations overseeing the tax.
Rate:	Bill establishes 2% against gross receipts from rental of transient lodging for FY 2004. Bill establishes 3% against gross receipts from rental of transient lodging for FY 2005.
Distribution:	Currently 3/8 of 1% to Department for promotion of tourism. SB 382 provides 2% for FY 2004 and 3% for FY 2005 to State General Fund.
Exemptions:	None at this time.
Yield:	\$64 million in additional revenue FY 2004; \$66 million in additional revenue FY 2005.
Department Requirements	
Existing Workload	Minimal, consistent with NRS 244.3454.
Impact - New Workload	Implement through existing infrastructure. Consider adding Department oversight authority.
Regulations	SB 382 currently does not provide for Department oversight.
Resources - Costs, Equipment, Manpower, Space	If there is to be Department oversight, than we need one additional tax examiner. Staff - \$ 42,800 Operating/Support Costs - \$ 6,700 One time equipment/computers - \$ 7,800 Total Department Cost - \$ 57,300
Lead Time	July 1, 2003 or later.
Information Technology	No data base currently in effect; will have to establish a desktop application.
Statute Changes	Consider strengthening NRS 244.3354.

EMPLOYER SURCHARGE TAX ANALYSIS
 (Department of Taxation role, unknown at this time)

Title of the Tax:	Employer Surcharge Tax
Statutory Authority:	
Basis of the Tax:	
Procedure:	
Rate:	
Distribution:	State General Fund
Exemptions:	
Yield:	
Department Requirements	
Existing Workload	
Impact - New Workload	
Regulations	
Resources - Costs, Equipment, Manpower, Space	
Lead Time	
Information Technology	
Statute Changes	

PROPERTY TAX ANALYSIS

Title of the Tax:	Property Tax
Statutory Authority:	NRS 361.453 Limitation on total ad valorem tax levy.
Basis of the Tax:	Currently, the total ad valorem tax levy must not exceed \$3.64 per hundred of assessed value. Local and State rates fall "under" \$3.64 cap.
Procedure:	Establish an additional \$.05 state rate for FY 2005; establish an additional \$.10 state rate for FY 2006; need change to \$3.64 cap.
Rate:	\$.05 additional per \$100 of assessed valuation of all property for FY 2005; \$.10 additional per \$100 assessed valuation of all property for FY 2006.
Distribution:	State General Fund
Exemptions:	No change to exemptions currently in existence.
Yield:	\$32 million in additional revenue FY 2005; \$68 million in additional revenue FY 2006.
Department Requirements	
Existing Workload	Does not affect the existing workload of the Department or at the county level as it is a rate change only.
Impact - New Workload	Minimal impact. Billing programs at the Department and county levels would have to be updated to reflect the new rate.
Regulations	No new regulations are needed for implementation.
Resources - Costs, Equipment, Manpower, Space	No new resources needed.
Lead Time	July 1, 2003 or after.
Information Technology	No new resources needed.
Statute Changes	NRS 361.453, NRS 361.4545 and NRS. 354.705, ad valorem limit, changed to permit additional rate.

RECAP - TAX PROPOSAL IMPLEMENTATION NEEDS FY 04 - 05 BIENNIUM

	<u>FY 04</u>	<u>FY 05</u>	<u>Total</u>	<u># of Positions</u>
<u>Business Tax</u>				
Personnel	\$ 1,459,651	\$ 1,459,651	\$ 2,919,302	36/FY04
Operating/Support Costs	261,870	261,870	523,740	
Training	3,600	3,600	7,200	
One Time Equipment/Computers	254,231		254,231	
	<u>\$ 1,979,352</u>	<u>\$ 1,725,121</u>	<u>\$ 3,704,473</u>	
<u>Annual Business License Fee</u>				
Personnel	\$ 180,796	\$ 180,796	\$ 361,592	6/FY04
Operating/Support Costs	40,176	40,176	80,352	
Training	600	600	1,200	
One Time Equipment/Computers	40,504		40,504	
	<u>\$ 262,076</u>	<u>\$ 221,572</u>	<u>\$ 483,648</u>	
<u>Admissions & Amusement</u>				
Personnel	\$ 450,526	\$ 450,526	\$ 901,052	11/FY04
Operating/Support Costs	77,696	77,696	155,392	
Training	1,100	1,100	2,200	
One Time Equipment/Computers	81,195		81,195	
	<u>\$ 610,517</u>	<u>\$ 529,322</u>	<u>\$ 1,139,839</u>	
<u>Cigarette/Liquor Tax</u>				
Personnel	\$ 142,126	\$ 142,126	\$ 284,252	3/FY04
Operating/Support Costs	21,276	21,276	42,552	
Training	300	300	600	
One Time Equipment/Computers	23,454		23,454	
	<u>\$ 187,156</u>	<u>\$ 163,702</u>	<u>\$ 350,858</u>	
<u>Services Tax</u>				
Personnel	\$ 5,427,852	\$ 5,427,852	\$ 10,855,704	120/FY04
Operating/Support Costs	876,580	876,580	1,753,160	Ongoing
Training	12,000	12,000	24,000	
One Time Equipment/Computers	891,731		891,731	
	<u>\$ 7,208,163</u>	<u>\$ 6,316,432</u>	<u>\$ 13,524,595</u>	
<u>Lodging Tax</u>				
Personnel	\$ 42,846	\$ 42,846	\$ 85,692	1/FY04
Operating/Support Costs	\$ 6,600	\$ 6,600	\$ 13,200	
Training	\$ 100	\$ 100	\$ 200	
One Time Equipment/Computers	\$ 7,800		\$ 7,800	
	<u>\$ 57,346</u>	<u>\$ 49,546</u>	<u>\$ 106,892</u>	
<u>Employer Surcharge</u>				
Personnel				
Operating/Support Costs				
Training				
One Time Equipment/Computers				
				Impact unknown at this time.

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RECAP - TAX PROPOSAL IMPLEMENTATION NEEDS FY 04 - 05 BIENNIUM

Support Package

Basic

Personnel	\$ 414,822	\$ 414,822	\$ 829,644	9/FY04
Operating/Support Costs	63,212	63,212	126,424	
Training	900	900	1,800	
One Time Equipment/Computers	70,407		70,407	
	<u>\$ 549,341</u>	<u>\$ 478,934</u>	<u>\$ 1,028,275</u>	

Services Tax - Add'l

Personnel	\$ 82,329	\$ 82,329	\$ 164,658	3/Add'l
Operating/Support Costs	20,088	20,088	40,176	
Training	300	300	600	
One Time Equipment/Computers	13,261		13,261	
	<u>\$ 115,978</u>	<u>\$ 102,717</u>	<u>\$ 218,695</u>	

Information Technology

Personnel	\$ 395,843	\$ 395,843	\$ 791,686	6/FY04
Operating/Support Costs	43,124	43,124	86,248	
Training	26,000	26,000	52,000	
One Time Equipment/Computers	33,208		33,208	
	<u>\$ 498,175</u>	<u>\$ 464,967</u>	<u>\$ 963,142</u>	

GRAND TOTAL - FY 04 - FY 05 BIENNIUM

	<u>\$ 11,410,758</u>	<u>\$ 10,002,767</u>	<u>\$ 21,413,525</u>	* 195
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* Note: Does not include full implementation that would occur in FY06-07; incremental merit salary increases; or inflationary operating increases

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NEW IT DEVELOPMENT

The 2001 Legislature appropriated \$1.3 million to develop functional requirements for replacement of ACES. Following September 11th the appropriation was reverted. DoIT in concert with the Department is working to produce a plan for establishing and verifying the best manner and method for new IT development. The plan will include a time period after appropriation of IT money and before any expenditure, for a full functional requirements review and definition. The plan will be completed in May.

SB 382 IT CONSIDERATIONS

Business Tax- Can implement, just a rate change within ACES. Can add sole proprietorships.

Annual Business License- Can implement annual fee and can include expiration and renewal. Difficult to program "one-time" reinstatement fee for fiscal year 2004; suggest fiscal year 2005.

Admissions and Amusement Tax- Can implement effective January 1, 2004. We believe we can implement through ACES. Have a backup plan to develop separate application for 3,000 to 5,000 accounts. Will program for monthly filing.

Cigarette and Liquor Taxes- change to desktop applications

Services Tax- we believe we can implement through ACES (running operational test now). Due to magnitude and potential caseload, we cannot build a separate application outside of ACES without a major IT project.

Lodging Tax- will have to work a separate desktop application. There is estimated to be approximately 1,500 accounts.

Employer Surcharge Tax- cannot implement at the Department without new IT. Interaction with ESD or DoIT may provide for other opportunities after a more complete understanding of the proposal.

IT Manpower Support Package- needed for any omnibus tax package in order to address a multitude of programs and issues.

Need to consider program for IT upgrade, enhancement and automation for the Department.