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Work Session Document

Senate Committee on Taxation

April 17, 2003

Senate Bill No. 238

Description

Senate Bill No. 238 is the Governor's tax proposal. The Committee received testimony regarding the Governor's tax proposal on February 11, 2003, and the bill was heard in committee on March 11, 2003, March 13, 2003 and March 18, 2003. The bill received a waiver from the first house passage deadline on April 11, 2003.

Cigarette Taxes

The Governor's Proposal

Increase tax from \$0.35 cents per pack of twenty to **\$1.05** per pack of twenty effective July 1, 2003.

New General Fund Revenue Generated

FY 2004 -- \$110.2 million

FY 2005 -- \$111.7 million

The Governor's Task Force on Tax Policy Proposal

Increase tax from \$0.35 per pack of twenty to **\$0.70** per pack of twenty effective July 1, 2003.

New General Fund Revenue Generated

FY 2004 -- \$57.2 million

FY 2005 -- \$58.1 million

The Care/Amodei Proposal

Increase the tax from \$0.35 per pack of twenty to **\$0.60** per pack of twenty effective July 1, 2003 and increase the tax again to **\$0.75** per pack of twenty effective July 1, 2004.

New General Fund Revenue Generated

FY 2004 -- \$41.3 million

FY 2005 -- \$66.3 million

The Task Force for the Fund for a Healthy Nevada Proposal

Increase the tax from \$0.35 per pack of twenty to **\$1.00** per pack of twenty effective July 1, 2003.

New General Fund Revenue Generated

FY 2004 -- \$41.1 million

FY 2005 -- \$41.8 million

The proposal would also generate \$20.6 million in FY 2004 and \$20.9 million in FY 2005 for each of the following funds:

- The Fund for a Healthy Nevada
- The Fund for Health Care Scholarships; and
- The Local Government Tax Distribution Fund.

In total, the proposal would generate approximately \$102.9 million in FY 2004 and approximately \$104.5 million in FY 2005.

Liquor Taxes

The Governor's Proposal and The Governor's Task Force on Tax Policy's Proposal

Increase tax rates for all four types of alcoholic beverages by about 89 percent effective July 1, 2003.

New General Fund Revenue Generated

FY 2004 -- \$18.0 million

FY 2005 -- \$18.4 million

The Care/Amodei Proposal

Double the tax rates for all four types of alcoholic beverages effective July 1, 2003.

New General Fund Revenue Generated

FY 2004 -- \$20.2 million

FY 2005 -- \$20.7 million

Business License Fees

The Governor's Proposal

Increase the application fee for a business license from \$25 to \$100 and make the license renewable each year with the payment of an additional \$100 fee effective July 1, 2003.

New General Fund Revenue Generated

FY 2004 -- \$8.5 million

FY 2005 -- \$9.7 million

The Governor's Task Force on Tax Policy's Proposal

Require the renewal of a business license for the current fee of \$25 for a two-year period to create a database of businesses in Nevada. The requirement would be in effect from July 1, 2003 to June 30, 2005.

New General Fund Revenue Generated

FY 2004 -- \$1.7 million

FY 2005 -- \$2.0 million

The Care/Amodei Proposal

Increase the application fee for a business license from \$25 to \$50 and make the license renewable each year effective July 1, 2003. The proposal also would include a \$50 reinstatement fee for lapsed licenses.

New General Fund Revenue Generated

FY 2004 -- \$3.9 million

FY 2005 -- \$4.6 million

NOTE: The Department of Taxation has indicated that to implement the annual renewal of the business license fee without expanding the business license tax to sole proprietors, it will need four full-time positions and two intermittent positions. The Department has provided a cost estimate of \$261,476 in FY 2004 and approximately \$221,000 in FY 2005.

Tax on Gross Revenue of Satellite Television Companies

Proposal

Impose a tax in the amount of 5 percent of the gross revenue that a direct broadcast satellite television company derives from its sales of direct broadcast satellite television service to subscribers in Nevada.

Testimony

Proponents of the bill testified that the cable television operators are unfairly disadvantaged because they are required to pay a 5 percent franchise fee for conducting their businesses, while satellite operators are not required to pay those fees. The opponents of the bill testified that cable operators pay franchise fees because they use the public right-of-way. They indicated that franchise fees are merely a cost of doing business that satellite television companies are not required to pay because they do not use the public right-of-way.

New General Fund Revenue Generated

FY 2004 -- \$3.7 million

FY 2005 -- \$3.9 million

NOTE: The Department of Taxation has indicated that the imposition of this new tax would require the department to hire six new positions and to create a stand-alone computer system. The costs for collection and enforcement would total \$367,151 in the first year and approximately \$319,453 in future years. The department testified at the April 8, 2003, hearing that the fiscal note would be reduced, but information regarding the revised administration costs have not been received at this time.