

SENATE BILL NO. 313—SENATOR RAGGIO

MARCH 17, 2003

Referred to Committee on Taxation

SUMMARY—Clarifies provisions governing collection of tax on use of leased property. (BDR 32-295)

FISCAL NOTE: Effect on Local Government: Yes.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to taxation; clarifying the provisions governing the administration of the sales and use taxes to ensure that a purchaser who leases tangible personal property to an entity that is exempted from those taxes is not required to pay any tax on the storage, use or other consumption of that property; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** Chapter 372 of NRS is hereby amended by adding
2 thereto a new section to read as follows:

3 *If a purchaser of tangible personal property leases that*
4 *property to an entity that is exempted from the taxes imposed by*
5 *this chapter or is otherwise not required to pay those taxes, the*
6 *Department shall not, in administering the provisions of this*
7 *chapter, require the purchaser to pay any tax on the storage, use*
8 *or other consumption of that property.*

9 **Sec. 2.** NRS 372.170 is hereby amended to read as follows:
10 372.170 *Except as otherwise provided in section 1 of this act:*

11 **1.** If a purchaser who gives a certificate makes any use of the
12 property other than retention, demonstration or display while
13 holding it for sale in the regular course of business, the use is
14 taxable to the purchaser as of the time the property is first so used
15 by him, and the sales price of the property to him is the measure of



1 the tax. Only when there is an unsatisfied use tax liability on this
2 basis is the seller liable for sales tax with respect to the sale of the
3 property to the purchaser.

4 **2.** If the sole use of the property other than retention,
5 demonstration or display in the regular course of business is the
6 rental of the property while holding it for sale, the purchaser may
7 elect to include in his gross receipts the amount of the rental charged
8 rather than the sales price of the property to him.

9 **Sec. 3.** NRS 372.240 is hereby amended to read as follows:

10 372.240 *Except as otherwise provided in section 1 of this act:*

11 **1.** If a purchaser who gives a certificate makes any storage or
12 use of the property other than retention, demonstration or display
13 while holding it for sale in the regular course of business, the
14 storage or use is taxable as of the time the property is first so stored
15 or used.

16 **2.** If the sole use of the property, other than retention,
17 demonstration or display in the regular course of business, is the
18 rental of the property while holding it for sale, the purchaser may
19 elect to pay the tax on the use measured by the amount of the rental
20 charged rather than the sales price of the property to him.

21 **Sec. 4.** Chapter 374 of NRS is hereby amended by adding
22 thereto a new section to read as follows:

23 *If a purchaser of tangible personal property leases that*
24 *property to an entity that is exempted from the taxes imposed by*
25 *this chapter or is otherwise not required to pay those taxes, the*
26 *Department shall not, in administering the provisions of this*
27 *chapter, require the purchaser to pay any tax on the storage, use*
28 *or other consumption of that property.*

29 **Sec. 5.** NRS 374.175 is hereby amended to read as follows:

30 374.175 *Except as otherwise provided by section 4 of this act:*

31 **1.** If a purchaser who gives a certificate makes any use of the
32 property other than retention, demonstration or display while
33 holding it for sale in the regular course of business, the use ~~shall~~
34 ~~be~~ *is* taxable to the purchaser as of the time the property is first
35 used by him, and the sales price of the property to him shall be
36 deemed the measure of the tax. Only when there is an unsatisfied
37 use tax liability on this basis ~~shall~~ *is* the seller ~~be~~ liable for sales
38 tax with respect to the sale of the property to the purchaser.

39 **2.** If the sole use of the property other than retention,
40 demonstration or display in the regular course of business is the
41 rental of the property while holding it for sale, the purchaser may
42 elect to include in his gross receipts the amount of the rental charged
43 rather than the sales price of the property to him.

44 **Sec. 6.** NRS 374.245 is hereby amended to read as follows:

45 374.245 *Except as otherwise provided in section 4 of this act:*



1 **1.** If a purchaser who gives a certificate makes any storage or
2 use of the property other than retention, demonstration or display
3 while holding it for sale in the regular course of business, the
4 storage or use is taxable as of the time the property is first so stored
5 or used.

6 **2.** If the sole use of the property, other than retention,
7 demonstration or display in the regular course of business, is the
8 rental of the property while holding it for sale, the purchaser may
9 elect to pay the tax on the use measured by the amount of the rental
10 charged rather than the sales price of the property to him.

11 **Sec. 7.** This act becomes effective on July 1, 2003.

