

EXECUTIVE AGENCY
FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: April 11, 2005Agency Submitting: Compliance Division, Department of Taxation

Items of Revenue or Expense, or Both	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Effect on Future Biennia
Pro-rata credit on business license (Revenue)		(\$1,750,000)	(\$2,068,500)	(\$4,137,000)
Convention Facility operator annual fee (Revenue)		\$134,420	\$158,884	\$317,769
Business License from motion picture industry (Revenue)		\$11,100	\$11,100	\$22,200
Loss of Revenue from Rental units (Revenue)		(\$5,950,000)	(\$6,120,000)	(\$12,240,000)
Change to computer system (Expense)	\$85,575			
Printing Cost Taxpayer Bill of Rights (Expense)		\$2,300	\$2,300	\$4,600
Tax Commission Salaries (Expense)		\$335,000	\$335,000	\$670,000
Total	\$85,575	(\$7,891,780)	(\$8,355,816)	(\$16,711,631)

Explanation (Use Additional Sheets of Attachments, if required)

Has Impact

Name Dino DiCiannoTitle Deputy Director - Compliance

DEPARTMENT OF ADMINISTRATION'S COMMENTS

Date April 12, 2005

Agency's response appears reasonable.

Name John P ComeauxTitle Director

Sections 24 through 38 include references to existing chapter 368A of the NRS for Live Entertainment Tax and have no fiscal impact for the Department of Taxation. The noted changes are: term "Commission" has been added and defined as the Nevada Gaming Commission (Sec. 24); previous references to "maximum seating capacity" have been changed to "maximum occupancy"; the word "person" is added after maximum occupancy numbers for each tax rate; a sub section added for admission charges collected and retained by nonprofit organizations; a sub section (Sec.29) added for food and product demonstrations under non taxable events.

Section 5(2) calls for a pro-rata credit on the business license for the portion of the year a business is no longer operational. An average of 35,000 accounts were closed in FY 04 and FY 05 throughout the year. This was used to compute the amount for FY 06. An estimate of 6 months worth of credit for these business license fees would be a reasonable pro-rata. $35,000 \text{ accounts} \times \$100 = \$3,500,000 / 1/2 \text{ a year} = \$1,750,000$. A growth rate of 18.2% was applied for FY 07. Section 6(2) provides for a yearly fee of \$5000 or a quarterly fee based on days of exhibitions, participants & \$1.25 for each. This was similar to the yearly fee provided for in NRS 364A (currently repealed). In FY 04 \$100,000 in these types of fees were paid by convention facilities. A growth rate of 10% for FY 05, then 22.2% for FY 06 and 18.2% for FY 07 was applied to this \$100,000 to compute the amounts above. The last two growth rates are from the Economic Forum Forecast.

Section 11(2)(d) eliminates the exclusion for the Business License fee for the motion picture industry. 111 current production companies were identified thru State Nevada Film Office.

Section 11(2)(d) also provides for an exclusion for the Business License fee for individuals whose sole business is the rental of 4 or fewer rental units. IRS projections for 1040 returns filed in Nevada with schedule E is 119,000 in 2006 and 122,400 in 2007. An estimate of 50% of these schedule E filings will be for reporting rental of 4 or fewer units. This was used to compute the revenue loss of the Business License fees. There will be a computer change necessary for the new Business License return due on a quarterly basis. This was computed at 489 hours at \$175 an hour.

Section 9 (2) (b) requires that a copy of the Taxpayers' Bill of Rights be made available ". . . to any person upon request at the offices of the Department, the Department of Motor Vehicles and the State Gaming Control Board, and public libraries in each county of this state. . . ." Printing costs for an additional 20,000 pamphlets each year have been included in this fiscal note. Sections 16 and 17 of this Act provide for a Taxpayers' Bill of Rights for Taxes on Fuels and the impact needs to be determined by the Department of Motor Vehicles.