

# Nevada Tax Law Changes for 2015

By Robert D. Grossman, Jr., Esq. and Derek N. Hatch, Esq.

**E**arlier this year, the 78th Session of the Nevada Legislature approved the Nevada Revenue Plan. The Nevada Revenue Plan is a \$1.4 billion tax package that consists primarily of four major tax changes extended over the next two years. The summary below provides a short overview of the most significant and applicable changes.

## The Commerce Tax

The new "Commerce Tax," effective July 1, 2015, is a gross revenue tax on many business entities with \$4 million or more in annual Nevada gross revenues, less certain subtractions including distributions from pass-through entities, stock proceeds, and bad debts expensed on federal taxes, among others. The tax is collected annually (first return and payment due August 15, 2016 for fiscal year beginning July 1, 2015) and because the rate is based on the industry in which the business entity is "primarily engaged," each business will be required to declare the industry they are primarily engaged in at the time of its first filing. Consequently, there are 26 different rates for the Commerce Tax ranging from 0.0151 percent to 0.331 percent. Industries already required to pay gross receipts taxes (gaming, mining, and insurance) are entitled to exclude any revenue subject to those taxes from the Commerce Tax. Lastly, businesses subject to the Commerce Tax will be entitled to a non-refundable credit toward their Modified Business Tax liability equal to 50 percent of their Commerce Tax liability beginning the first quarter after the first payment of the Commerce Tax is made. Businesses only have the immediately following four quarters to use up the 50 percent credit.

## Modified Business Tax Expanded

The Nevada Modified Business Tax (MBT), a payroll-based tax, has been expanded and broadened to 1.475 percent (up from 1.17 percent) on wages that exceed \$50,000 per quarter (down from \$85,000). The MBT was previously scheduled to decline to 0.63 percent for businesses other than financial institutions beginning July 1, 2015. Mining companies and financial institutions will pay the higher 2 percent tax rate.

## Live Entertainment Tax

Since it was approved by 20th Special Session of the Nevada Legislature in 2004, Nevada's Live Entertainment Tax (LET) had been imposed on admission, food and beverage, and merchandise at venues where live entertainment is provided and admission is charged. In an effort to simplify a tax laden with exemptions, a single 9 percent tax rate must now be charged on all admission fees to venues with live entertainment with an occupancy limit over 200 people. The 9 percent tax replaces the two previous rates. Food, beverages, and merchandise are no longer taxed. This revised LET will be effective October 1, 2015.

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## Passenger Transportation Tax

The Passenger Transportation Tax (PTT) is a 3 percent tax on all fares which includes any service charges, including credit card charges. The PTT applies to taxicabs, common motor carriers, and ridesharing companies such as Uber and Lyft.

## Other Notable Changes

- Effective July 1, 2015, the excise tax charged on a pack of cigarettes will increase from .80 cents to \$1.80.
- The annual state business license fee will increase from \$200 to \$500 per year effective July 1, 2015
- This legislative session made permanent the .35 percent Local School Support Tax.

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