



STATE OF NEVADA  
DEPARTMENT OF TAXATION

Web Site: <http://tax.state.nv.us>

1550 College Parkway, Suite 115  
Carson City, Nevada 89706-7937  
Phone: (775) 684-2000 Fax: (775) 684-2020

RENO OFFICE  
4600 Kietzke Lane  
Building L, Suite 235  
Reno, Nevada 89502  
Phone: (775) 687-9999  
Fax: (775) 688-1303

BRIAN SANDOVAL  
Governor  
ROBERT R. BARENGO  
Chair, Nevada Tax Commission  
WILLIAM CHISEL  
Executive Director

LAS VEGAS OFFICE  
Grant Sawyer Office Building, Suite 1300  
555 E. Washington Avenue  
Las Vegas, Nevada 89101  
Phone: (702) 486-2300 Fax: (702) 486-2373

HENDERSON OFFICE  
2550 Paseo Verde Parkway, Suite 180  
Henderson, Nevada 89074  
Phone: (702) 486-2300  
Fax: (702) 486-3377

January 3, 2012

Dear Mining Operator:

Enclosed with this letter are two forms that are part of the Net Proceeds reporting process for this year. The first form is for the required projection report for the current year, to be filled out and returned to the Department with payment by March 1, 2012. The second form is for an optional revised projection report, modified for first quarter actual amounts for the current year (referred to as the first quarterly revised report). The first quarterly revised report is due to the Department by April 30, 2012 if you choose to submit it. If the submitted optional report indicates that an incremental payment is in order, then that payment is due by May 30, 2012. These reports and payments include not only taxes on prospective Net Proceeds, but also taxes on prospective taxable royalties based on production payable for the current calendar year, to be paid by the operator. Also enclosed are instructions for filling out each form, as well as schedules referenced by the instructions. **Please note that the instructions have been amended to reflect the recent changes implemented by SB 493 and LCB File No. R058-11 effective 12/30/11 – Consult NRS and NAC 362 for additional guidance.**

Senate Bill 2 ([http://www.leg.state.nv.us/25thSpecial/Bills/SB/SB2\\_EN.pdf](http://www.leg.state.nv.us/25thSpecial/Bills/SB/SB2_EN.pdf)) passed in a special session of the Nevada Legislature in 2008, to address current budget issues. This bill has precipitated process changes for Net Proceeds of Minerals. Sections 1-5 and 16 of Senate Bill 2 are of relevance for mining operators, amending NRS 362.110, 362.115, 362.130 and 362.170. As amended by section 2 of Senate Bill 2, NRS 362.115(1)(a) requires the submission of the first report cited above, and the corresponding payment, by March 1. NRS 362.115(1)(b) provides for the optional submission of up to four quarterly revisions to the current year annual projection, with each quarterly revised annual projection report due, if submitted, by the end of the month following the calendar quarter. If a report indicates that an incremental payment is in order, then the payment is due 30 days after filing the report.

The tax rate schedule of total district tax rates, which is to be used in the determination of the net proceeds tax rate to be applied for the initial and first quarter revised estimates of current year annual taxes, are the 2011-2012 tax rates. The Nevada Tax Commission will adopt the fiscal year 2012-2013 total district tax rates in June 2012. At that time, the Department will send out forms for the second, third and fourth quarterly revised annual projection reports, with instructions and a revised schedule that reflects the newly adopted total district tax rates. The annual report of Net Proceeds of Minerals and royalties to be submitted by February 16, 2013, pursuant to NRS 362.110, will be reviewed by the Department, provide the final true-up to current year taxes, and be the basis upon which applicability of the Senate Bill 2 penalty will be

determined if any. Since the NRS affected lie in the range of NRS 362.100 to NRS 362.240 inclusive (<http://leg.state.nv.us/nrs/NRS-362.html>), the new process is impacted by penalty statutes NRS 362.160, NRS 362.230 and NRS 362.240. Since the initial report described in NRS 362.115(1)(a) is required, there will be a penalty for failure to file this report. If any of these reports indicate that a payment is due, and if payment is not made in full within 10 days of the applicable due date, the taxes not paid will be considered delinquent at that time. If there are false statements made in any report, the penalty for false statements will apply.

Additionally, NRS 362.130 section 3 has been amended by Senate Bill 2 to provide a penalty of 10% on the difference between the amount of tax due at the final true-up stage as certified by the Department in April 2013 and the cumulative amount of taxes paid for the current year, if the cumulative amount of tax paid thus far is less than 90% of the amount certified by the Department in April of 2013. The Taxpayer can avoid this penalty by one of three ways. The first way is if the amount of the original estimate paid on March 1, 2012 is more than 90% of the April 2013 certified total. The second way is if the amount of Net Proceeds and royalties taxes paid for 2012 is equal to or greater than the amount paid for 2011. The third way is if the operator files some timely quarterly reports and submits timely payments when needed, and the cumulative payments equal or exceed 90% of the amount certified by the Department in April of 2013. It should be noted that the final quarterly report is due January 31, 2013 with payment due March 1, 2013, and the "estimate" in that case is the sum of four quarters of actual data. This final estimated payment is due 15 days after the annual report required by NRS 362.110 is due.

Should you have any questions, please call Patty Christian at (775) 684-2028, Bernadette Poletti at (775) 684-2004, Jan Kelley at (775) 684-2006, or me.

Sincerely,

Kelly Langley, CTP  
Supervisor, Centrally Assessed Properties  
(775) 684-2011

Enclosures