

**BUSINESS TAX****WHAT YOU NEED TO KNOW ABOUT NEVADA'S BUSINESS TAX**

NRS 364A requires all businesses, corporations and partnerships operating in Nevada to have a State Business License issued by the Department of Taxation. A sole proprietorship with one or more employees is also required to have the license. NRS 364A also imposes a tax based on the number of employees working in Nevada or entering Nevada to work or conduct a business activity.

1. **WHAT CONSTITUTES A BUSINESS** - Each person, corporation, partnership, proprietorship, business association and any other similar organization that conducts an activity for profit, including an independent contractor or sole proprietor. A trade show or convention held in this state in which a business previously described takes part, or in which a person who conducts such a business attends, for a purpose related to the conduct of the business.

A natural person (sole proprietor) who does not employ any employees, all nonprofit 501(C) organizations and all governmental entities are exempt from the license and tax requirement.

2. **OBTAINING A LICENSE** - You may obtain an application from the Nevada Department of Taxation office nearest you. When submitted, the application must be accompanied by a \$25.00 fee. If the application is from a corporation, the signer's signature is considered a sworn statement of his or her authority to sign on behalf of the corporation. A person who takes part in a trade show or convention held in this state for a purpose related to the conduct of a business is not required to obtain a business license specifically for that event.

All NEW businesses must show proof of having a State Business License, or sign a certificate of compliance stating they have the State Business License, or are not subject to the requirement before any other license required by a state or local government agency or department is issued.

3. **WHO IS SUBJECT TO THE QUARTERLY BUSINESS TAX** - Any business that has employees working in Nevada.
4. **HOW AN EMPLOYEE IS DEFINED** - Any natural person who received wages or other remuneration from a business for personal services in this state and a natural person engaged in the operation of a business. This includes persons performing a service in the state for a business located outside this state. This includes, but is not limited to employees the business reports to: (a) Employment Security Department; or (b) Internal Revenue Service on Form 941, 941M or 943.

The term "employee" does not include: (a) a business, including an independent contractor, that performs services on behalf of another business; (b) a natural person who is retired or otherwise receiving remuneration solely because of past service to a business; (c) a newspaper carrier, or the immediate supervisor of a newspaper carrier who is an independent contractor of the newspaper and receives compensation solely from persons who purchase the newspaper; (d) a natural person who performs all of his duties for the business outside of this state; and (e) an independent contractor who is not an employee of the business with whom he contracts.

5. **HOW TO DETERMINE THE NUMBER OF EMPLOYEES** - The average number of employees does not include a sole proprietor or one partner in a partnership. The sole proprietor or one natural person of a partnership shall be considered the employer.

WHAT YOU NEED TO KNOW ABOUT NEVADA'S BUSINESS TAX (cont.)

Corporate officers are considered employees if they receive wages, compensation or other benefits for services rendered in this state.

A full-time employee is a person who is EMPLOYED to work at least 36 hours per week regardless of occasional reductions in hours due to sickness, vacation, or other compensated (wages, insurance, benefits, etc.) absence. All other employees are part-time employees and all hours for which such employees are paid must be included in the calculation.

6. **RATE OF TAX** - The business tax was enacted effective July 1, 1991. The tax was based on number of employees within a range on a tax table. The tax table ranges and rates are listed on tax returns prior to July 1, 1993.

Effective July 1, 1993, through December 31, 1993, - \$25.00 for each employee.

Effective January 1, 1994, - \$25.00 for each full-time equivalent employee (calculated to the nearest hundredth or out to 2 decimal places).

7. **WHEN TAX IS DUE** - Tax for each calendar quarter is due on the last day of the quarter and must be paid on or before the last day of the month following the quarter.

8. **MISCELLANEOUS** -

- A. For the purpose of calculating the tax, contract or salaried employees will be determined to be full-time unless the employer maintains records showing hours worked to be less than the full-time equivalent.
- B. Corporate officers or board members not performing a service for the business full time must be included in the calculation of the tax for the period of time they were performing a service in Nevada.
- C. A general contractor who is required to be licensed under the provisions of NRS 624, must verify at contract inception all subcontractors it hires has a State Business License and have paid their last quarterly payment of the State Business Tax before remitting any payments to its subcontractors.

A subcontractor proves it has a State Business License and has paid the tax by presenting a receipt or other evidence (tax return, canceled check, etc.) showing the last quarterly payment was made. Providing proof of compliance occurs at the time the contractor and subcontractor enter into their initial agreement. If the tax does not apply, a clearance letter from the Department stating a license is not required must be presented.

- D. Generally speaking, a business is required to keep all records for four years. The same or similar provisions which exist for other Title 32 taxes regarding audits, interest and penalties, confidentiality of information, administrative procedures, etc., are applicable to this tax.