

# NEVADA DEPARTMENT OF TAXATION



# NEVADA TAX NOTES

*Official Newsletter of the Department of Taxation*

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

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## DEPARTMENT OF TAXATION OFFICES

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### HENDERSON FIELD OFFICE

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### ELKO FIELD OFFICE

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## ARTICLES INCLUDED IN THIS ISSUE

- Important Notice Re: Collection Allowance & Short-Term Lessors of Passenger Cars
- Tax Notes Is Now Paperless
- Sales Tax Deduction for Vehicle Purchases
- Audit Estimates
- Registering Your Account For NevadaTax Online
- Use Tax Delinquency Notice
- Vehicle, Watercraft & Aircraft Tax Evasion Program
- Overview of STAR Bonds
- Drop-Shipments
- Fabrication Labor, Alterations, Engraving & Embroidering
- Analog-To-Digital Converter Box Program Now Scheduled for 6/12/09
- Federal Income Tax
- Employers Beware of Payroll Companies Not Filing MBT Returns
- Advisory for Filing Returns
- "Ask the Advisors" Training Workshops
- Holiday Closures

## IMPORTANT NOTICE

The State of Nevada has enacted temporary legislation intended to address the current budget issues for the remainder of FY 2009. These measures include a reduction in the Collection Allowance authorized for taxpayers who collect and remit certain taxes in a timely manner. Taxes affected are Sales Tax, Liquor Excise Tax for Sales to Consumers, Liquor Excise Tax, Other Tobacco Products Tax and Cigarette Tax. The collection allowance for these tax types will be reduced from .5% to .25% for the period beginning on January 1,

**2009 and ending on June 30, 2009.** Tax returns for these periods will reflect the reduction in the collection allowance.

**The temporary legislation also amends NRS 482.313 for the Short-Term Lessors of Passenger Cars. The amount of the recovery surcharge paid to the State will be increased from 25% to 50% for the period beginning on January 1, 2009 and ending on June 30, 2009.** Tax returns for these periods will reflect this increase.

### **TAX NOTES IS NOW PAPERLESS**

Tax Notes is now only available online at the Department's website <http://tax.state.nv.us>. For taxpayers not able to access the website they will be able to call and request a copy to be sent to them. We are instituting this new procedure to better serve you by lowering costs and still provide pertinent information on taxes and tax policy.

### **SALES TAX DEDUCTION FOR VEHICLE PURCHASES**

The American Recovery and Reinvestment Act of 2009 provides a deduction for state and local sales and excise taxes paid on the purchase of new cars, light trucks, motor homes and motorcycles through 2009. The deduction is available regardless of whether a taxpayer itemizes deductions on Schedule A. Purchases before Feb. 17, 2009, are not eligible for this special deduction.

The deduction is limited to the tax on up to \$49,500 of the purchase price of an eligible motor vehicle. The deduction is phased out for joint filers with modified adjusted gross income between \$250,000 and \$260,000 and other taxpayers with modified AGI between \$125,000 and \$135,000.

But now, if you buy a car you'll have to choose between the new deduction for car sales tax and the older one for state and local sales tax. One thing that's clear in the new law is that you can't take both the new car-sales-tax deduction and the state and local sales tax deduction. Choose carefully, because the rules are different for each of these deductions. Link:

<http://www.irs.gov/newsroom/article/0,,id=204519,00.html>

### **AUDIT ESTIMATES**

Pursuant to NRS 372.735, every seller, retailer or person who files sales and use tax returns must keep their books and records for four years. If returns are not filed the records must be kept for eight years. Pursuant to NRS 360.300 during an audit or investigation the Department may compute and determine the amount required to be paid upon the basis of facts, any information within its possession or a reasonable estimate if books and records are not kept by the business. Estimates must be reasonable however; if the required books and records are not kept it will be difficult for a business to determine if the estimated amount computed by the Department is reasonable or not.

### **REGISTERING YOUR ACCOUNT FOR NEVADATAX ONLINE**

Did you know the Nevada Department of Taxation currently has an online website where you can safely and securely file a return, pay an outstanding liability and renew your business license? Registering to file online is simple; you will need to have your current 10 digit taxpayer's identification number (TID), a recent payment amount and general knowledge of your business. Go to the NevadaTax website [www.nevadatix.nv.gov](http://www.nevadatix.nv.gov) or click on the quick link on the Department's website [www.tax.state.nv.us](http://www.tax.state.nv.us) and select "Enroll Nevada Tax". Follow the steps to enter your user and business information; verify the business TID and a recent payment amount. Once the information is verified you will be sent two e-mails. One email confirming your chosen user name and the second with a temporary password. You will then return to [www.nevadatix.nv.gov](http://www.nevadatix.nv.gov) and click on "Returning User", type in your chosen user name and the temporary password you received in the e-mail. The system will then prompt you to retype the temporary password for verification and ask you to choose a new password. You are now registered to use the Department's online filing system.

### **USE TAX DELINQUENCY NOTICE**

If you are registered with the Department of Taxation, you may have received a Delinquency Notice. Use Tax is a tax imposed on tangible personal property used in Nevada upon which Sales Tax has not been paid per NRS 372.055. Use Tax, the counterpart of Sales Tax, applies to mail order, out of state, and internet purchases, as well as other purchases of tangible personal property. Any individual, business, corporation or other entity can be liable for Use Tax, when Sales Tax is not collected by the seller. Any purchase, other than inventory, made by a retailer or other entity from a non-registered vendor, for use in Nevada is subject to Use Tax and must be reported to the Department of Taxation. For more information you can visit our website at [www.tax.state.nv.us](http://www.tax.state.nv.us).

If you received a Use Tax Delinquency Notice, a Use Tax Return must be completed and filed immediately. If you have no liability to the Department, a return must be filed, signed, and dated with a zero entered on line 18 of the Consumer Use Tax Return. You can file your return online by visiting [www.nevadatix.nv.gov](http://www.nevadatix.nv.gov), or print a blank form from our website [www.tax.state.nv.us](http://www.tax.state.nv.us).

### **VEHICLE, WATERCRAFT AND AIRCRAFT TAX EVASION PROGRAM**

Should the Department determine that a Nevada resident intended to evade sales/use tax on the purchase of a motor vehicle, watercraft and/or aircraft, by registering the property in a state or jurisdiction which does not levy a sales/use tax or levies tax at a lower tax rate, the resident shall be assessed the applicable Nevada tax, 10% penalty, 1% interest per month, and may also be assessed an additional 300% evasion penalty. The Department has an ongoing program of tax evasion discovery and receives information concerning

possible tax evasion from law enforcement, Department of Motor Vehicles, and Nevada taxpayers.

The Department is currently receiving buyer information from surrounding states on sales of off road vehicles, watercraft, aircraft, motor homes, and other vehicles purchased in their State with the intention of bringing the item to Nevada for storage, use, or other consumption. These items are taxable in Nevada and the Department is pursuing the buyer for tax, penalty, and interest on these transactions. Holding the item in Nevada for 90 days to avoid California sales tax will make the item taxable in Nevada. California does share affidavit information with Nevada.  
(NRS 360.340, 2)

### **OVERVIEW OF STAR BONDS**

A STAR Bond, or Sales Tax Anticipated Revenue Bond, is a way for local governments to finance special projects. These special projects must be located within Tourist Improvement Districts, and there are unique rules for the distribution of the sales and use taxes which are generated there.

A Tourist Improvement District is a special district with specific boundaries which is created by an Ordinance. It is similar to a Redevelopment District in that it is wholly contained within a county or municipality. In plain language, it is an area where a development is going to be built. There are currently two Tourist Improvement Districts in Nevada – Cabela’s (Reno), and Legends at the Sparks Marina; both of which are in Washoe County.

NRS 271A.120 states that once the municipality has adopted an ordinance to create the Tourist Improvement District, they may issue special obligation **bonds** (or notes) to finance projects for the benefit of the Tourist Improvement District. The bonds are secured by a pledge of up to 75% of the sales tax revenues generated within the Tourist Improvement District for a maximum of 20 years.

The Department of Taxation remits the pledged taxes back to the municipality that has adopted the ordinance. The municipality uses the funds to make the payments on their bonds and to pay other expenses related to the Tourist Improvement District. At the end of each fiscal year the municipality must return any money that has not been spent on the bonds and related costs to the Department. That money is then distributed to the county and its local governments through the normal distribution process.

### **DROP SHIPMENTS**

In light of Nevada’s membership in the Streamlined Sales Tax initiative and the changes stemming from the enactment of NRS 360B, there have been some changes regarding third party drop shipments. All parties involved in drop shipments are still encouraged to register with the Department of Taxation, so that the flow of tax liability involved can properly pass to the actual retailer of the tangible personal property. One major change is that it is now allowable for a third party drop shipper to accept in good faith an out of state resale certificate, or a Streamlined Sales Tax Resale

Certificate from a retailer in state or out of state who is selling to the end user in the State. Additional information concerning drop shipments is available from the Department upon request.

(NRS 372.135, NRS 372.155, NRS 372.225, NRS 360B.200)

### **FABICATION LABOR, ALTERATIONS, ENGRAVING AND EMBROIDERING**

Fabrication labor is subject to Nevada sales and use tax. Fabrication labor is labor which results in the creation or production of tangible personal property or which is a step in the process resulting in the creation or production of tangible personal property. In determining whether a labor charge is fabrication, repair or recondition, consider the following:

1. Does the labor result in creating a new product or a product whose use is different from its original form? This is taxable fabrication labor. For example: Fabricating garments, leathers, clothing, drapes, curtains, etc. in connection with the sale of a finished article, makes the entire charge to the customer subject to sales tax. This is true whether or not the materials or goods are furnished by the customer or the person fabricating the finished article.
2. Is the labor a service that becomes a part of the selling price of the product? If so, this is taxable fabrication labor. For example: Engraving a trophy, jewelry or any other tangible personal property, or embroidery charges for clothing, towels, pillow slips, or similar articles are charges subject to the sales tax. This is true whether or not the materials or goods are furnished by the customer or the person fabricating the finished article.
3. Does the labor result in providing a service which repairs or reconditions a product bringing it back to its original form, rather than creating a new product? If so, this is non-taxable repair labor if separately stated on the billing invoice. For example: Altering garments, furs, clothing, etc., in connection with the sale of such property, is further fabrication of such property, and charges for alterations are subject to the sales tax. Altering garments, furs, clothing, drapes, curtains and similar property belonging to the customer and not in connection with the sale of such property is a service and as such charges are not subject to the sales tax.  
(NRS 372.025, NAC 372.380 and NRS 372.060)

### **ANALOG-TO-DIGITAL CONVERTER BOX PROGRAM NOW SCHEDULED FOR 6/12/09**

The U.S. Dept of Commerce National Telecommunications & Information Admin is administering the Analog-to-Digital Converter Box Program as authorized in the Digital Television Transition & Public Safety Act of 2005. Between Jan. 1, 2008 and Mar. 31, 2009, eligible U.S. households, can request up to two coupons, worth \$40 each, to be used toward the purchase of up to two coupon-eligible converter boxes.

Coupons will be sent based on the date of application, in the order in which the applications were received; and the coupons will not expire until 90 days after they have been mailed. Coupons cannot be printed or downloaded from the Program Website and are not available to pick up at retail locations. Additional information regarding this program may be found at [www.dtv2009.gov](http://www.dtv2009.gov).

In accordance with NRS 372.325, coupons issued under this Program will reduce the taxable base of cable TV converter boxes purchased with the coupons, by the face value of the coupon. For example; if the retail price of a converter box is \$49.99 and the coupon issued by the U. S. Government has a face value of \$40.00, the taxable amount to the purchaser on the sales receipt would then be \$9.99.

### **FEDERAL INCOME TAX**

The Department of Taxation receives an enormous amount of inquiries regarding Federal Income Tax issues. The State of Nevada does not participate in the administration of Federal Income Tax and does not levy a State personal, business or corporate income tax of its own. The Nevada Department of Taxation **does not** require informational copies of Nevada residents' Federal Income Tax returns or forms. **But** the Federal Income Tax Return is still utilized by Nevada in the audit process of a business. Federal Income Tax inquiries may be researched at the official IRS website, [www.irs.gov](http://www.irs.gov).

### **EMPLOYERS BEWARE OF PAYROLL COMPANIES NOT FILING MODIFIED BUSINESS TAX RETURNS**

In accordance with the 2003 Legislature, NRS 363A and NRS 363B, the Modified Business Tax (MBT), are taxes on total gross wages that must be reported and paid to the Department of Taxation, *by employers*, on a quarterly basis.

It has come to the attention of the Department that many payroll companies who have contracted with Nevada employers for payroll services are filing Unemployment Tax returns, Form 4072, with the Nevada Employment Security Division (ESD) but not filing the required Modified Business Tax (MBT) returns with the Department of Taxation. In some cases the payroll companies are receiving MBT returns for their clients and not informing the client about it, whether they have been contracted for this service or not. If the payroll company is receiving the MBT returns in error, they should be forwarding them to you.

If the payroll company does not timely pay the tax, pursuant to NRS 360.300 the payroll company, not you the employer, will be notified of an unfiled delinquent return which will be subject to penalties and interest associated with that return. It is important that employers ensure this tax return is being correctly filed and paid as you are ultimately responsible for them.

### **ADVISORY FOR FILING RETURNS**

Due to the monthly and quarterly tax filing requirements, our offices are extremely busy the last few days of the month with people filing their tax returns. It is

recommended, whenever possible, that you time your visits to the office for other than the last few days of the month to avoid a long wait.

### **"ASK THE ADVISORS" TRAINING WORKSHOPS**

The Department will be presenting Basic Tax Training as well as industry-specific training throughout the year. The free workshops include training on Sales and Use Tax, Modified Business Tax, Business License Fee, Live Entertainment Tax, collection of taxes, resale certificates, exemptions, how to prepare amended tax returns, how to prepare for an audit, your petition rights, etc.

**SOUTHERN REGION** – The following workshops will be held in the **Henderson Department of Taxation Office** located at 2550 Paseo Verde Parkway, Suite 180, and will begin at 9:00 a.m. and conclude at 12 noon:

Topics will include:

- Tuesday, April 14, 2009 — Restaurant Training
- Tuesday, April 21, 2009 — Basic Tax Training
- Tuesday, May 12, 2009 — Modified Business Tax & Other Tobacco Products
- Tuesday, May 19, 2009 — Basic Tax Training
- Tuesday, June 9<sup>th</sup>, 2009 — Online Registration & Filing
- Tuesday, June 16, 2009 — Basic Tax Training

**NORTHERN REGION** – The following workshops will be held in the **Reno Department of Taxation Office** located at 4600 Kietzke Lane, Bldg. B, Suite 111, and will begin at 9:00 a.m. and conclude at 12 noon:

Topics will include:

- Wednesday, April 8, 2009 — Basic Tax Training & On-Line Registration & Filing
- Wednesday, June 10, 2009 — Basic Tax Training & Repairs

The following workshop will be held in the **Carson City Department of Taxation Office** located at 1550 College Parkway, Room 133 and will begin at 1:00 p.m. and conclude at 4:00 p.m.

Topics will include:

- Monday, May 4, 2009 — Basic Tax Training

**Reservations are required** as classes fill up quickly. Please call (702) 486-2354 for Henderson classes; (775) 688-1740 for Reno classes; and (775) 684-2082 for Carson City classes to reserve seating.

For those not able to attend "Ask the Advisors" training, you may access the Workshop Power Point presentations at the Department's website <http://tax.state.nv.us> by clicking on "Ask the Advisors." At this site you may also view the workshops scheduled for the entire year.

### **HOLIDAY CLOSURES**

The Department of Taxation offices will be closed the following day in the second quarter of 2009:

- Monday, May 25, 2009 – Memorial Day

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