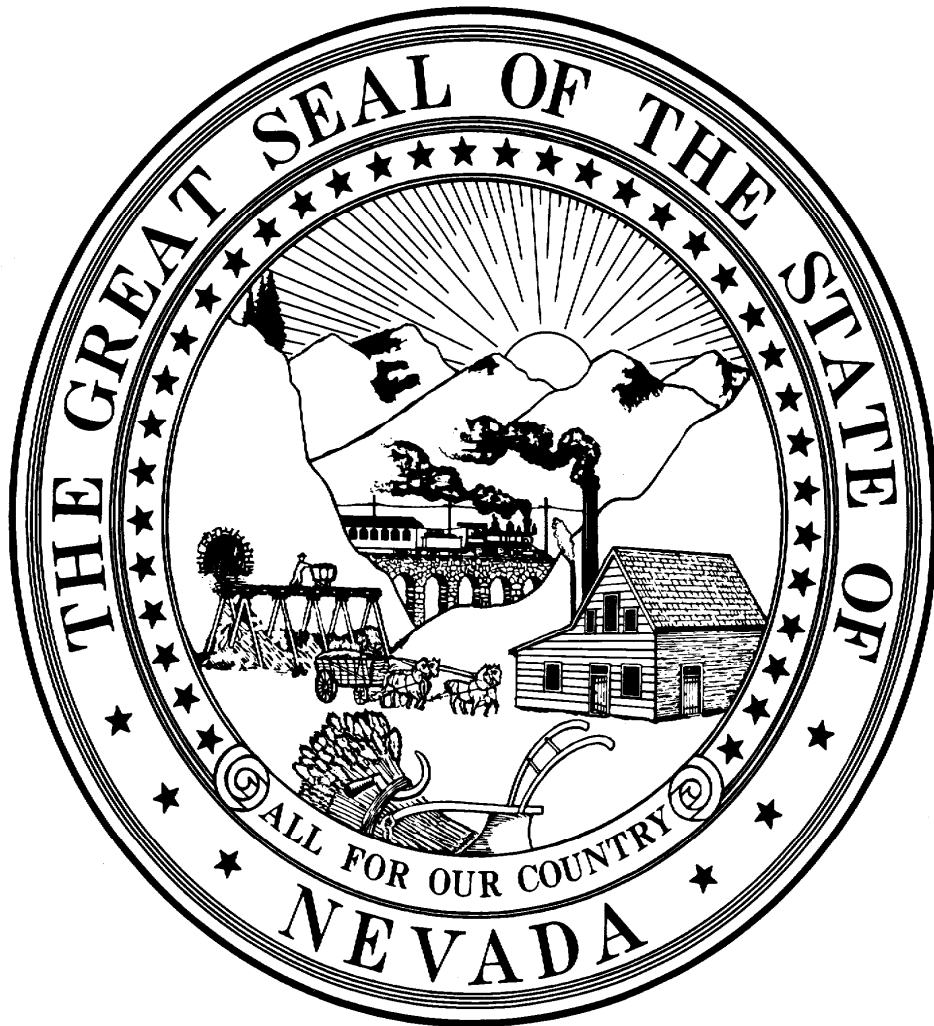


# STATE OF NEVADA DEPARTMENT OF TAXATION

## SHORT-TERM LEASES



# Leases in General

## Lease or rental means

- “Any transfer of possession or control of tangible personal property for a fixed or indeterminate term for consideration”
- Applies “regardless of whether a transaction is characterized as a lease or rental under generally accepted accounting principles...” (GAAP)

# Short Term Leases

- Administered by the Department of Taxation since 1997



- One rental will require an entity to be registered as a short-term lessor

*NRS 482.300*

- Passenger cars carrying 10 people or less
  - (*Not motorcycles, power cycles, motor homes, motor trucks*)

*NRS 482.087*



# Fees for short-term leases

*1/1/2009 through 9/30/2009*

Fees for rentals, exclusive of other government fees or taxes:

- 6% to state
- 4% for lessor with  $\frac{1}{2}$ \* of these fees coming back to the State
- 2% to Clark and Washoe Counties  
*(Exemption from 2% if purpose of rental is as a replacement vehicle for lessee's car while being repaired)*

*\* 3<sup>rd</sup> Qtr @ 1/4*

NRS 482.313, NRS 244A.810, NRS  
244A.860

# Fees for short-term leases

Effective 10/1/2009, fees for short-term leases are as follows:

- 10% to the State of Nevada +
- 2% for Clark and Washoe Counties (*Exemption from 2% if purpose of rental is as a replacement vehicle for lessee's car while being repaired*)
- Lessor allowed to charge customer a fee to recover its vehicle licensing costs

# Calculation of Fees

- 10% Governmental Services Fee
  - Excluded in tax calculation
    - The amount of any fee charged and collected by a governmental entity (2% Clark/Washoe county fee, sales tax, airport concession fee, and/or vehicle licensing costs)
    - The amount of any charge for fuel used to operate the passenger car
    - The amount of any fee or charge for the delivery, transportation or other handling of the passenger car
    - The amount of any fee or charge for insurance, including without limitation, personal accident insurance, extended coverage or insurance coverage for personal property
    - The amount of any charges assessed against a short-term lessee for damages for which the short-term lessee is held responsible

# Calculation of Fees

*(continued)*

- 2% Clark/Washoe County Car Rental Fee
  - Excluded in Tax Calculation
    - The amount of any fee charged and collected by a governmental entity
      - **10% Governmental Services fee**
      - **Sales tax**
      - **Airport concession fee**
      - **Vehicle licensing costs**

A new law affects  
leases!

# **Streamlined Tax**

**Appears!  
(NRS 360B)**

What does that mean to  
existing regulations?

# How Streamlined Tax changes leases...

- Lessors no longer have to pay the tax up front
- Resale certificates accepted
- Re-rentals okay
- End user pays the tax
- Now considered a sales tax
- Reportable as a sale (*collection allowance*)
- And.....



# Streamlined Tax changes.....



- Since leases/rents are considered a sale
- And since sales to Nevada exempted entities are tax-free
- Therefore, no sales tax is due by either the lessor or the lessee when the lessee is an exempt entity! However, Government Services Fee and County Car Rental fee still apply.

# **Streamlined Tax &** **Leases.....**

## **New Regulation (LCB File No. R105-09)**

*Approved by the Nevada Tax Commission in November, 2009, NAC 372.080 will not apply to any tangible personal property purchased on or after 6/15/2005 for lease in this state. However, if a business is engaged in leasing and renting and has complied with the provisions of NAC 372.070 through NAC 372.088, then the new regulation will not apply to that property.*

# **Streamlined Tax &** **Leases.....**

**Regulation LCB File No. R105-09**

*Many of the existing provisions in NAC*

*372.080 are included in the new regulation.*

*Some highlights of the new regulation are:*

*Sales instead of use tax*

*Re-rentals okay*

*Tax burden placed on lessee, not lessor*

*Rentals between related parties must be at fair*

*market value*

# Streamlined Tax & Leases.....

## Regulation LCB R105-09 (*continued*)

- *Provisions for paying tax on purchase of rental equipment or paying tax on the rental stream requires lessor to make election to pay tax on purchase; otherwise, must report tax on the rental stream.*
- *Sale-leaseback timeframe changes to 180 days to complete transaction which will provide for leasing back to initial purchaser*

# Streamlined Tax & Leases.....

Regulation LCB R105-09 (*continued*)

## ***DIFFERENCES BETWEEN NEW REGULATION***

### ***AND NAC 372.080:***

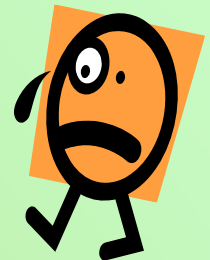
- 1. Election a lessor must make. (unlike the provisions in NAC 372, there is no form to complete; the lessor begins reporting per their election on the monthly sales tax return.)***
- 2. Once election made, no changes allowed***

# Discontinuing a lease

- A lease may be discontinued:

- Repossession

- Property wrecked,  
damaged, stolen



- New lease  
replaces old



- Property returned

- Formal notice of  
termination

# Other Information for Short-Term Leases



A short-term lessor shall annually report to the Department of Taxation:

- a. The amount of its vehicle licensing costs for the immediately preceding calendar year and;
- b. The amount of money collected for the recovery of its vehicle licensing costs for the immediately preceding calendar year.

# Vehicle Licensing Costs

“Vehicle Licensing Costs” refers to the costs incurred by the short-term lessor on vehicles being leased by that lessor and include:

- Fees paid for registration/issuance of certificates of title
- Fees for license plates
- Fees for license plate decals, stickers and tabs
- Inspection fees
- Basic/supplemental governmental services taxes paid



*Senate Bill 234, 2009 Legislative Session  
Amending NRS 482*

# Taxation of Leases

Included in the taxable price of a lease are any charges by the lessor for any services necessary to complete the lease. (*NRS 360B.480*)

**Examples for charges necessary to complete the lease are:**

*Fee or charge for mileage*

*Drop-off charge*

*Fee for reinstatement of lease/rental agreement*

*Reimbursement for fixed costs*

# Taxation of Leases

**Optional** charges made in connection with a lease/rental, if separately stated, are not subject to sales tax. (*NRS 360B.480*)

**Examples include:**

*Charge for collision damage waiver*

*Charges for fuel*

*Charge for services of a person to operate/instruct another in operation of the rental property*

*Delivery fee*

*Fee for maintaining, cleaning or altering*

*Charge for insurance, such as personal accident*

*Legal fees for negotiation of lease terms*

# Gross lease charges

Do not include any of the following *if separately stated* (LCB R105-09-approved 11/09):

- *Airport access fees*
- *Reimbursement of property taxes*
- *Filing fees under Uniform Commercial Code*
- *Late payment penalty*
- *Disposition fee*

## EXCEPTION:

*Charges for damages for which lessee is held responsible are exclusive of the original rental or lease contract, including “charge-back” fee or “damage reimbursement” and will be considered as a taxable sale of tangible personal property from either the person making the repair for the lessor or from the lessor for the responsible party.*

# Sample Lease

*The following is an example of what is taxable under Sales Tax, Governmental Services Fee and County Car Rental Fee. This example is not intended to include all possible rental scenarios, but will provide a guideline.*

Charge	Mandatory or Optional	Sales Tax	Government Service Fee	County Car Rental
Base Lease	M	Yes	Yes	Yes
Drop-Off	M	Yes	Yes	Yes
Cell Phone	O	No	Yes	yes
Add Driver	M	Yes	Yes	Yes
Under Age	M	Yes	Yes	Yes
Fuel	O	No	No	Yes
Insurance	O	No	No	Yes
CDW	O	No	Yes	Yes
Airport Fee	n/a	No	No	No
Replace Vehicle	n/a	No	Yes	No
Vehicle Licensing Cost	O	No	No	No

# Other Sales/Use tax issues



- Replacement parts

*Non-taxable if used for leased equipment since tax is being charged to the customer*

*NAC 372.460*

- Sale of leased property

*Taxable*

*NAC 372.080*



- Gross lease/rental between related or affiliated persons must be reported at fair market value.

*(LCB R105-09-approved 11/09)*

# Governmental Services Fee Return

## NEVADA DEPARTMENT OF TAXATION

### PASSENGER CAR, GOVERNMENTAL SERVICES FEE RETURN

Mail to:  
Nevada Department of Taxation  
1550 College Parkway #115  
Carson City NV 89706

TID No.

Or Account No:

FOR DEPARTMENT USE ONLY

Postmark Date: \_\_\_\_\_

Amount: \_\_\_\_\_ Check #: \_\_\_\_\_

For Quarter Ending:

Due on or before:

If postmarked after the due date penalty and interest will apply

**"NOTE: PLEASE READ INSTRUCTIONS ON REVERSE SIDE BEFORE COMPLETING THIS RETURN  
A RETURN MUST BE FILED EVEN IF NO RENTALS WERE MADE"**

<b>1</b>	DOLLAR AMOUNT OF LEASES DURING CALENDAR QUARTER From passenger car short-term leases	\$ _____	
<b>2</b>	TAX DUE (Multiply Total Leases (Line 1) by 10% or 010)		\$ _____
<b>3</b>	TOTAL VEHICLE LICENSING FEES PAID TO DMV DURING CALENDAR QTR Separate form for full calendar year will also be submitted by Lessor	\$ _____	
<b>4</b>	AMOUNT COLLECTED FOR THE RECOVERY OF VEHICLE LICENSING COST Separate form for full calendar year will also be submitted by Lessor	\$ _____	
<b>5</b>	LESS CREDITS APPROVED & VERIFIED BY THE DEPARTMENT		\$ _____
<b>6</b>	PENALTY (SEE INSTRUCTIONS FOR RATE).		\$ _____
<b>7</b>	INTEREST (1% OR 01 OF LINE 2 FOR EACH MONTH OR FRACTION OF A MONTH LATE)		\$ _____
<b>8</b>	PLUS LIABILITIES ESTABLISHED BY THE DEPARTMENT		\$ _____
<b>9</b>	TOTAL AMOUNT DUE AND PAYABLE		\$ _____
<b>10</b>	TOTAL AMOUNT REMITTED WITH RETURN		\$ _____

I hereby certify that this return including any accompanying schedules and statements has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

Signature		Name Of Preparer	
Title	Fed Id Or Soc Sec #	Phone Number	Date

**SHORT TERM LESSORS LOCATED IN WASHOE OR CLARK COUNTIES MUST FILE THE WASHOE OR CLARK COUNTY CAR RENTAL FEE RETURN IN ADDITION TO THE PASSENGER CAR, GOVERNMENTAL SERVICES FEE RETURN**

STS-1  
Effective 10/01/2009

# County Car Rental Fee Return

NEVADA DEPT OF TAXATION

Account No: **DLR01333**

## CLARK COUNTY CAR RENTAL FEE RETURN

Mail to:  
Nevada Department of Taxation  
1550 E. College Parkway #115  
Carson City NV 89706

FOR DEPARTMENT USE ONLY	
Postmark Date: _____	_____
Amount: _____	Check #: _____

**RENTAL AGENCY NAME HERE**  
**RENTAL LOCATION ADDRESS HERE**  
**CITY/STATE/ZIP**

For quarter ending **SEPTEMBER 30, 2005**  
Due on or before **OCTOBER 31,**  
**2005**

If postmarked after due date  
penalty and interest will apply

**\*NOTE: PLEASE READ INSTRUCTIONS ON REVERSE SIDE BEFORE COMPLETING RETURN. A  
RETURN MUST BE FILED EVEN IF NO RENTALS WERE MADE\***

1.	DOLLAR AMOUNT OF LEASES DURING CALENDAR QUARTER COMMENCING IN CLARK COUNTY from passenger car short-term leases	\$
2.	<b>TOTAL DOLLAR AMOUNT OF PASSENGER CARS LEASED AS REPLACEMENT VEHICLES</b>	<b>\$</b>
3.	NET LEASES (LINE 1 MINUS 2)	\$
4.	<b>TAX DUE (Multiply Total Leases (Line 3) by 2% or .02)</b>	<b>\$</b>
5.	LESS CREDITS APPROVED BY THE DEPARTMENT	\$
6.	TOTAL CLARK COUNTY CAR RENTAL FEES DUE (LINE 4 MINUS LINE 5)	\$

I hereby certify that this return including any accompanying schedules and statements has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

Signature		Name Of Preparer	
Title	Fed Id Or Soc Sec #	Phone Number	Date

**(ON THE BACK)**

### FEE RETURN INSTRUCTIONS

**THIS RETURN MUST BE FILED ALONG WITH THE PASSENGER CAR,  
GOVERNMENTAL SERVICE FEE RETURN**

# DEPARTMENT OF TAXATION

## Contact Information

Our offices are open Monday-Friday  
8:00 AM – 5:00 PM



Contact our Call Center at  
1-866-962-3707  
*(closed during lunch)*

### **Southern Nevada:**

Grant Sawyer Office  
Building  
555 E. Washington  
Avenue  
Suite 1300  
Las Vegas, NV 89101

**OR**

2550 Paseo Verde  
Parkway  
Suite 180  
Henderson, NV 89074

### **Carson City:**

1550 College  
Parkway  
Suite 115  
Carson City, NV  
89706-7937

### **Reno:**

4600 Kietzke Lane  
Building L, Suite 235  
Reno, NV 89502

# Short-Term Lease

## Contact Information

**Jo Lynn Smith**

**Tax Administrator II**

**(775) 684-2029**

**Marsha Keller**

**Tax Examiner**

**(775) 684-2117**

# Written Response

Most tax issues can be addressed by the Department of Taxation. Please be advised that any responses to inquiries made to the Department are only binding if put in writing, such as Nevada Revised Statutes, Administrative Code, Nevada Tax Notes, or in written correspondence.

