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September 17, 2015

TO: Members of the Las Vegas Metro Chamber of Commerce

On September 9, the Department of Taxation (the "Department") held its second workshop on Senate Bill 483. As it did during the July workshop, the Department again focused on the Commerce Tax portion of the legislation and its implementation.

The meeting was called to order by Executive Director of Taxation Ms. Deonne Contine sitting in Carson City with Executive Director Ms. Pamela Oliver seated in Las Vegas. The agenda was to take the draft section by section.

Clarifying a taxable business entity and the requirements of a taxable entity.

The overarching message from the Department was that all entities that are registered to do business in Nevada are taxable entities and will be required to file a tax report with the Department.

There are remaining issues and clarifications which will require further analysis from the Department though the implementation process:

Will participation in a tradeshow will trigger the requirement to file a tax report?

- Department will clarify applicability to tradeshow in the future.

Companies that rent/lease fleets may not know where the truck may be used or certain out of state businesses that route calls through a Nevada telephone exchange. How does this effect the situs definition?

- A workshop will be held addressing situs issues in the future.

How will advertising spillover be handled? Entities may advertise in Reno only with the intent and benefit for California businesses.

- The Department will review and provide guidance in the future.

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Commerce Tax Credit towards Modified Business Tax only available if the Commerce Tax is paid

A credit will only be given for the amount of tax actually paid. Therefore, if a dispute exists about the amount of the Commerce Tax only the amount that has been remitted can be credited. However, the entity will be able to later adjust if warranted.

Process for reporting and changing NAICS code

NAICS, for purposes if the Commerce Tax are Nevada specific, and determined by the highest revenue made in Nevada.

Each entity will select their applicable NAICS code on the initial tax report. The Department will review for fraud. The NAICS code will remain in place for until changed. Change procedure will be rolled out later but the timing for change will be before the tax report is due. It will likely require a 30-day window to request change.

Additionally, every business entity gets the \$4M exemption. The Commerce tax is intended to be business entity specific.

Commerce Tax Recovery Charge

The Commerce Tax is a tax on the business entity and not on the customer. However, entities will be permitted to raise prices with itemized disclosure that the price increase is as a result of the entity's requirement to remit Commerce Tax.

The Department will continue to hold workshops through the remainder of the year. Siting of revenue remains an area in need of further clarification and refinement.

Businesses with questions are encouraged to reach out to the Chamber, Fennemore Craig or the Department of Taxation with questions.

Sincerely,

FENNEMORE CRAIG, P.C.



Jesse A. Wadhams