Nevada Revenue Plan

and balance the state's budget

a solution to fund Nevada's schools
Commerce Tax Remains; 50% credit for paid employer paid health care deduction;
employment paid health care deduction.
$340,000 to $200,000 per year;
maxumum standard deduction from
businesses with financial institutions;
reduced the
businesses generally 2.0% for mining
business tax to 1.475% for
increase the existing modified
Nevada's Secretary of State
business entities filing with
and $200 to $300 for all other
$200 to $500 for corporations
business license fee from
increase Nevada's current

Three Elements, Each Designed to Broaden the State's Business Tax Consolidated Revenue Plan

3
Tax

2
Business Tax

1
License Fee

Commerce
Modifiled
Business
Sufficient and Flexible | Provides the revenue necessary to fund

each year

by reducing the number of filers and the number of filing events

and diversifying the state's business tax base

and speculative sources of revenue, while at the same time expanding

Balancing Progress and Stability | Plan limits reliance on more

Legislature

primary revenue proposals considered by the Nevada State

Consolidation of Concepts | Plan reflects elements of the three

Foundational Policy Considerations
Commerce Tax

Increase the existing Modified Business Tax to $2.475 annual levy imposed on businesses with Nevada revenue.

Employer paid health care deduction remains: 50% credit for paid employee health care expenses.

Increase the existing Modified Business Tax to a maximum of $340,000 to $200,000 per year.

Nevada's Secretary of State business entities filing with Nevada and financial institutions: Reduce the annual levy imposed on businesses with Nevada revenue.

Business Tax

Increase Nevada's current Business License Fee from $200 to $500 for corporations.

License Fee

Three Elements, Each Designed to Broaden the State's Revenue Plan
Need to increase compliance rate for smaller businesses
- Analysis has yet to be provided

- Yield reduced to reflect potential increase of fees, respecting
  reduced compliance costs
- Administration remains with Secretary of State, annual fee,

  the business license fee

All three revenue proposals included some additional yield from

many 330,000 business entities
- business tax revenue in the state; the tax base includes more
  Nevada's business license fee is currently the broadest source

$s118M | $46.3M (net new)

- entities filing with Nevada's Secretary of State

- $500 for corporation and $200 to $300 for all other businesses
  Increase Nevada's current business license fee from $200 to

Element #1 | Business License Fee
Three Elements, Each Designed to Broaden the State’s Business Revenue Plan

1. Business Fee
2. Commerce Tax
3. Tax
Financial institutions and mining companies

Alternative rates, albeit with underlying rationale, remain for

less than $500,000

intensive businesses, particularly those with payroll levels of
Tax increase will be more significant for smaller, labor-

Collection timing

was included in all proposals strategies; addresses concerns with

increases the number of businesses that will pay the tax, which

standard exemption increases the number of taxpayers

health care deduction increases tax equity; lowering the

Stable, predictable, and known source of revenue; retaining

$571M | $516M (net of credit)

Remain at 2.0%

Credit for paid commerce tax, mining and financial institutions

$200,000 per year; retain paid health care deduction; 50%

Reduce the maximum standard exemption from $340,000 to

Increase the existing Modified Business Tax rate to 1.475%,

Element #2 | Modified Business Tax
## Consolidated Revenue Plan

Three Elements, Each Designed to Broaden the State's Business Tax

<table>
<thead>
<tr>
<th>Business License Fee</th>
<th>Modified Business Tax</th>
<th>Commerce Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

1. **Increase Nevada’s current Business License Fee from $200 to $500 for corporations and $200 to $300 for all other business entities filing with Nevada’s Secretary of State**

2. **Increase the existing Modified Business Tax to 1.475% for businesses generally (2.0% for mining and financial institutions); reduce the maximum standard exemption from $340,000 to $200,000 per year; employer paid health care deduction remains; 50% credit for paid Commerce Tax**

3. **Create an industry-specific, annual levy imposed on businesses with Nevada revenue of $3.5 million or more; 50% of the tax may be used as a credit against the taxpayer’s Modified Business Tax liability**
Tax base and credit balance will need to be closely monitored

- Requires the creation of a new tax

- Equity shift if revenues exceed expectations
to larger, more sophisticated taxpayers builds in long-term yield, materiality reduces administrative costs, shifts the burden balances a desire for tax reform with concerns over revenue balancing the in-state firm tax bias in the existing tax system.

Reducing the in-state firm tax bias in the existing tax system.

Capital-intensive and labor-intensive businesses step toward Nevada's economy provides greater equity between larger Nevada's economy provides greater equity between larger

- Creates a broad-based business tax that reflects the diversity of $121M | $60.7M (net of credit)

Estimated Yield:

Policy Considerations:

Consensus:

Other Issue:

Element #3 | Commerce Tax
Analysis of Tax Incidence
<table>
<thead>
<tr>
<th>Sector</th>
<th>Total Revenue Plan</th>
<th>Total Business Fee</th>
<th>Total Supplemental Fringe Benefits</th>
<th>Total Consolidated Fringe Benefits</th>
<th>Total Armstrong Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Employer Business/Foreign Firms</td>
<td>$755.160,374</td>
<td>$78.88,919,282</td>
<td>$1.22%</td>
<td>$1,987.29,000</td>
<td>0.00%</td>
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<tr>
<td>Underserved</td>
<td>$912.14,344</td>
<td>0.35%</td>
<td>1.23%</td>
<td>$1.44,87,372</td>
<td>0.00%</td>
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<tr>
<td>Other Services</td>
<td>$1,076,980</td>
<td>0.80%</td>
<td>1.32%</td>
<td>$1.82,43,000</td>
<td>0.00%</td>
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<tr>
<td>Food Services (includes Restaurants)</td>
<td>$2,375,788</td>
<td>0.77%</td>
<td>1.43%</td>
<td>$3.78,14,372</td>
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<tr>
<td>Accommodation</td>
<td>$3,053,964</td>
<td>0.60%</td>
<td>1.70%</td>
<td>$4.34,98,000</td>
<td>0.00%</td>
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<tr>
<td>Education Services</td>
<td>$3,652,000</td>
<td>0.46%</td>
<td>1.50%</td>
<td>$5.24,10,000</td>
<td>0.00%</td>
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<tr>
<td>Arts, Entertainment and Recreation</td>
<td>$4,095,900</td>
<td>0.53%</td>
<td>1.72%</td>
<td>$5.64,50,000</td>
<td>0.00%</td>
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<tr>
<td>Health Services</td>
<td>$4,572,000</td>
<td>0.38%</td>
<td>1.02%</td>
<td>$6.03,00,000</td>
<td>0.00%</td>
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<tr>
<td>Admin. and Support Services and Waste Management</td>
<td>$5,032,000</td>
<td>0.48%</td>
<td>1.12%</td>
<td>$6.49,00,000</td>
<td>0.00%</td>
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<tr>
<td>Professional Services</td>
<td>$5,508,000</td>
<td>0.55%</td>
<td>1.31%</td>
<td>$6.95,00,000</td>
<td>0.00%</td>
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<tr>
<td>Real Estate</td>
<td>$5,852,000</td>
<td>0.61%</td>
<td>1.24%</td>
<td>$7.41,00,000</td>
<td>0.00%</td>
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<tr>
<td>Financial Activities</td>
<td>$6,200,000</td>
<td>0.59%</td>
<td>1.10%</td>
<td>$7.86,00,000</td>
<td>0.00%</td>
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<tr>
<td>Telecommunications</td>
<td>$6,546,917</td>
<td>0.63%</td>
<td>1.14%</td>
<td>$8.32,00,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Publishing, Software, Data Processing</td>
<td>$6,900,000</td>
<td>0.59%</td>
<td>1.20%</td>
<td>$8.78,00,000</td>
<td>0.00%</td>
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<tr>
<td>Water and Storage</td>
<td>$7,254,321</td>
<td>0.64%</td>
<td>1.26%</td>
<td>$9.24,00,000</td>
<td>0.00%</td>
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<tr>
<td>Transportation</td>
<td>$7,612,000</td>
<td>0.59%</td>
<td>1.19%</td>
<td>$9.70,00,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$7,969,000</td>
<td>0.59%</td>
<td>1.16%</td>
<td>$10.16,00,000</td>
<td>0.00%</td>
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<tr>
<td>Wholesale Trade</td>
<td>$8,325,000</td>
<td>0.59%</td>
<td>1.13%</td>
<td>$10.62,00,000</td>
<td>0.00%</td>
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<tr>
<td>Manufacturing</td>
<td>$8,681,000</td>
<td>0.59%</td>
<td>1.10%</td>
<td>$11.08,00,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Construction</td>
<td>$9,037,000</td>
<td>0.59%</td>
<td>1.07%</td>
<td>$11.54,00,000</td>
<td>0.00%</td>
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<tr>
<td>Utilities</td>
<td>$9,393,000</td>
<td>0.59%</td>
<td>1.04%</td>
<td>$12.00,00,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Mining</td>
<td>$9,749,000</td>
<td>0.59%</td>
<td>1.01%</td>
<td>$12.46,00,000</td>
<td>0.00%</td>
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<tr>
<td>Agriculture</td>
<td>$10,105,000</td>
<td>0.59%</td>
<td>0.98%</td>
<td>$12.92,00,000</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Includes Existing General Business Levees

Summary Comparison of Tax Incidence
<table>
<thead>
<tr>
<th>Sector</th>
<th>Total</th>
<th>Non-Farm Business/Foreign Filers</th>
<th>Undistributed Profit</th>
<th>Other Services</th>
<th>Food Services (Includes Restaurants)</th>
<th>Accommodation</th>
<th>Arts, Entertainment and Recreation</th>
<th>Health Services</th>
<th>Educational Services</th>
<th>Admin. and Support Services and Waste Management</th>
<th>Professional Services</th>
<th>Real Estate</th>
<th>Financial Activities</th>
<th>Telecommunications</th>
<th>Publishing, Writing, Data Processing</th>
<th>Wholesaling and Storage</th>
<th>Transportation</th>
<th>Retail Trade</th>
<th>Wholesale Trade</th>
<th>Construction</th>
<th>Utilities</th>
<th>Mining</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$275,966,927</td>
<td>$25,909,678</td>
<td>1.74%</td>
<td>$2,169,354</td>
<td>15.68%</td>
<td>$79,503</td>
<td>0.13%</td>
<td>$2,156,379</td>
<td>$3,934,192</td>
<td>$1,040,820</td>
<td>0.38%</td>
<td>$7,225,327</td>
<td>$3,284,885</td>
<td>$2,324,979</td>
<td>$7,649,520</td>
<td>$15,747,447</td>
<td>$2,622,422</td>
<td>$2,646,855</td>
<td>$21,348,237</td>
<td>$1,250,353</td>
<td>$1,774,562</td>
<td>$1,063,786</td>
</tr>
</tbody>
</table>
Hypothetical $10 Million Labor-Intensive, Capital-Intensive, and Mixed Businesses

Comparative Analysis of Alternative Revenue Strategies

To the status quo, income businesses as compared to capital-intensive and labor-intensive businesses has decreased the differential between the Consolidated Tax Plan.
The Consolidated Revenue Plan provides businesses, particularly those in mid-sized and larger small businesses, with the lowest business tax liability. This plan ensures fair tax treatment for all businesses.

Comparative analysis of alternative revenue strategies.
Comparative Analysis of Alternative Revenue Strategies

Total Revenue but Generate Different Profit Margins for Hypothetical Firms Generating $10 Million in Revenue, Without Respect to the Revenue Proposal Being the Existence of the Sales Tax or Only the Sales Tax Alternative as Both Marginal Variance only
Excluding existing general business taxes/fees, summary of incremental Nevada business taxes Consolidated Revenue Plan
Total $755.2M

Including Existing General Business Taxes/Fees

Summary of Nevada Businesses Taxes

Consolidated Revenue Plan