



Sales and Use Tax Abatement

State of Nevada
NRS 360.750, 374.357

Sales and use tax abatements are available for purchases of capital equipment. An application for abatement must be made in advance to the Commission or, if the purchase has been made, within 60 days after the date on which the tax was due. If application for abatement is approved, the taxpayer is eligible for a refund of the tax paid (NRS 372.297 (2)).

Eligible Goods are capital goods which an allowance for depreciation is authorized pursuant to the US Internal Revenue code, Section 179, as described in Publication 534, Depreciation under "Qualifying Property," and which directly provides jobs within the State of Nevada as a result of the use of the capital goods by the purchaser.

Ineligible Goods are capital goods purchases including, but not limited to: buildings or their structural components, equipment utilized by a public utility, equipment used for medical treatment, standard equipment used in normal business operations (i.e., office furniture, computers), and machinery and equipment used in construction, gaming, and mining industries.

Eligibility. The Commission on Economic Development will look for the following criteria when reviewing the applicant's eligibility for abatement:

Objectives. The purchases are consistent with the Commission's State Plan for Industrial Development and Diversification. The overall objectives of the State Plan for Economic Diversification and Development include:

- Diversification from the gaming and hospitality industry;
- Attraction of basic industries such as manufacturing, warehousing and distribution, and back-office operations—all of which shall create primary jobs as defined in the NAC;
- Attraction of business facilities and services such as corporate headquarters, research and development operations, and producer services—all of which shall create primary jobs as defined in the NAC; and
- Expansion of existing basic businesses and industries as described above.

The Company's Responsibilities. The company will provide a medical insurance plan for all employees including an option for dependent health insurance coverage.

The business is expected to register pursuant to the laws of Nevada and to obtain all licenses and permits required by Nevada and the county, city or town in which the business operates.

The applicant commits to maintaining the business in Nevada for 5 years. This 5-year period begins when the applicant begins paying taxes to the Department of Taxation.

Wage Requirement. The company's average hourly wage at the Nevada facility must equal or exceeds 100% of county average hourly wage or statewide average hourly wage, whichever is less. The statewide average hourly wage established for FY 2009 is \$19.69. See attached sheet for current average county wage information.

Number of Jobs Required. For counties/cities with a population of more than 60,000 requires a minimum of 75 full-time permanent jobs in Nevada by the fourth quarter of operation and continue to employ at least the minimum. For counties/cities with a

Mission:

The Nevada Commission on Economic Development promotes a more diversified and prosperous economy enriching the quality of live for Nevada residents by stimulating business expansion and retention, encouraging entrepreneurial enterprises, and attracting businesses to create economic growth in Nevada, and assisting with community development.

Criteria:

- *The average hourly wage for the fiscal year.*
- *The number of full-time permanent jobs by the fourth quarter of operation in Nevada, and continue to employ the minimum.*
- *The capital investment required for the type of business or expansion based on county/city population.*

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population of less than 60,000 requires a minimum of 15 full-time permanent jobs in Nevada by the fourth quarter of operation and continue to employ at least the minimum. For an expansion, the company must increase the number of employees on the payroll by 10% or six employees, whichever is greater. Abatement is voidable if business fails to comply. Short-term vacancies in employment do not void the abatement if the business is attempting in good faith to fill vacancies and does so within a period of time considered reasonable by the Commission.

Capital Investment Requirement. For counties/cities with a population of more than 60,000, a capital investment of \$1 million is required. For counties/cities with a population of less than 60,000, a capital investment of \$250,000 is required.

As a condition of approval, applicant agrees in writing to supply upon request copies of all necessary records for the Commission's director to verify the applicant meets all requirements.

The Commission on Economic Development reserves the right to grant or deny certification on a case-by-case basis.

The amount of taxes abated can be everything above 2%. This rate will vary dependent upon the county in which the business is located.

If an applicant is approved, the taxpayer is eligible for tax abatements for two years. The start date begins when the first piece of equipment is delivered to the designated facility or taxes are paid on the equipment.

If a business is not maintained in this state for five years after tax abatement approval, the company will repay to the Department of Taxation the amount of the abatement allowed before the failure to comply. Interest will be repaid on the amount due at the rate most recently established pursuant to NRS 99.040, or portion thereof, from the last day of the month following the period payment would have been made had the abatement not been granted, until the date of the actual tax payment. The Nevada Department of Taxation can determine the business has substantially complied with the requirements.

Applicant should allow a minimum of 15 working days prior to the next regularly scheduled Commission meeting for application processing. Those requiring special review and consideration may require a longer period of time to complete the certification process.

A letter in support of the tax abatement from the local development authority is required.

The applicant will register with the Department of Taxation on a separate form if an account has not been established.

Upon certification, the Commission will immediately forward the application for abatement to the Nevada Department of Taxation – the administrator for tax abatements. The Tax Department's Revenue Division will determine what purchases qualify for abatement, verify the sale, the price paid, and the date of sale. ■



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