BDR 32-951
SB 233

EXECUTIVE AGENCY
FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: March 9, 2007

Agency Submitting: Compliance Division, Taxation

Items of Revenue or Expense, or Both	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Effect on Future Biennia
GENERAL FUND LOSS - BANK EXCISE TAX (Revenue)		($2,940,000)	($2,975,000)	($5,915,000)
GENERAL FUND LOSS - MODIFIED BUSINESS TAX FINANCIAL INSTITUTIONS (Revenue)		($18,275,625)	($20,008,350)	($38,283,975)
CAT 04 OPERATING - NOTIFICATION COST (Expense)		$1,250		
Total		($21,216,875)	($22,983,350)	($44,198,975)

Explanation (Use Additional Sheets of Attachments, if required)

See Attached. Please note that the fiscal impacts in this BDR is similar to BDR 32-15, AB 82.

Name Dino DiCianno

Title Executive Director

DEPARTMENT OF ADMNISTRATION'S COMMENTS

Date Friday, March 09, 2007

Agency response appears reasonable

Name Elizabeth L. Barber

Title Deputy Director Administration

FN 3238

This BDR repeals the excise tax imposed on banks that is based on the number of branch offices maintained in this State, It also reduces the rate of tax imposed on financial institutions that is based on wages paid to employees pursuant to Nevada Revised Statutes (NRS) Chapter 363A.

NRS 363A currently requires a bank to pay a quarterly excise tax of $1,750 for each branch office maintained by the bank in this State in excess of one branch office in each county in this State. Forty-five banks reported and paid $2,819,210 in tax on an average of 403 branches in FY 2006. Economic Forum's forecast for FY 2007 is $2,905,000 which is approximately 3% growth over FY 2006. Since this legislative change has an effective date of July 1, 2007, no fiscal impact is anticipated for FY 2007. Utilizing Economic Forum growth percentages of 1.2% in FY 2008 and 1.2% in FY 2009, the revenue loss to the State general fund will be approximately $2,940,000 and $2,975,000, respectively. The loss to the State general fund for future biennia would be approximately $5,915,000.

The Department currently has registered approximately 2,450 Modified Business Tax Financial Institution taxpayers. The tax rate for these financial institutions is 2% of the net wages (gross wages minus qualified heath care benefits paid by the employer). Revenues received in FY 2006 for these taxpayers totaled $22,491,110. Economic Forum projections for FY 2007 indicate an increase of 9.9% or $24,712,000 in revenues. Since this bill if passed has an effective date of July 1, 2007, no fiscal impact to the State general fund is anticipated for FY 2007. Projected revenues attributed to financial institutions were converted to net wages in subsequent biennia by multiplying the Economic Forum forecasted revenues for each fiscal year by 50.0 (factor created to determine wages based on tax paid – 10,000/10000 X 2%). The net wages were then multiplied by the tax rate of .65% to determine the revenues lost by the reduction in the tax rate. Revenue projections for FY 2008 are $27,075,000 X 50.0 yields net wages of $1,353,750,000 X .65% (tax rate) = $8,799,375. $27,075,000 - $8,799,375 = $18,275,625 revenue loss in FY 2008. Revenue projections for FY 2009 are $29,642,000 X 50.0 yields net wages of $1,482,100,000 X .65% (tax rate) = $9,633,650. $29,642,000 - $9,633,650 = $20,008,350 revenue loss in FY 2009. The loss to the State general fund for future biennia would be approximately $38,283,975.