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# ANALYSIS OF NEVADA COMMERCE TAX IMPACTS BY INDUSTRY JULY 27, 2015

This report estimates the impact of the recently passed Nevada Commerce Tax on industries operating within the State. This report was conducted by Ekay Economic Consultants (EEC), a Reno-based economic, fiscal, and tax policy and impact consulting firm, in cooperation with the Center for Regional Studies (CRS) at the University of Nevada, Reno, an economic development research and analysis center. The study is a result of the efforts by EEC and CRS to analyze and understand impacts of various public policy changes on our State and was not commissioned or paid for by any industry group or entity other than the authors.

Below is an overview of the Commerce tax, a summary of the methodology used to estimate the impact of the tax on industries, as well as the findings of the study.

## COMMERCE TAX OVERVIEW

Nevada's new Commerce Tax was introduced in Senate Bill (SB) 483, also known as the "Nevada Revenue Plan." The bill, which is proposed to raise between \$1.1 and \$1.4 billion to fund the Governor's budget, including a number of educational programs, was signed June 2015 and became effective July 1, 2015. In addition to the Commerce tax, the bill also increased state business license fees for corporations from \$200 to \$500 per year, allowing fees for other types of entities to remain at \$200. The bill also increased the Modified Business Tax (MBT) rate from 1.17% to 1.475% for general businesses and for mining companies from 1.17% to 2%. The rate for financial companies will remain at 2%. MBT taxable wage threshold was lowered from \$85,000 to \$50,000 per quarter for all entities. In addition to introducing the Commerce Tax, the bill also allowed for 50% of the Commerce Tax payment for the previous year to be deducted from the MBT liability beginning fiscal year 2017. Finally, the bill extended taxes set to "sunset" and increased the tax on cigarettes, among other changes.

The Commerce Tax is an annual commerce tax on each business entity engaged in business in Nevada. It is a "gross receipts" tax as it taxes gross revenues of businesses without adjustments for business expenditures, which is usually the case with "net income" taxes. Gross revenue is defined as the total amount realized by a business entity from engaging in a business in Nevada

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that contributes to the production of gross income. Only revenues generated in Nevada are taxable. The tax also allows certain revenues to be deducted from the “gross receipts” calculation, including a large number of non-operating revenues and industry-specific revenues typically taxed through other sources.<sup>1</sup> Additionally, the tax provides for a \$4 million deduction against gross receipts; entities with gross receipts below \$4 million will have no Commerce Tax liability.

Tax rates vary from 0.051% to 0.331% depending on the industry in which the business entity is primarily engaged. Table 1 below summarizes tax rates by industry NAICS code (North American Industry Classification System).

**Table 1. Summary of Nevada Commerce Tax Rates**

NAICS Code	Description	Tax Rate	NAICS Code	Description	Tax Rate
11	Agriculture, forestry, fishing and hunting	0.063%	517	Telecommunications	0.136%
21	Mining, quarrying and oil and gas extraction	0.051%	52	Finance and insurance	0.111%
22	Utilities	0.136%	53	Real estate	0.250%
23	Construction	0.083%	54	Professional and scientific services	0.181%
31-33	Manufacturing	0.091%	55	Management of companies and enterprises	0.137%
42	Wholesale trade	0.101%	561	Administrative and support services	0.154%
44-45	Retail trade	0.111%	562	Waste management and remediation	0.261%
481	Air transportation	0.058%	61	Educational services	0.281%
482	Rail transportation	0.331%	62	Health care and social assistance	0.190%
484	Truck transportation	0.202%	71	Arts, entertainment and recreation	0.240%
483, 485, 486, 487, 488, 491, 492	Other transportation	0.129%	721	Accommodation	0.200%
493	Warehousing and storage	0.128%	722	Food services and drinking places	0.194%
511, 512, 515, 518	Publishing, software and data processing	0.253%	81	Other services	0.142%
			99	Unclassified	0.128%

Source: SB483.

The tax is imposed at the “business entity” level—corporation, partnership, proprietorship, etc. As a result, a single business entity may include a number of locations and enterprises. The tax year for the Commerce Tax is July 1 to June 30, with the first tax report due 45 days after the end of the fiscal year ending June 30, 2016.

The following are steps in the calculation of the Commerce Tax liability:

1. Designate business category (based on North American Industry Classification System—NAICS codes) in which taxpayer is primarily engaged. If the entity operates in multiple categories, the category in which the highest percentage of Nevada gross revenue is generated should be used. Once selected, the business category cannot be changed

<sup>1</sup> Major non-taxable revenue sources for the Commerce Tax include: Interest income, dividends and distributions from corporations, distributive or proportionate shares of receipts, income from a pass-through entity, receipts from a hedging transaction, amount of gross proceeds used to calculate the net proceeds of minerals tax, gaming revenue used to calculate gaming licenses tax, amount of the liquor excise tax, revenue (direct premiums) relating to certain insurance taxes paid, certain payments (e.g., from Medicaid and Medicare) received by a health care provider or health care institution, certain payments received by an employee leasing company, bad debts expensed for the purposes of federal income taxation, returns and refunds to customers, pass-through revenue, certain income from a passive entity, and more.

without the approval of the Nevada Department of Taxation, the agency implementing and collecting Commerce Tax revenue.

2. Calculate July 1 to June 30 gross receipts after all non-taxable revenue exclusions.
3. Determine portion of adjusted gross revenue generated in Nevada. This includes revenues associated with goods and services sold in, shipped from and to, located in, or used to the benefit of the purchaser in the State.
4. Subtract \$4,000,000 allowance.
5. Multiply by the tax rate corresponding to the entity's business category. If the entity does not match any category outlined in Table 1, the "unclassified" rate of 0.128% should be used.
6. Starting fiscal year 2017, taxpayers can deduct 50% of Commerce Tax payment for the previous year from their current year's MBT liability.

## METHODOLOGY AND ASSUMPTIONS

No similar statewide and all-industry revenue-based tax currently exists in the state of Nevada, aside from a number of excise taxes that tax revenues for certain industries, such as the gaming license and sales taxes. As a result, no industry revenue information is collected at a consistent level for all industries in the State. This study estimates gross receipts for business entities using a combination of government agency data.

With the lack of company-specific financial data, the analysis does not account for all characteristics unique to individual companies or sub-groups that may affect revenues, non-taxable revenues and the final calculation of their Commerce Tax liability. This study is not a firm-level accounting analysis, but rather the first step in determining the potential impact of the new Commerce Tax on business entities operating in Nevada.

The study is based on a list of all 2013 businesses entities and their employment information provided by the Nevada Department of Employment, Training, and Rehabilitation (DETR), as well as data from other sources. DETR collects business entity, employment, and payroll information for all companies with employees in the state of Nevada. As a result, this study includes all Nevada and non-Nevada based companies with employees and reported payroll in the State. Not included in the study are sole proprietorships and other entities with no employees, as well as out-of-state companies that conduct business but have no employees in the State.

Table 2 below shows non-employer establishments in the state of Nevada have average receipts per establishment significantly lower than the \$4 million threshold for the Commerce Tax liability. As a result, the lack of non-employer entities in the study may not have a significant impact on study findings. *Lack of inclusion of non-Nevada entities operating in the State without employees may underestimate the total amount of Commerce Tax revenue generated by this tax.*

**Table 2. Establishments and Receipts Data for Nevada Non-employer Establishments**

NAICS Code	Description	Number of Establishments	Receipts (\$1,000)	Average Receipts/ Establishment
0	Total for all sectors	180,711	\$ 9,092,462	\$ 50,315
11	Agriculture, forestry, fishing and hunting	720	27,950	\$ 38,819
21	Mining, quarrying, and oil and gas extraction	436	35,938	\$ 82,427
22	Utilities	95	4,995	\$ 52,579
23	Construction	10,586	504,740	\$ 47,680
31-33	Manufacturing	2,178	130,210	\$ 59,784
42	Wholesale trade	3,345	307,359	\$ 91,886
44-45	Retail trade	15,264	695,502	\$ 45,565
48-49	Transportation and warehousing	6,040	372,037	\$ 61,596
51	Information	3,121	196,195	\$ 62,863
52	Finance and insurance	7,925	547,381	\$ 69,070
53	Real estate and rental and leasing	27,463	2,316,300	\$ 84,343
54	Professional, scientific, and technical services	27,377	1,465,129	\$ 53,517
56	Administrative and support and waste management and remediation services	15,571	425,807	\$ 27,346
61	Educational services	3,086	56,241	\$ 18,225
62	Health care and social assistance	13,110	503,111	\$ 38,376
71	Arts, entertainment, and recreation	13,826	616,149	\$ 44,565
72	Accommodation and food services	2,188	106,179	\$ 48,528
81	Other services (except public administration)	28,380	781,239	\$ 27,528

Source: US Census Bureau, American FactFinder. 2011 Nonemployer Statistics: Geographic Area Series: Nonemployer Statistics for the US, States, Metropolitan Areas, and Counties: 2011. Data for Nevada.

A full methodology and other assumptions of this study are summarized below:

### 1. Total and Adjusted Gross Receipts

As discussed above, no statewide industry receipts data is currently collected in the State. As a result, the analysis estimates gross receipts by business entity using a combination of State and national data.

Gross receipts are estimated at the 2-digit (major industry) NAICS code level using 2007 and 2012 Economic Census revenue data for Nevada, augmented for industries not reported in the Economic Census report by IRS national tax return data for Utilities and Unclassified industries and 2012 USDA Census of Agriculture data for the Agriculture industry.

Gross receipts data is inflated to 2016 levels using actual changes in GDP by major industries in Nevada between 2013 and 2014 and actual and projected changes in national GDP for these industries in 2015 and 2016. These data are available from the Bureau of Economic Analysis.

Total gross receipts by major industry are adjusted to exclude non-taxable non-operating revenue such as interest on government obligations, interest income, bad debts, and other non-taxable revenues using data from the IRS 2011 Corporation Source Book of Statistics of Income. Adjustments for industry-specific revenue (gaming revenue, gross proceeds of minerals/royalties and liquor tax) which is also not taxable under the Commerce Tax are made using data available from the Department of Taxation and Nevada Gaming Control Board.

The study does not make any adjustments for other non-taxable industry-specific revenues, such as revenues by health care entities receiving Medicaid, Medicare and other payments, various insurance premiums and other industry-specific deductions, as data regarding these deductions is unavailable. *As a result, the Commerce Tax liability estimated for the Health Care and Finance and Insurance industries in this study is overestimated and is expected to be lower once these adjustments are made by the business entities.*

The resulting gross receipts, adjusted to exclude some non-taxable revenues, are divided among the list of Nevada entities using employment data for each entity.

## **2. Nevada Gross Receipts**

The Commerce Tax is applicable only to the portion of the business entity's adjusted gross receipts generated within the state of Nevada. As a result, total adjusted gross receipts estimated above are reduced by the ratio of each major industry's sales made within the state to its total sales. This ratio has been developed using an IMPLAN input-output model for the state of Nevada. The model generates total out-of-state exports, by industry sector, which are then subtracted from total output for each sector to arrive at the share of output that stays in-state for each industry sector.

## **3. Taxable Nevada Gross Receipts**

Adjusted gross receipts estimated to be generated by each business entity in the state of Nevada are further adjusted to exclude the \$4 million deduction allowed in SB 483. Business entities with Nevada gross receipts of less than \$4 million will have no Commerce Tax liability. Those with receipts greater than \$4 million will have a liability on the amount of receipts over \$4 million.

## **4. Commerce Tax Liability**

Taxable Nevada Gross Receipts estimated above by business entity are multiplied by the corresponding Commerce Tax rate for that entity as shown in Table 1 above. It should be noted that SB 483 does not provide a tax rate for NAICS 519-Other Information Services, the Unclassified tax rate of 0.128% is used.

## **5. MBT Tax Liability**

MBT tax liability for all business entities in the study is estimated by using wage data available for these entities, inflated to 2016 levels using average increases in Nevada wages by major industry group between 2012 and 2014. Wages are adjusted to exclude health insurance payments using ratios of health care benefits to gross wages by major industry group as calculated by the Nevada Department of Taxation.

New MBT rates of 1.475% for general businesses and 2% for mining and financial industries and the \$200,000 annual wage threshold are used to estimate MBT tax liabilities by entity.

#### **6. Commerce Tax Credit**

As discussed above, if a business entity has an MBT liability for the current year, the entity may deduct 50% of its previous year's Commerce Tax liability from its MBT liability starting in fiscal year 2017. As no Commerce Tax existed in the fiscal year 2014-2015, entities will be unable to apply any credit to their fiscal year 2015-2016 MBT liability. The analysis includes this credit to show the long-term impact of the Commerce Tax credit, understanding that this credit will not occur in the first year.

#### **7. Total Impact**

The study includes the total estimated impact of the Commerce Tax and estimated liabilities associated with the increased MBT tax, adjusted for the Commerce Tax credit. Total Impact is estimated as follows: Estimated Commerce Tax Liability + Estimated MBT Tax Liability – Estimated Commerce Tax Credit.

### **LIMITATIONS AND DISCLOSURES**

A number of limitations and data issues were faced in conducting this study. These limitations are described below and must be considered when reviewing the results of the analysis.

- This analysis estimates the impact of the Commerce Tax on business entities in operation in 2013. This is a “snapshot” analysis and does not estimate the impact of the tax on business operations and consumer preferences, such as the reduction of purchases from consumers due to the increased cost of products or services (elasticity effect). The proposed tax may affect purchasing behavior, which could impact other taxes and offset some Commerce Tax revenues. These cost and price elasticity responses require a more detailed analysis and are not included in this report. Additionally, it does not include potential changes in entity behavior, such as the division of entities operating multiple establishments into multiple entities to take advantage of the \$4 million revenue threshold.
- The Nevada Department of Taxation and other regulatory bodies do not currently collect statewide and industrywide revenue information. As a result, revenue for each business entity is estimated using various sources of Nevada and national data at the major industry level, which may fail to capture specific industry and entity characteristics that impact revenue estimates.
- Nevada-based revenues for entities are estimated using the IMPLAN input-output model for Nevada. This analysis estimates the value of exports to total production for each industry sector, creating an apportionment ratio for the industries in the State. However, IMPLAN uses different industry codes from the NAICS industry codes utilized in the remainder of this

report. IMPLAN codes do not perfectly translate to individual NAICS codes, reducing the accuracy of the apportionment margin estimated in this report.

- Tax exempt industries and entities are excluded from the analysis, including NAICS codes: 611110 (elementary & secondary schools), 813 (religious, grantmaking, civic, professional, and similar organizations), 221310 (water supply & irrigation systems), 221320 (sewage treatment facilities), 92 (public administration), and local, state, and federal entities not classified as public administration, including all entities administered by the Nevada System of Higher Education.
- Analysis does not include adjustments for all non-taxable revenues as outlined in SB 483. Adjustments for the health care industries receiving various Medicare and Medicaid payments, insurance companies paying taxes and fees on various insurance products, and other non-taxable receipts are not included in this analysis. As a result, total Commerce Tax revenue and impact on these specific industries estimated in this study is overstated.
- The analysis includes Commerce Tax impacts only on business entities operating in the State in 2013, with employees in the State. It is expected that a number of companies located outside of the State and with no employees in the State generate revenues through trade activities in the State. These companies will also be subject to the Commerce Tax, though they are not included in this study. As a result, total Commerce Tax revenue estimated to be generated in this study for the State of Nevada may be understated.

## FINDINGS

The following are the major findings of this study of the impact of the Commerce Tax on entities operating in Nevada. As noted above, this analysis is a baseline of existing industry behaviors. It is expected that companies will change their behavior in response to the proposed tax. Some changes in behavior may include a redefinition of company major industry (NAICS) codes or restructuring of business entities to reduce gross receipts.

Tables 3 and 4 below summarize the findings of this study. Table 3 shows the number of business entities and establishments estimated to be impacted by the Commerce Tax.<sup>2</sup> The table shows approximately 9.2% of all business entities operating in the State will be impacted by the tax. The most impacted industry, in terms of the highest percent of business entities impacted by the tax is the Utilities industry. The table shows approximately 91% of all business entities in the Utilities industry are expected to have a Commerce Tax liability. The Retail Trade industry corresponding to NAICS code 44<sup>3</sup> is expected to have the second highest percentage of impacted entities. The study estimates 23.6% of all entities in this industry will have a Commerce Tax liability. This is followed by the Wholesale Trade industry, with 22.4% of all business entities in the industry expected to be impacted by the Commerce Tax.

<sup>2</sup> For the purposes of this study, an entity is considered to be “impacted” by the Commerce Tax if it is estimated to have a Commerce Tax liability (estimated payment of greater than \$0).

<sup>3</sup> This industry includes Motor Vehicle and Parts Dealers, Furniture and Home Furnishings Stores, Electronics and Appliance Stores, Building Material and Garden Equipment and Supplies Dealers, Food and Beverage Stores, Health and Personal Care Stores, Gasoline Stations, and Clothing and Clothing Accessories Stores.

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The Wholesale Trade industry is also expected to have the highest number of business entities impacted by the Commerce Tax of all other industries. A total of 1,041 Wholesale Trade business entities are expected to have a Commerce Tax liability. This is followed by the Construction industry with 898 impacted entities, and Retail Trade (NAICS 44) with 752 entities.

**Table 3. Estimated Entities and Establishments Impacted by Commerce Tax, by Major Industry Category**

NAICS	Description	Total			Impacted			% Impacted Business Entities of Total	% Impacted Establishments of Total	% Impacted Gross Receipts of Total
		# of Business Entities	# of Establishments	Gross Receipts	# of Business Entities	# of Establishments	Gross Receipts			
11	Agriculture	274	315	\$ 882,406,817	18	31	\$ 348,975,323	6.57%	9.84%	39.548%
21	Mining, quarrying, and oil and gas extraction	260	340	9,793,991,295	20	68	7,202,090,763	7.69%	20.00%	73.536%
22	Utilities	33	100	12,891,651,733	30	97	12,888,915,915	90.91%	97.00%	99.979%
23	Construction	5,710	5,947	17,110,441,160	898	1,114	13,347,856,748	15.73%	18.73%	78.010%
31	Manufacturing	277	302	2,147,351,438	40	62	1,600,795,614	14.44%	20.53%	74.547%
32	Manufacturing	518	563	5,100,015,563	80	113	3,494,636,243	15.44%	20.07%	68.522%
33	Manufacturing	988	1,057	12,523,964,577	41	67	7,734,153,601	4.15%	6.34%	61.755%
42	Wholesale trade	4,647	5,008	34,811,331,777	1,041	1,393	29,456,679,917	22.40%	27.82%	84.618%
44	Retail trade	3,189	6,040	39,666,495,826	752	3,499	36,116,254,195	23.58%	57.93%	91.050%
45	Retail trade	1,592	2,159	11,938,837,011	177	702	10,220,385,081	11.12%	32.52%	85.606%
48	Transportation and warehousing	1,241	1,363	4,934,387,186	99	177	3,823,186,922	7.98%	12.99%	77.480%
49	Transportation and warehousing	483	543	2,264,413,066	33	81	1,848,706,346	6.83%	14.92%	81.642%
51	Information	1,083	1,241	4,100,646,702	105	249	3,194,206,461	9.70%	20.06%	77.895%
52	Finance and insurance	3,175	4,418	12,475,982,490	233	1,342	10,166,605,506	7.34%	30.38%	81.489%
53	Real estate and rental and leasing	3,162	3,946	6,417,617,942	145	838	4,027,009,564	4.59%	21.24%	62.749%
54	Professional, scientific, and technical services	9,497	9,994	9,076,945,169	334	784	5,094,985,264	3.52%	7.84%	56.131%
55	Management of companies and enterprises	1,502	2,394	683,264,234	7	23	219,731,649	0.47%	0.96%	32.159%
56	Administrative and waste management	4,923	6,731	8,113,061,615	250	2,003	5,526,193,305	5.08%	29.76%	68.115%
61	Educational services	788	806	556,416,195	27	39	305,336,624	3.43%	4.84%	54.876%
62	Health care and social assistance	5,667	6,392	16,647,057,758	484	1,168	12,703,298,930	8.54%	18.27%	76.310%
71	Arts, entertainment, and recreation	1,291	1,574	4,678,911,086	140	411	3,224,522,704	10.84%	26.11%	68.916%
72	Accommodation and food services	3,947	5,295	34,831,659,206	280	1,367	29,802,218,181	7.09%	25.82%	85.561%
81	Other services (except public administration)	3,331	3,570	3,014,710,651	108	313	1,350,182,231	3.24%	8.77%	44.786%
99	Unclassified	764	764	669,169,836	14	14	160,211,698	1.83%	1.83%	23.942%
<b>Total</b>		<b>58,342</b>	<b>70,862</b>	<b>\$ 255,330,730,332</b>	<b>5,356</b>	<b>15,955</b>	<b>\$ 203,857,138,785</b>	<b>9.18%</b>	<b>22.52%</b>	<b>79.840%</b>

Source: EEC and CRS.

Table 4 summarizes the estimated impact on industries operating in Nevada from the new Commerce Tax, MBT tax, and the combined impact of the two taxes, by major industry. The table shows approximately \$142 million in 2016 dollars will be collected for the State of Nevada through the Commerce Tax. This amount may be over- or under-estimated as it includes certain non-taxable revenues and does not include all non-Nevada companies generating revenue in Nevada.

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Total MBT liability generated by entities operating in Nevada through the higher MBT rate and lower wage threshold is estimated at \$561.5 million. This is adjusted by the Commerce Tax credit estimated at \$71 million in its first year and is deductible from quarterly MBT taxes beginning fiscal year 2017. Total impact of the adjusted MBT and Commerce taxes on businesses operating in Nevada is estimated at \$633.2 million. This is the total impact, not an incremental impact, as these entities are already paying some portion of the MBT tax.

**Table 4. Estimated Commerce Tax, MBT, and Total Impact, by Major Industry Category**

NAICS	Description	Taxable Nevada Gross Receipts	Estimated Commerce Tax	Estimated MBT Tax	Commerce Tax Credit	Adjusted MBT Tax	Total Impact	Average Commerce Tax/ Entity	Minimum Commerce Tax/ Entity	Maximum Commerce Tax/ Entity
11	Agriculture	\$ 102,134,105	\$ 64,344	\$ 445,499	\$ 32,172	\$ 413,327	\$ 477,671	\$ 3,575	\$ 62	\$ 20,193
21	Mining, quarrying, and oil and gas extraction	114,947,920	58,623	18,642,958	29,312	18,613,646	18,672,269	2,931	7	22,528
22	Utilities	9,740,457,143	13,247,022	6,478,183	6,623,173	548,815	13,795,837	441,567	158	5,072,591
23	Construction	9,565,342,791	7,939,235	36,353,756	3,969,617	32,384,139	40,323,373	8,841	2	325,599
31	Manufacturing	458,857,817	417,561	2,449,665	208,780	2,240,885	2,658,445	10,439	6	72,337
32	Manufacturing	775,058,625	705,303	5,285,316	352,652	4,932,664	5,637,968	8,816	34	45,336
33	Manufacturing	880,089,853	800,882	12,177,377	400,441	11,776,936	12,577,818	19,534	38	184,562
42	Wholesale trade	18,404,647,387	18,588,694	23,502,284	9,294,347	14,207,937	32,796,631	17,857	3	825,193
44	Retail trade	29,658,883,166	32,921,360	40,881,727	16,460,680	24,421,047	57,342,407	43,778	2	5,133,751
45	Retail trade	7,077,836,386	7,856,398	11,755,203	3,928,199	7,827,004	15,683,403	44,386	135	932,902
48	Transportation and warehousing	1,190,638,914	1,394,555	15,983,201	697,277	15,285,923	16,680,478	14,086	5	212,684
49	Transportation and warehousing	985,769,826	1,265,417	7,942,259	632,709	7,309,551	8,574,968	38,346	54	472,140
51	Information	2,305,083,749	4,204,826	8,114,728	2,102,413	6,012,315	10,217,141	40,046	72	611,514
52	Finance and insurance*	5,398,751,401	5,992,614	29,792,103	2,996,307	26,795,796	32,788,410	25,719	27	881,077
53	Real estate and rental and leasing	1,601,207,485	4,003,019	9,777,180	2,001,509	7,775,670	11,778,689	27,607	62	462,265
54	Professional, scientific, and technical services	3,204,491,479	5,800,130	27,114,021	2,900,065	24,213,956	30,014,086	17,366	1	795,495
55	Management of companies and enterprises	12,827,980	17,574	13,447,665	8,787	13,438,878	13,456,452	2,511	137	6,136
56	Administrative and waste management	3,640,794,762	5,693,352	25,872,457	2,846,676	23,025,781	28,719,133	22,773	15	834,073
61	Educational services	189,597,280	532,768	1,911,205	266,384	1,644,821	2,177,590	19,732	417	91,323
62	Health care and social assistance*	10,672,432,316	20,277,621	54,035,380	10,138,811	43,896,569	64,174,191	41,896	17	1,823,949
71	Arts, entertainment, and recreation	1,180,676,395	2,833,623	8,118,714	1,416,812	6,701,903	9,535,526	20,240	90	447,724
72	Accommodation and food services	3,223,386,639	6,330,042	99,013,575	3,165,021	95,848,554	102,178,596	22,607	13	272,960
81	Other services (except public administration)	677,146,417	961,548	3,886,925	480,774	3,406,151	4,367,699	8,903	97	159,629
99	Unclassified	64,688,898	82,802	167,701	41,401	126,300	209,102	5,914	13	44,339
	Unimpacted Industries	-	-	98,356,460	-	98,356,460	98,356,460	-	-	-
<b>Total</b>		<b>\$111,125,748,733</b>	<b>\$ 141,989,314</b>	<b>\$ 561,505,542</b>	<b>\$ 70,994,319</b>	<b>\$ 491,205,028</b>	<b>\$ 633,194,342</b>	<b>\$ 26,510</b>	<b>\$ 1</b>	<b>\$ 5,133,751</b>

\*Impact estimates for this industry are overstated as they do not include reductions for insurance premiums, Medicare/Medicaid and other non-taxable revenues as discussed in SB 483.

Source: EEC and CRS.

The table shows that the highest amount of Commerce Tax revenues will be generated by the Retail Trade (NAICS 44) industry. This amount is estimated at \$32.9 million. The second highest impact is estimated for the Health Care and Social Assistance industry, estimated at \$20.3 million. However, this amount is likely to be lower once exempt non-taxable receipts are

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excluded from this industry. The Wholesale Trade industry is expected to generate the third highest level of Commerce Tax revenue, estimated at \$18.6 million.

The table also shows average Commerce Tax liability by entity by major industry group, along with the estimated minimum and maximum payment for the entities within the industry. The study shows that the total Commerce Tax liability is expected to average \$26,500 per entity for all impacted entities with gross revenues over \$4 million. The liability ranges from \$1 to over \$5 million. The highest average Commerce Tax liability per entity is for the Utilities industry, averaging an estimated \$441,600 per entity. The two Retail Trade industries (NAICS 44 and 45) have the second and third highest average liabilities, estimated at \$43,700 and \$44,400 per entity, respectively.

Please contact us with any questions or to obtain more detailed findings of our study.

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