

09 SESSION REVIEW FOR REALTORS®

TAXES

REALTORS® were at the forefront of the taxation discussion.

Payroll Tax

Under Nevada's current tax structure, independent contractors are exempted from paying the modified business tax (MBT - also known as "payroll tax"). However, serious efforts were made this Session to expand the MBT to include REALTORS® and independent contractors.

Under the scenario considered by Taxation Committees for both the Senate and the Assembly, a commission would have been taxed both at the broker and agent level without any consideration for the broker/agent commission structure, or consideration of business expenses encountered by either a brokerage or agent. Moreover, the brokerage was expected to collect both the broker's portion and the agent's portion of the tax and remit it to the State.

Following intense lobbying on behalf of NVAR Leadership and the Lobbying Team, legislators reconsidered the proposal, and removed the expansion of the MBT from the tax bill. While legislators were interested in broadening the

base of the MBT, the complexity of including independent contractors proved too difficult to implement under the time constraints of the Legislative Session. Thus, REALTORS® dodged a major bullet during the '09 Session. However, it is clear that serious efforts will ensue over the interim to look at including independent contractors into the mix of taxation vehicles for long-term consideration by legislators.

Business License Fees

Additionally, brokerages with more than one office also found themselves in the middle of an effort by the Taxation Committees of both houses to expand the state business licensing fee to each location or office. Coupled with a doubling of the business licensing fee itself, the broadening of the tax would have meant on average a 600% increase in most real estate brokerages. Once again, following intense lobbying by your Lobbying Team and a number of other special interest groups, policymakers reconsidered this proposal, and ultimately withdrew the per-location provision, and simply increased the state business

licensing fee from \$100 to \$200 on an annual basis.

Final Tax Package

The final tax package assisted in closing a \$3 billion deficit by raising nearly \$1 billion dollar in additional revenues. Senate Bill 429 increased the following taxes:

- the government services tax;
- the modified business tax (without including independent contractors);
- the state business licensing fee; and,
- the state portion of the sales tax and the room tax.

Combined with a \$1 billion in cuts to the state budget and \$1.2 billion in federal stimulus funds, the Legislature submitted a balanced budget to the Governor, whose vetoes of the budget and of SB 429 provided some end of session drama. However, with the override of the Governor's vetoes, the historical battle between the executive and legislative branches came to a close.

For a topic by topic summary or the comprehensive legislative report, please visit www.nvar.org.



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