

ASSEMBLY BILL NO. 4—COMMITTEE OF THE WHOLE

JULY 16, 2020

Referred to Committee of the Whole

SUMMARY—Revises the formula for determining the tax on the net proceeds of minerals extracted. (BDR 32-25)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

~

EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to taxation; revising the formula for determining the measure of the tax on the net proceeds of minerals; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Existing law imposes a tax on the net proceeds of minerals extracted. (NRS
2 362.100-362.240) Under existing law, certain deductions are allowed from the
3 gross yield of a mining operation for the purpose of determining the taxable net
4 proceeds. (NRS 362.120) **Section 1** of this bill reduces the amount of those
5 deductions by 40 percent, except for the portion of the proceeds that are paid as
6 royalties that are taxable to the recipient of the royalty. **Section 4** of this bill
7 provides that this reduction in the amount of these deductions applies to the taxes
8 due for the calendar year 2020 and each calendar year thereafter. Thus, the
9 reduction in the amount of these deductions would apply to the tax paid in fiscal
10 year 2021 based on the net proceeds of the minerals extracted for calendar year
11 2020.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 362.120 is hereby amended to read as follows:
2 362.120 1. The Department shall, from the statement filed
3 pursuant to NRS 362.110 and from all obtainable data, evidence and
4 reports, compute in dollars and cents the gross yield and net
5 proceeds of the calendar year immediately preceding the year in
6 which the statement is filed.
7 2. The gross yield must include the value of any mineral
8 extracted which was:



- 1 (a) Sold;
- 2 (b) Exchanged for any thing or service;
- 3 (c) Removed from the State in a form ready for use or sale; or
- 4 (d) Used in a manufacturing process or in providing a service,
- 5 ↪ during that period.

6 3. The net proceeds are ascertained and determined by
7 subtracting from the gross yield the following deductions for costs
8 incurred during that period, and none other:

9 (a) *Sixty percent of the amount of:*

10 (1) The actual cost of extracting the mineral, which is limited
11 to direct costs for activities performed in the State of Nevada.

12 ~~[(b)]~~ (2) The actual cost of transporting the mineral to the place
13 or places of reduction, refining and sale.

14 ~~[(e)]~~ (3) The actual cost of reduction, refining and sale.

15 ~~[(d)]~~ (4) The actual cost of delivering the mineral.

16 ~~[(e)]~~ (5) The actual cost of maintenance and repairs of:

17 ~~[(1)]~~ (I) All machinery, equipment, apparatus and facilities
18 used in the mine.

19 ~~[(2)]~~ (II) All milling, refining, smelting and reduction
20 works, plants and facilities.

21 ~~[(3)]~~ (III) All facilities and equipment for transportation
22 except those that are under the jurisdiction of the Public Utilities
23 Commission of Nevada or the Nevada Transportation Authority.

24 ~~[(f)]~~ (6) Depreciation of the original capitalized cost of the
25 machinery, equipment, apparatus, works, plants and facilities
26 mentioned in ~~[(paragraph (e))] subparagraph (5)~~. The annual
27 depreciation charge consists of amortization of the original cost in a
28 manner prescribed by regulation of the Nevada Tax Commission.
29 The probable life of the property represented by the original cost
30 must be considered in computing the depreciation charge.

31 ~~[(g)]~~ (7) All money expended for premiums for industrial
32 insurance, and the actual cost of hospital and medical attention and
33 accident benefits and group insurance for employees actually
34 engaged in mining operations within the State of Nevada.

35 ~~[(h)]~~ (8) All money paid as contributions or payments under the
36 unemployment compensation law of the State of Nevada, as
37 contained in chapter 612 of NRS, all money paid as contributions
38 under the Social Security Act of the Federal Government, and all
39 money paid to either the State of Nevada or the Federal Government
40 under any amendment to either or both of the statutes mentioned in
41 this ~~[(paragraph~~

42 ~~—(i)] subparagraph.~~

43 (9) The costs of employee travel which occurs within the
44 State of Nevada and which is directly related to mining operations
45 within the State of Nevada.



1 ~~[(j)]~~ (10) The costs of Nevada-based corporate services relating
2 to ~~paragraphs (e)]~~ *subparagraphs (5) to [(i)] (9)*, inclusive.

3 ~~[(k)]~~ (11) The actual cost of developmental work in or about the
4 mine or upon a group of mines when operated as a unit, which is
5 limited to work that is necessary to the operation of the mine or
6 group of mines.

7 ~~[(h)]~~ (12) The costs of reclamation work in the years the
8 reclamation work occurred, including, without limitation, costs
9 associated with the remediation of a site.

10 ~~[(m)]~~ (b) All money paid as royalties by a lessee or sublessee of
11 a mine or well, or by both, in determining the net proceeds of the
12 lessee or sublessee, or both.

13 4. Royalties deducted by a lessee or sublessee constitute part of
14 the net proceeds of the minerals extracted, upon which a tax must be
15 levied against the person to whom the royalty has been paid.

16 5. Every person acquiring property in the State of Nevada to
17 engage in the extraction of minerals and who incurs any of the
18 expenses mentioned in subsection 3 shall report those expenses and
19 the recipient of any royalty to the Department on forms provided by
20 the Department. The Department shall report annually to the Mining
21 Oversight and Accountability Commission the expenses and
22 deductions of each mining operation in the State of Nevada.

23 6. The several deductions mentioned in subsection 3 do not
24 include any expenditures for salaries, or any portion of salaries, of
25 any person not actually engaged in:

- 26 (a) The working of the mine;
- 27 (b) The operating of the mill, smelter or reduction works;
- 28 (c) The operating of the facilities or equipment for
29 transportation;
- 30 (d) Superintending the management of any of those operations;
- 31 (e) The State of Nevada, in office, clerical or engineering work
32 necessary or proper in connection with any of those operations; or
- 33 (f) Nevada-based corporate services.

34 7. The following expenses are specifically excluded from any
35 deductions from the gross yield:

- 36 (a) The costs of employee housing.
- 37 (b) Except as otherwise provided in *subparagraph (9) of*
38 *paragraph [(i)] (a)* of subsection 3, the costs of employee travel.
- 39 (c) The costs of severing the employment of any employees.
- 40 (d) Any dues paid to a third-party organization or trade
41 association to promote or advertise a product.
- 42 (e) Expenses relating to governmental relations or to
43 compensate a natural person or entity to influence legislative
44 decisions.
- 45 (f) The costs of mineral exploration.



1 (g) Any federal, state or local taxes.

2 8. As used in this section, "Nevada-based corporate services"
3 means corporate services which are performed in the State of
4 Nevada from an office located in this State and which directly
5 support mining operations in this State, including, without
6 limitation, accounting functions relating to mining operations at a
7 mine site in this State such as payroll, accounts payable, production
8 reporting, cost reporting, state and local tax reporting and
9 recordkeeping concerning property.

10 **Sec. 2.** (Deleted by amendment.)

11 **Sec. 3.** Notwithstanding the provisions of NRS 218D.430, a
12 committee may vote on this act before the expiration of the period
13 prescribed for the return of a fiscal note in NRS 218D.475. This
14 section applies retroactively from and after July 16, 2020.

15 **Sec. 4.** The amendatory provisions of section 1 of this act
16 apply to taxes due for each taxable period beginning on or after
17 January 1, 2020.

18 **Sec. 5.** (Deleted by amendment.)

19 **Sec. 6.** This act becomes effective upon passage and approval.

