

Modified Business Tax Abatement

NRS 363B.120, NRS 360.750

A partial abatement of the Modified Business Tax is available to qualified companies that locate or expand their business in Nevada. The current tax imposed on each employer is at the rate of 1.475% on taxable wages over \$50,000 in a quarter. A business may qualify for a partial abatement of up to 50% of the amount of the business tax due during the first four years of operations.

For a new company, the abatement of the Modified Business Tax applies to the number of new employees stated in its application. For an expanding business, the abatement does not apply to existing employees of the business, but does apply to the number of new employees directly related to the expansion.

All tax abatements can be reduced if the company's average hourly wage falls below the state average wage, even when a company qualifies under (i) number of employees and (ii) capital investment. If a company qualifies under (i) average wage and (ii) number of employees or capital investment, this reduction is not applicable. This reduction has two tiers:

1. (a) If the unemployment rate in the applicable county is 6% or higher, and the company average hourly wage is 80% -99% of the average statewide hourly rate, the company will receive the full abatement provided the additional requirements have been met.
1. (b) If the unemployment rate is 6% or higher and the company average hourly wage is 65% -79% of the average statewide hourly rate, then the company will receive 25% of the Modified Business Tax Abatement (MBT) and Personal Property Tax Abatement (PPT) and the full amount of the Sales & Use Tax Abatement (SUT), provided the additional requirements have been met.
2. (a) If the unemployment rate is less than 6% and the company average hourly wage is 80% -99% of the average statewide hourly rate, then the company will receive 25% of the MBT and PPT, but the SUT abatement is only reduced to 4.6% instead of down to 2.0%.
2. (b) If the unemployment rate is less than 6% and the company average hourly wage is below 80%, then no abatements will be awarded.

The Company's Responsibilities

The company makes application to the Governor's Office of Economic Development ("Office"), and if approved, executes an agreement with the Office that includes but is not limited to: (i) a commitment to maintain the business in Nevada for 5 years, (ii) a requirement to register pursuant to the laws of Nevada, and obtains all licenses and permits required by the state, county, city or town in which the business operates, and (iii) a requirement to provide a medical insurance plan approved by the Office for all employees including but not limited to the company paying at least 50% of the employee premium cost. All abatements are voidable and recoverable with interest if the business fails to comply with any terms of the agreement. Audits will be performed by the Department of Taxation after 2 and 5 years to ensure compliance.

Eligibility

The Governor's Office of Economic Development ("GOED") will look for the following criteria when reviewing an applicant's eligibility for abatement. Two of the following three requirements must be met:

Note: Criteria is different depending on whether the business is in a county whose population is 100,000 or more or a city whose population is 60,000 or more (i.e., "urban" area), or if the business is in a county whose population is less than 100,000 or a city whose population is less than 60,000 (i.e., "rural" area).

- **Capital Investment** – A capital investment of \$1 million in eligible equipment in urban areas or \$250,000 in eligible equipment in rural areas are required. This criteria is applicable to new businesses. In cases of expanding businesses, the capital investment must equal at least 20% of the value of the tangible property owned by the business.
- **Number of Primary Jobs Created** – New businesses locating in urban areas require fifty (50) or more permanent, full-time employees on its payroll by the eighth calendar quarter following the calendar quarter in which the abatement becomes effective. In rural areas, the requirement is ten (10) or more. For an expansion, the business must increase the number of employees on its payroll by 10% more than its existing employees prior to expansion, or by 25 (urban) or 6 (rural) employees, whichever is greater.
- **Wage Level** – In urban areas, the average hourly wage that will be paid by the business to its new employees is at least 100% of the average statewide hourly wage. For businesses in rural areas, the average hourly wage will equal or exceed the lesser of the county-wide average hourly wage or statewide average hourly wage.

Upon approval by the Office and execution of an incentive agreement a certificate of eligibility will be provided to the Department of Taxation for administration of the tax abatement. Please contact your local Regional Development Authority to apply for the modified business tax abatement. This is a summary only and may not include all program requirements.

For detailed information on the Modified Business Tax Abatement please access the following links:
<https://www.leg.state.nv.us/NRS/NRS-363B.html> ; <https://www.leg.state.nv.us/NRS/NRS-360.html>