STATE OF NEVADA

DEPARTMENT OF TAXATION

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MEMORANDUM

Date: April 24, 2025

To: Chair Rosenthal, Nevada Economic Forum

From: Shellie Hughes, Executive Director
Yvonne Nevarez-Goodson, Chief Deputy Executive Director
Erica Scott, Economist

Subject: Revenue Distribution Impacts

The Nevada Department of Taxation's ("Department") distribution schedule has changed as a result of the first implementation of its new integrated tax system through Project MYNT ("Modernize Your Nevada Tax"). The term "MYNT" or "MYNT System" is used to describe the new tax system generally, with its e-services portal otherwise known as MyNT ("My Nevada Tax"). The MYNT System will be implemented in 3 phases in December of each year, with the first phase having been implemented on December 9, 2024.

The following tax types were included in the first implementation:

- Sales & Use Tax
- Consumer Use Tax
- Cigarette Tax
- Live Entertainment Tax
- Liquor Tax
- Liquor License Renewal
- Other Tobacco License Fees
- Other Tobacco Products License Fees

The above taxes/fees include all of the C-Tax distributed taxes as well as some other common taxes/fees.

The Department has historically reported revenue and tied that revenue directly to the business activity period (or filing period) when taxpayers fulfilled their obligations. For example, the Department reported monies collected in March 2025 as February 2025 revenue to tie the payments to the business activity. This method could be viewed as a partial accrual accounting method of reporting. To most completely classify monies received to that filing period, the Department focused on reconciling activity for that time during each fiscal period close.

With the first rollout in MYNT, the Department transitioned its reporting of these figures (business activity versus revenue) separately, including numbers on accounts receivable and collection rate to provide the most accurate picture of business activity and taxpayer compliance in Nevada. Thus, the Department transitioned to a strict cash accounting. This was discussed with the State Controller's Office and State Treasurer's Office in October 2024. This cash accounting method allows the Department and its constituents to have a clear understanding of the current financial picture. Strict cash accounting also makes reconciliation easier. For example, monies received during March 2025 for the February 2025 filing period will be reported as March 2025 revenue instead of February 2025 revenue. The Department will be able to provide additional reports to show that March 2025 revenue consisted of payments that mostly paid the February 2025 filing period and any additional late payments for previous filing periods. Revenue periods will close earlier to reconcile monies received during a given period regardless of the filing period with which they are associated, which represents a true cash accounting method of reporting.

In conjunction with this shift, the Department is making an additional change regarding the reporting of taxable sales. With our prior system, the Department reported taxable sales based on when taxpayers made a payment (full or partial) instead of when the business activity occurred. With a high collection rate and compliance, the filing period and revenue period align closely. When the collection rate or compliance falls, this method presents a discrepancy between consumer activity and cash revenues.

The Department's modernization efforts have created a brief disruption of compliance activities, which has decreased the rate of collections at the same time as this accounting realignment. These factors have resulted in underperformance of actuals versus projections and variations in reporting. As activities have resumed, the rate of collections is returning to normal, and the Department is focusing efforts on recovering accounts receivable regardless of filing period, including under-collected periods at the end of calendar year 2024.

Notably, the total distributions since the December 2024 revenue period have reflected a split in revenue from different filing periods. Specifically, the December revenue period reflected a portion of monies collected for the November filing period. The other portion of November's filing period was distributed in January 2025. Moreover, for the January revenue period, a portion of the distributions derived from December 2024 business activity. Finally, for the February revenue period, a portion of the distributions related to December 2024 business activity, and the other portion for January 2025 business activity. And so forth. In summary, where various portions of the revenue from each reporting period are distributed in the first month, and the other portion is distributed in the second month, the revenue for a given filing period is distributed over a 2-month period, with any remainder pursued as accounts receivable in future revenue periods.

Despite the Department's best efforts to implement new processes as recommended with the vendor, there were several "unanticipated complications" in processing, allocating and distributing taxpayer payments at the outset of Phase 1. Currently, the following funds are received, but need to be worked by staff in order to properly allocate and distributed the revenue:

- $6.38M in Non-Targeted Payments
  - These are payments that have been made without an indication of what tax type or filing period to be applied to
- $22.97M in Sales Tax improperly reflecting as "Overpayment Credits"
  - These have been found to be taxpayer error with filing $0.00 returns or applying payments to the wrong period, etc. Staff are working through these accounts and contacting the taxpayer
- $10M in Modified Business Tax Unallocated payments
  - These were payments receipted in with an issue on the return that locked the payment and employees must review.

- $8.9M in Insurance Premium Tax Unallocated Payments
    - Like Modified Business Tax, these were payments receipted in with an issue that locked the payment and employees must review.

The Department has included the above revenue figures into the forecast for Fiscal Year 2025 as the issues are currently in progress of being resolved.

The Department's economist, Erica Scott, will be prepared to briefly discuss the complications with distributions caused by the MYNT changeover in December and the Department's anticipated resolution at the Economic Forum meeting on May 1, 2025.