

FINANCIAL IMPACT OF QUESTION 4

FINANCIAL IMPACT – CANNOT BE DETERMINED

OVERVIEW

Question 4 proposes to amend Article 10 of the *Nevada Constitution* by adding a new section, designated Section 7, that would require the Legislature to provide by law for an exemption from the sales and use tax for durable medical equipment, oxygen delivery equipment and mobility enhancing equipment prescribed for human use by a licensed provider of health care acting within his or her scope of practice.

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Under current law, the statewide sales and use tax rate is 6.85 percent. Four separate tax rates make up this combined rate:

- The State rate (2 percent), which is deposited in the State General Fund;
- The Local School Support Tax rate (2.6 percent), which is distributed among the state's school districts and to the State Distributive School Account;
- The Basic City-County Relief Tax rate (0.5 percent), which is distributed among counties, cities, and other local government entities through the Consolidated Tax Distribution (CTX) mechanism; and
- The Supplemental City-County Relief Tax rate (1.75 percent), which is distributed among counties, cities, and other local government entities through the CTX mechanism.

In addition, in thirteen of Nevada's seventeen counties (Carson City, Churchill, Clark, Douglas, Elko, Lander, Lincoln, Lyon, Nye, Pershing, Storey, Washoe, and White Pine), additional local sales and use tax rates are levied for specific purposes through legislative authority or by voter approval. The revenue from these tax rates is distributed to the entity or for the purpose for which the rate is levied.

If voters approve Question 4 at the November 2016 and November 2018 General Elections, the Legislature and Governor would need to approve legislation to implement the sales and use tax exemptions specified within the question before these exemptions could become effective. The legislation providing an exemption from the sales and use tax for durable medical equipment, oxygen delivery equipment and mobility enhancing equipment prescribed for human use by a licensed provider of health care acting within his or her scope of practice will reduce the amount of sales and use tax revenue that is received by the state and local governments, including school districts, currently entitled to receive sales and use tax revenue from any of the rates imposed, beginning on the effective date of the legislation.

However, the Fiscal Analysis Division cannot determine when the Legislature and Governor will approve the legislation necessary to enact these exemptions or the effective date of the legislation that is approved. Additionally, the Fiscal Analysis Division cannot determine how the terms specified within Question 4 would be defined in the legislation, nor can it estimate the amount of sales that would be subject to the exemption. Thus, the revenue loss to the affected state and local governments cannot be determined by the Fiscal Analysis Division with any reasonable degree of certainty.

The Department of Taxation has indicated that the implementation and administration of the exemptions specified within Question 4 can be performed using current resources, resulting in no additional financial impact upon state government.

Prepared by the Fiscal Analysis Division of the Legislative Counsel Bureau – August 10, 2016