

SUMMARY—Proposes the Education Priority Act as the Legislature’s competing ballot measure to Initiative Petition No. 1. (BDR 32-1221)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State: No.

AN ACT relating to taxation for public education; proposing the Education Priority Act as a different measure on the same subject contained in Initiative Petition No. 1 to compete on the general election ballot for approval or disapproval by the voters; imposing an excise tax upon mineral extraction by certain businesses engaged in mining in this State and upon mineral royalties; providing for the administration and collection of the tax and the distribution of increased revenue from the tax to fund certain K-12 programs in Nevada’s public education system; temporarily increasing the payroll tax imposed on certain financial institutions and providing for the distribution of the increased revenue to fund certain K-12 programs; exempting certain mineral proceeds and mineral royalties from the personal property tax; providing penalties; making an appropriation; providing for submission of this act to the voters; and providing other matters properly relating thereto.



**Legislative Counsel's Digest:**

On February 4, 2013, the Secretary of State transmitted to the 77th Session of the Legislature an initiative petition entitled "The Education Initiative," which was introduced in the Legislature as Initiative Petition No. 1 pursuant to Section 2 of Article 19 of the Nevada Constitution. The Nevada Supreme Court has determined that: (1) the primary purpose and subject of this initiative petition is to fund public education; (2) the initiative petition seeks to implement a new tax and temporarily increase an existing tax and deposit the new tax revenue, minus the Department of Taxation's costs of administering the new tax, in the State Distributive School Account in the State General Fund; and (3) both taxes are functionally related and germane to the initiative petition's purpose of funding public education. (*Educ. Initiative PAC v. Comm. to Protect Nev. Jobs*, 129 Nev. Adv. Op. 5, 293 P.3d 874, 884-85 (2013))

The statutory amendments proposed by Initiative Petition No. 1 would impose a new margin tax of 2 percent upon certain business entities and would require the revenue generated from the new tax, minus the Department of Taxation's costs of administering the new tax, to be deposited in the State Distributive School Account and used to fund Nevada's public education system for kindergarten through 12th grade. In addition, the Initiative Petition's statutory amendments would temporarily increase the payroll tax imposed on certain financial institutions pursuant to NRS 363A.130 from 2 percent to 2.42 percent to provide funding for the Department of Taxation to begin to administer the new margin tax.

The Legislature rejected the merits of the Initiative Petition by not enacting it within 40 days after the commencement of the 77th Session pursuant to Section 2 of Article 19 of the Nevada



Constitution. As a result, the Secretary of State must submit the Initiative Petition to the registered voters of this State, for approval or disapproval, at the next general election on November 4, 2014. However, under the Nevada Constitution, the Legislature may propose a different measure on the same subject of funding public education contained in the Initiative Petition to compete on the ballot, and if both measures are approved, the measure that receives the largest number of affirmative votes becomes law. (Nev. Const. Art. 19, § 2)

This bill proposes the Education Priority Act as the Legislature's competing ballot measure to Initiative Petition No. 1. This bill would impose a new excise tax of 10 percent upon the net proceeds from mineral extraction by operations extracting gold or silver for which the net proceeds in a calendar year exceed \$4,000,000. This bill would require the increased revenue generated from the new excise tax to be deposited in the State Distributive School Account and the Trust Fund to Stabilize the Funding of Education in the State General Fund and used to fund Nevada's public education system for kindergarten through 12th grade by funding public education programs which reduce class sizes and assist pupils with attaining proficiency in the English language. In addition, this bill would temporarily increase the payroll tax imposed on certain financial institutions pursuant to NRS 363A.130 from 2 percent to 2.5 percent, and it would require the increased revenue to be deposited in the Trust Fund to Stabilize the Funding of Education and used, only when appropriated by the Legislature, to provide supplemental funding for such K-12 public education programs. This bill would also revise existing statutes to make them consistent with the new excise tax.



Under the Nevada Constitution, the Legislature must impose a tax upon the net proceeds of all minerals extracted in this State at a rate not to exceed 5 percent of the net proceeds, and the net proceeds are not subject to any other tax. (Nev. Const. Art. 10, §§ 1, 5) During the 76th Session of the Legislature in 2011, the Legislature passed Senate Joint Resolution No. 15 (S.J.R. 15), which proposes to amend the Nevada Constitution to repeal these constitutional limitations on the Legislature's power to tax the extraction of minerals. (File Number 44, Statutes of Nevada 2011, p. 3871) As required for such constitutional amendments, S.J.R. 15 must be passed again by the 77th Session of the Legislature in 2013, and, if so passed, it becomes effective if it is approved and ratified by the voters at the general election on November 4, 2014. (Nev. Const. Art. 16, § 1)

As a fundamental rule of state constitutional law, the Legislature may pass any law which the Constitution does not clearly prohibit. (*Koscot Interplanetary, Inc. v. Draney*, 90 Nev. 450, 456 (1974); *City of Las Vegas v. Ackerman*, 85 Nev. 493, 501-02 (1969)) Therefore, except when expressly limited by the Constitution, the Legislature has unrestricted power to tax and regulate all activities, trades and businesses. (*Matthews v. State ex rel. Nev. Tax Comm'n*, 83 Nev. 266, 268 (1967); *Ex parte Dixon*, 43 Nev. 196, 205-07 (1919); *Ex parte Robinson*, 12 Nev. 263, 268-69 (1877); *Gibson v. Mason*, 5 Nev. 283, 292-93 (1869)) If S.J.R. 15 becomes effective, it will remove long-standing constitutional limitations on the Legislature's power to tax the extraction of minerals. (Nev. Const. Art. 10, §§ 1, 5) Without these constitutional limitations, the Legislature would be restored to its full unrestricted power to tax all aspects of mineral extraction.



**Section 44** of this bill makes the new excise tax upon mineral extraction contingent upon the approval and ratification of S.J.R. 15 and provides that **sections 2-42** of this bill become effective on January 1, 2015, if the voters approve this bill over Initiative Petition No. 1 and also approve and ratify S.J.R. 15 at the general election on November 4, 2014.

Under existing law, the proceeds from mineral extraction are a type of personal property. (*City of Virginia v. Chollar-Potosi Gold & Silver Mining Co.*, 2 Nev. 86, 91 (1866)) The right to receive a portion of the proceeds from mineral extraction through the payment of mineral royalties is also a type of personal property. (Att’y Gen. Op. 1901-11 (Dec. 24, 1901)) However, existing law provides that the proceeds from mineral extraction and the right to receive mineral royalties are exempt from the property tax and are subject to a separate tax upon minerals and royalties. (Nev. Const. Art. 10, §§ 1, 5; NRS 361.030, 362.100-362.240)

Under the Nevada Constitution, the Legislature may exempt personal property from the property tax. (Nev. Const. Art. 10, § 1(6)) **Section 4** of this bill exempts from the property tax: (1) the gross yield and net proceeds from mineral extraction if the person who extracted the minerals is subject to the excise tax upon mineral extraction, but only when the gross yield and net proceeds are in the possession of that person; and (2) the royalties received from mineral extraction if the person who received the royalties is subject to the excise tax upon royalties. (NRS 361.030)

**Sections 7-23** of this bill revise the existing tax upon minerals and royalties and designate it as an excise tax upon mineral extraction and royalties. (Chapter 362 of NRS) An excise tax is a tax imposed for the privilege of carrying on a business or engaging in an activity, and an excise



tax is not an ad valorem or property tax because an excise tax is based on the privilege of using property, rather than the value and ownership of the property. (*State, Gaming Comm'n v. Southwest Sec.*, 108 Nev. 379, 383-84 (1992); 71 Am. Jur. 2d *State and Local Taxation* § 23 (2012)) Because an excise tax is not an ad valorem or property tax, an excise tax is not subject to the provisions of the Constitution that require a uniform and equal rate of assessment and taxation for ad valorem or property taxes. (Nev. Const. Art. 10, § 1; *Ex parte Dixon*, 43 Nev. 196, 204-05 (1919); *Ex parte Cohn*, 13 Nev. 424, 426-27 (1878); *Ex parte Robinson*, 12 Nev. 263, 268-71 (1877)) Therefore, an excise tax may have graduated tax rates based on the type of business or activity being conducted or the amount of gross and net revenue generated by the business or activity, and such differing tax rates do not violate the Constitution. (*Ex parte Dixon*, 43 Nev. 196, 204-05 (1919); *Ex parte Cohn*, 13 Nev. 424, 426-27 (1878)) In the context of mining operations, an excise tax is typically calculated based on the type of mineral being extracted and the gross yield and net proceeds generated by the mining operation. (*Idaho Gold Dredging Co. v. Balderston*, 78 P.2d 105 (Idaho 1938))

**Section 9** of this bill provides that for the privilege of engaging in mineral extraction in the State of Nevada, there is imposed an excise tax upon mineral extraction by each extractive operation based on the Department of Taxation's determination and certification of the gross yield and net proceeds from the mineral extraction. **Section 9** also provides that the excise tax upon mineral extraction is not an ad valorem or property tax upon the value of the mineral extracted. (NRS 362.100) **Sections 9-23** of this bill maintain, with certain technical revisions, the methods, standards and procedures used by the Department of Taxation to determine and certify



the gross yield and net proceeds and to impose and collect the excise tax upon mineral extraction and royalties. (NRS 362.100-362.240)

With certain exceptions, existing law imposes a graduated tax rate upon the net proceeds of all minerals extracted, with a minimum rate of 2 percent and a maximum rate of 5 percent. Existing law also imposes a tax rate upon mineral royalties of 5 percent. (NRS 362.140) A portion of the revenue generated by the existing tax upon minerals and royalties is appropriated to each local government or other local taxing entity in an amount equal to the rate of tax ad valorem for local purposes in that jurisdiction multiplied by the net proceeds extracted from that jurisdiction, plus a pro rata share of any penalties and interest collected by the Department of Taxation for any late payment of the tax. (NRS 362.170)

**Sections 14 and 17** of this bill preserve, without change, the amounts appropriated to each local government or other local taxing entity from the revenue generated by the excise tax upon mineral extraction and royalties. (NRS 362.140, 362.170) In addition, **section 14** preserves, without change, the existing tax rates applied to royalties and each extractive operation, except that if any operation extracts gold or silver for which the net proceeds in a calendar year exceed \$4,000,000, the rate of excise tax upon each such large-scale operation for state purposes is an amount equal to 10 percent multiplied by the net proceeds. (NRS 362.140)

**Sections 9 and 33** of this bill provide that the revenue generated for state purposes from the excise tax upon such large-scale operations extracting gold or silver must be deposited in the State General Fund and apportioned as follows: (1) two-thirds to the State Distributive School Account; and (2) one-third to the Trust Fund to Stabilize the Funding of Education. (NRS



362.100, chapter 387 of NRS) In addition, **section 33** provides that the money deposited in the State Distributive School Account must be used only to fund K-12 public education programs to reduce class sizes and assist pupils with attaining proficiency in the English language. **Section 33** also provides that the money deposited in the Trust Fund must be used only when the Legislature determines that the money deposited in the State Distributive School Account from the excise tax is insufficient to fund those K-12 programs and the Legislature appropriates money from the Trust Fund to provide supplemental funding for those K-12 programs.

**Sections 24 and 25** of this act temporarily increase the payroll tax imposed on certain financial institutions from 2 percent to 2.5 percent and require the increased revenue to be deposited in the Trust Fund and used only when appropriated by the Legislature pursuant to **section 33** to provide supplemental funding for the K-12 programs. (NRS 363A.070, 363A.130) **Section 44** of this act authorizes the temporary increase in the payroll tax for a period of 1 year from January 1 to December 31, 2015.

**Sections 2, 3, 26-32 and 34-42** of this bill make conforming changes to existing law that are necessary because of the enactment of the excise tax upon mineral extraction and royalties and because of the repeal of the constitutional provisions governing the taxation of minerals proposed by S.J.R. 15.

Finally, **section 43** of this bill: (1) requires the Secretary of State to submit this bill to the voters as the Legislature's competing ballot measure to Initiative Petition No. 1; and (2) bars any preelection court challenges seeking to prevent submission of this bill to the voters at the general election on November 4, 2014.





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

**Section 1.** 1. This act may be known and cited as the Education Priority Act.

2. The Legislature hereby finds and declares that:

(a) At the commencement of the 77th Session of the Legislature in 2013, the Secretary of State transmitted to the Legislature an initiative petition entitled “The Education Initiative,” which was introduced in the Legislature as Initiative Petition No. 1 pursuant to Section 2 of Article 19 of the Nevada Constitution.

(b) In the case of *Education Initiative PAC v. Committee to Protect Nevada Jobs*, 129 Nev. Adv. Op. 5, 293 P.3d 874, 884-85 (2013), the Nevada Supreme Court determined that:

(1) The primary purpose and subject of this Initiative Petition is to fund public education;

(2) The Initiative Petition seeks to implement a new tax and temporarily increase an existing tax and deposit the new tax revenue, minus the Department of Taxation’s costs of administering the new tax, in the State Distributive School Account in the State General Fund;  
and

(3) Both taxes are functionally related and germane to the Initiative Petition’s purpose of funding public education.

(c) The statutory amendments proposed by Initiative Petition No. 1 would:



(1) Impose a new margin tax of 2 percent upon certain business entities;

(2) Require the revenue generated from the new margin tax, minus the Department of Taxation's costs of administering the new tax, to be deposited in the State Distributive School Account and used to support Nevada's public education system for kindergarten through 12th grade; and

(3) Temporarily increase the payroll tax imposed on certain financial institutions pursuant to NRS 363A.130 from 2 percent to 2.42 percent to provide funding for the Department of Taxation to begin to administer the new margin tax.

(d) The new margin tax proposed by Initiative Petition No. 1 would not assist Nevada in recovering from one of the worst economic declines in the State's history, but would impede Nevada's economic recovery and impair Nevada's long-term economic growth because the new margin tax would impose an unreasonable, inequitable and overly complicated tax burden on Nevada's businesses that would cause many existing businesses to close and discourage new businesses from locating here, thereby depriving Nevadans and our local communities of beneficial employment opportunities and economic prosperity.

(e) The new margin tax proposed by Initiative Petition No. 1 would be overly expensive to start-up and implement because it would require the establishment of an entirely new system of tax administration and accounting for the Department of Taxation and taxpayers, including new and complex requirements for filing returns, keeping records and paying the tax, and the new tax system would be inefficient and uneconomical over the long-term because too much of the



revenue generated from the margin tax would be devoted to paying the government's costs for enforcing, auditing and collecting the tax.

(f) Even though the revenue that would be generated from the new margin tax proposed by Initiative Petition No. 1, minus the Department of Taxation's costs of administering the new tax, would be deposited in the State Distributive School Account, that revenue would not be dedicated to the public school programs that most immediately and effectively improve K-12 education for our students in the classroom, such as programs to reduce class sizes or assist pupils with attaining proficiency in the English language.

(g) Because Initiative Petition No. 1 would harm Nevada's economic future and would not immediately and effectively improve Nevada's public education system, the Legislature rejected the merits of the Initiative Petition by not enacting it within 40 days after the commencement of the 77th Session pursuant to Section 2 of Article 19 of the Nevada Constitution.

3. The Legislature hereby further finds and declares that:

(a) Pursuant to Section 2 of Article 19 of the Nevada Constitution, the Legislature may propose a different measure on the same subject of funding public education contained in Initiative Petition No. 1 to compete on the general election ballot for approval or disapproval by the voters.

(b) Because Initiative Petition No. 1 would not serve the best interests of the people of this State and would be detrimental to the public welfare, the Legislature proposes the Education Priority Act as a different measure on the same subject of funding public education contained in



Initiative Petition No. 1 to compete on the general election ballot for approval or disapproval by the voters.

(c) To provide a dedicated source of state funding for public education and to reduce class sizes and assist pupils with attaining proficiency in the English language, the Education Priority Act imposes, for the privilege of extracting Nevada's valuable, nonrenewable and finite gold and silver resources, a new excise tax upon the net proceeds from such mineral extraction by operations extracting gold or silver for which the net proceeds in a calendar year exceed \$4,000,000.

(d) Because the new excise tax upon mineral extraction will be administered by the Department of Taxation in the same manner as other existing taxes upon mineral extraction, there will be few, if any, new administrative costs for enforcing, auditing and collecting the new excise tax.

(e) To ensure the increased revenue generated from the new excise tax upon mineral extraction is dedicated to the public education programs that most immediately and effectively improve K-12 education for our students in the classroom, the Education Priority Act mandates that such increased revenue must be deposited and apportioned as follows:

(1) Two-thirds to the State Distributive School Account to be used only to support K-12 programs to reduce class sizes or assist pupils with attaining proficiency in the English language.

(2) One-third to the Trust Fund to Stabilize the Funding of Education created by section 33 of this act in the State General Fund to be used only when the Legislature determines that the money deposited in the State Distributive School Account from the new excise tax is insufficient



to fund those K-12 programs and the Legislature appropriates money from the Trust Fund to provide supplemental funding for those programs.

(f) To provide an immediate source of revenue to build up reserves in the Trust Fund to Stabilize the Funding of Education, the Education Priority Act:

(1) Temporarily increases, for a period of 1 year, the payroll tax imposed on certain financial institutions pursuant to NRS 363A.130 from 2 percent to 2.5 percent; and

(2) Requires the increased revenue to be deposited in the Trust Fund and used only as provided by this act.

4. The Legislature hereby further finds and declares that:

(a) At the general election on November 4, 2014, the voters are entitled to and deserve the opportunity to express their will and choose between different measures on the same subject of funding public education contained in Initiative Petition No. 1; and

(b) Because the Education Priority Act is a different measure on the same subject of funding public education contained in Initiative Petition No. 1, it is intended to provide the voters with that choice.

**Sec. 2.** NRS 360.690 is hereby amended to read as follows:

360.690 1. Except as otherwise provided in NRS 360.730, the Executive Director shall estimate monthly the amount each local government, special district and enterprise district will receive from the Account pursuant to the provisions of this section.

2. The Executive Director shall establish a base monthly allocation for each local government, special district and enterprise district by dividing the amount determined pursuant



to NRS 360.680 for each local government, special district and enterprise district by 12, and the State Treasurer shall, except as otherwise provided in subsections 3 to 8, inclusive, remit monthly that amount to each local government, special district and enterprise district.

3. If, after making the allocation to each enterprise district for the month, the Executive Director determines there is not sufficient money available in the county's subaccount in the Account to allocate to each local government and special district the base monthly allocation determined pursuant to subsection 2, he or she shall prorate the money in the county's subaccount and allocate to each local government and special district an amount equal to its proportionate percentage of the total amount of the base monthly allocations determined pursuant to subsection 2 for all local governments and special districts within the county. The State Treasurer shall remit that amount to the local government or special district.

4. Except as otherwise provided in subsections 5 to 8, inclusive, if the Executive Director determines that there is money remaining in the county's subaccount in the Account after the base monthly allocation determined pursuant to subsection 2 has been allocated to each local government, special district and enterprise district, he or she shall immediately determine and allocate each:

(a) Local government's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by the sum of the:



(I) Average percentage of change in the population of the local government over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9; and

(II) Average percentage of change in the assessed valuation of the taxable property in the local government, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and

(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each local government an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (b), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount; and

(b) Special district's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by the average change in the assessed valuation of the taxable property in the special district, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, over the year in which the



allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and

(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each special district an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (a), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount.

↪ The State Treasurer shall remit the amount allocated to each local government or special district pursuant to this subsection.

5. Except as otherwise provided in subsection 6 or 7, if the Executive Director determines that there is money remaining in the county's subaccount in the Account after the base monthly allocation determined pursuant to subsection 2 has been allocated to each local government, special district and enterprise district and that the average amount over the 5 fiscal years immediately preceding the year in which the allocation is made of the assessed valuation of taxable property which is attributable to the net proceeds ~~[of minerals]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, in the county is equal to at least \$50,000,000 , or that the average percentage of change in population of the county over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9, is a negative figure , or that the average amount over the 5 fiscal years





immediately preceding the year in which the allocation is made of the assessed valuation of taxable property which is attributable to the net proceeds ~~[of minerals]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, in the county is equal to at least \$50,000,000 and the average percentage of change in population of the county over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9, is a negative figure, the Executive Director shall immediately determine and allocate each:

(a) Local government's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the sum of the:

(I) Average percentage of change in the population of the local government over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9; and

(II) Average percentage of change in the assessed valuation of the taxable property in the local government, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and



(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each local government an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (b), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount; and

(b) Special district's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the average change in the assessed valuation of the taxable property in the special district, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and

(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each special district an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (a), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount.



↪ The State Treasurer shall remit the amount allocated to each local government or special district pursuant to this subsection.

6. Except as otherwise provided in subsection 8, if the Executive Director determines that there is money remaining in the county's subaccount in the Account after the base monthly allocation determined pursuant to subsection 2 has been allocated to each local government, special district and enterprise district, that the sum of the average percentage of change in population and the average percentage of change in the assessed valuation of taxable property, as calculated pursuant to subparagraph (1) of paragraph (a) of subsection 4 for each of those local governments, is a negative figure, and that the average change in the assessed valuation of the taxable property in each of those special districts, as calculated pursuant to subparagraph (1) of paragraph (b) of subsection 4, is a negative figure, he or she shall immediately determine and allocate each:

(a) Local government's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the sum of the:

(I) Average percentage of change in the population of the local government over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9; and

(II) Average percentage of change in the assessed valuation of the taxable property in the local government, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds ~~[of minerals,]~~ *from mineral extraction and*



*royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and

(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each local government an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (b), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount; and

(b) Special district's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the average change in the assessed valuation of the taxable property in the special district, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and

(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each special district an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (a), respectively, for the local governments



and special districts located in the same county multiplied by the total amount available in the subaccount.

↪ The State Treasurer shall remit the amount allocated to each local government or special district pursuant to this subsection.

7. Except as otherwise provided in subsection 8, if the Executive Director determines that there is money remaining in the county's subaccount in the Account after the base monthly allocation determined pursuant to subsection 2 has been allocated to each local government, special district and enterprise district, that the sum of the average percentage of change in population and the average percentage of change in the assessed valuation of taxable property, as calculated pursuant to subparagraph (1) of paragraph (a) of subsection 4 for each of those local governments, is a negative figure, and that the average change in the assessed valuation of the taxable property in any of those special districts, as calculated pursuant to subparagraph (1) of paragraph (b) of subsection 4, is a positive figure, he or she shall immediately determine and allocate each:

(a) Local government's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the sum of the:

(I) Average percentage of change in the population of the local government over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9; and



(II) Average percentage of change in the assessed valuation of the taxable property in the local government, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and

(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each local government an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (b), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount; and

(b) Special district's share of the remaining money by:

(1) Multiplying one-twelfth of the amount allocated pursuant to NRS 360.680 by 1 plus the sum of the:

(I) Average percentage of change in the population of the county over the 5 fiscal years immediately preceding the year in which the allocation is made, as certified by the Governor pursuant to NRS 360.285, except as otherwise provided in subsection 9; and

(II) Average change in the assessed valuation of the taxable property in the special district, including assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties*



*subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive,* over the year in which the allocation is made, as projected by the Department, and the 4 fiscal years immediately preceding the year in which the allocation is made; and

(2) Using the figure calculated pursuant to subparagraph (1) to calculate and allocate to each special district an amount equal to the proportion that the figure calculated pursuant to subparagraph (1) bears to the total amount of the figures calculated pursuant to subparagraph (1) of this paragraph and subparagraph (1) of paragraph (a), respectively, for the local governments and special districts located in the same county multiplied by the total amount available in the subaccount.

↪ The State Treasurer shall remit the amount allocated to each local government or special district pursuant to this subsection.

8. The Executive Director shall not allocate any amount to a local government or special district pursuant to subsection 4, 5, 6 or 7 unless the amount distributed and allocated to each of the local governments and special districts in the county in each preceding month of the fiscal year in which the allocation is to be made was at least equal to the base monthly allocation determined pursuant to subsection 2. If the amounts distributed to the local governments and special districts in the county for the preceding months of the fiscal year in which the allocation is to be made were less than the base monthly allocation determined pursuant to subsection 2 and the Executive Director determines there is money remaining in the county's subaccount in the Account after the distribution for the month has been made, he or she shall:



(a) Determine the amount by which the base monthly allocations determined pursuant to subsection 2 for each local government and special district in the county for the preceding months of the fiscal year in which the allocation is to be made exceeds the amounts actually received by the local governments and special districts in the county for the same period; and

(b) Compare the amount determined pursuant to paragraph (a) to the amount of money remaining in the county's subaccount in the Account to determine which amount is greater.

↪ If the Executive Director determines that the amount determined pursuant to paragraph (a) is greater, he or she shall allocate the money remaining in the county's subaccount in the Account pursuant to the provisions of subsection 3. If the Executive Director determines that the amount of money remaining in the county's subaccount in the Account is greater, he or she shall first allocate the money necessary for each local government and special district to receive the base monthly allocation determined pursuant to subsection 2 and the State Treasurer shall remit that money so allocated. The Executive Director shall allocate any additional money in the county's subaccount in the Account pursuant to the provisions of subsection 4, 5, 6 or 7, as appropriate.

9. The percentage changes in population calculated pursuant to subsections 4 to 7, inclusive, must:

(a) Except as otherwise provided in paragraph (c), if the Bureau of the Census of the United States Department of Commerce issues population totals that conflict with the totals certified by the Governor pursuant to NRS 360.285, be an estimate of the change in population for the calendar year, based upon the population totals issued by the Bureau of the Census.





(b) If a new method of determining population is established pursuant to NRS 360.283, be adjusted in a manner that will result in the percentage change being based on population determined pursuant to the new method for both the fiscal year in which the allocation is made and the fiscal year immediately preceding the year in which the allocation is made.

(c) If a local government files a formal appeal with the Bureau of the Census concerning the population total of the local government issued by the Bureau of the Census, be calculated using the population total certified by the Governor pursuant to NRS 360.285 until the appeal is resolved. If additional money is allocated to the local government because the population total certified by the Governor is greater than the population total issued by the Bureau of the Census, the State Treasurer shall deposit that additional money in a separate interest-bearing account. Upon resolution of the appeal, if the population total finally determined pursuant to the appeal is:

(1) Equal to or less than the population total initially issued by the Bureau of the Census, the State Treasurer shall transfer the total amount in the separate interest-bearing account, including interest but excluding any administrative fees, to the Local Government Tax Distribution Account for allocation among the local governments in the county pursuant to subsection 4, 5, 6 or 7, as appropriate.

(2) Greater than the population total initially issued by the Bureau of the Census, the Executive Director shall calculate the amount that would have been allocated to the local government pursuant to subsection 4, 5, 6 or 7, as appropriate, if the population total finally determined pursuant to the appeal had been used and the State Treasurer shall remit to the local government an amount equal to the difference between the amount actually distributed and the



amount calculated pursuant to this subparagraph or the total amount in the separate interest-bearing account, including interest but excluding any administrative fees, whichever is less.

10. On or before February 15 of each year, the Executive Director shall provide to each local government, special district and enterprise district a preliminary estimate of the revenue it will receive from the Account for that fiscal year.

11. On or before March 15 of each year, the Executive Director shall:

(a) Make an estimate of the receipts from each tax included in the Account on an accrual basis for the next fiscal year in accordance with generally accepted accounting principles, including an estimate for each county of the receipts from each tax included in the Account; and

(b) Provide to each local government, special district and enterprise district an estimate of the amount that local government, special district or enterprise district would receive based upon the estimate made pursuant to paragraph (a) and calculated pursuant to the provisions of this section.

12. A local government, special district or enterprise district may use the estimate provided by the Executive Director pursuant to subsection 11 in the preparation of its budget.

**Sec. 3.** NRS 360.695 is hereby amended to read as follows:

360.695 1. If the population and assessed valuation of the taxable property, except any assessed valuation attributable to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, within a local government or special district has decreased in each of the 3 fiscal years immediately preceding the current fiscal year, the Executive Director shall review the amount allocated to the local government or special district from the Account pursuant to NRS 360.680,



to determine whether to adjust the allocation. The local government or special district may submit information to assist the Executive Director in making a determination. If the Executive Director determines that an adjustment to the allocation of the local government or special district is necessary, the Executive Director shall submit his or her findings on the matter to the Committee on Local Government Finance.

2. The Committee on Local Government Finance shall review the findings submitted by the Executive Director pursuant to subsection 1. If the Committee determines that an adjustment to the amount allocated to the local government or special district pursuant to NRS 360.680 is appropriate, the Committee shall submit a recommendation to the Nevada Tax Commission that sets forth the amount of the recommended adjustment. If the Committee determines that the adjustment is not appropriate, that decision is not subject to review by the Nevada Tax Commission.

3. The Nevada Tax Commission shall schedule a public hearing within 30 days after the Committee on Local Government Finance submits its recommendation. The Nevada Tax Commission shall provide public notice of the hearing at least 10 days before the date on which the hearing will be held. The Executive Director shall provide copies of all documents relevant to the adjustment recommended by the Committee on Local Government Finance to the governing body of each local government and special district that is located in the same county as the local government or special district that is subject to the recommended adjustment.



4. If, after the public hearing, the Nevada Tax Commission determines that the recommended adjustment is appropriate, it shall order the Executive Director to adjust the amount allocated to the local government or special district pursuant to NRS 360.680.

**Sec. 4.** NRS 361.030 is hereby amended to read as follows:

361.030 1. “Personal property” means:

- (a) All household and kitchen furniture.
- (b) All law, medical and miscellaneous libraries.
- (c) All goods, wares and merchandise.
- (d) All chattels of every kind and description, except vehicles as defined in NRS 371.020.
- (e) Stocks of goods on hand.
- (f) Any vehicle not included in the definition of vehicle in NRS 371.020.
- (g) All locomotives, cars, rolling stock and other personal property used in operating any railroad within the State.
- (h) All machines and machinery, all works and improvements, all steamers, vessels and watercraft of every kind and name navigating or used upon the waters of any river or lake within this State or having a general depot or terminus within this State.
- (i) The money, property and effects of every kind, except real estate, of all banks, banking institutions or firms, bankers, moneylenders and brokers.
- (j) All property of whatever kind or nature, except vehicles as defined in NRS 371.020, not included in the term “real estate” as that term is defined in NRS 361.035.



2. ~~Gold bearing and silver bearing ores, quartz or minerals from which gold or silver is extracted, when in the hands of the producers thereof, shall not mean, not be taken to mean, nor be listed and assessed under the~~ *The* term “personal property” ~~as used in this section, but are specially excepted therefrom, and shall be listed, assessed and taxed as provided by law.~~ *does not include:*

*(a) The gross yield or net proceeds from mineral extraction if the person who engaged in the mineral extraction is subject to the excise tax upon mineral extraction pursuant to the provisions of NRS 362.100 to 362.240, inclusive, but only when the gross yield or net proceeds are in the possession of the person who engaged in the mineral extraction.*

*(b) The royalties received from mineral extraction if the person who received the royalties is subject to the excise tax upon royalties pursuant to the provisions of NRS 362.100 to 362.240, inclusive.*

**Sec. 5.** NRS 361.390 is hereby amended to read as follows:

361.390 Each county assessor shall:

1. File with or cause to be filed with the Secretary of the State Board of Equalization, on or before March 10 of each year, the tax roll, or a true copy thereof, of his or her county for the current year as corrected by the county board of equalization.

2. Prepare and file with the Department on or before January 31, March 5 and October 31 of each year, a segregation report showing the assessed values for each taxing entity within the county on a form prescribed by the Department. The assessor shall make projections of assessed value for the current fiscal year and the upcoming fiscal year regarding real and personal



property for which the taxable value is determined by the assessor. The Department shall make any projections required for the upcoming fiscal year regarding the net proceeds ~~[of minerals]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, and any property for which the taxable value is determined by the Nevada Tax Commission.

3. Prepare and file with the Department on or before May 5 for the unsecured roll, on or before August 10 for the secured roll, and on or before October 31 for the unsecured roll and the secured roll, a statistical report showing values for all categories of property on a form prescribed by the Department.

**Sec. 6.** NRS 361.405 is hereby amended to read as follows:

361.405 1. The Secretary of the State Board of Equalization forthwith shall certify any change made by the Board in the assessed valuation of any property in whole or in part to the county auditor of the county where the property is assessed, and whenever the valuation of any property is raised, the Secretary of the State Board of Equalization shall forward by certified mail to the property owner or owners affected, notice of the increased valuation.

2. As soon as changes resulting from cases having a substantial effect on tax revenues have been certified to the county auditor by the Secretary of the State Board of Equalization, the county auditor shall:

(a) Enter all such changes , ~~[and]~~ the value of any construction work in progress and *the* net proceeds ~~[of minerals]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, which were certified to ~~[him or her]~~ *the*



*county auditor* by the Department, on the assessment roll before the delivery thereof to the tax receiver.

(b) Add up the valuations and enter the total valuation of each kind of property and the total valuation of all property on the assessment roll.

(c) Certify the results to the board of county commissioners and the Department.

3. The board of county commissioners shall not levy a tax on the net proceeds ~~[of minerals]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive, which are* added to the assessed valuation pursuant to paragraph (a) of subsection 2, but, except as otherwise provided by specific statute, the net proceeds ~~[of minerals]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive,* must be included in the assessed valuation of the taxable property of the county and all local governments in the county for the determination of the rate of tax and all other purposes for which assessed valuation is used.

4. As soon as changes resulting from cases having less than a substantial effect on tax revenue have been certified to the county tax receiver by the Secretary of the State Board of Equalization, the county tax receiver shall adjust the assessment roll or the tax statement or make a tax refund, as directed by the State Board of Equalization.

**Sec. 7.** Chapter 362 of NRS is hereby amended by adding thereto a new section to read as follows:

*The Legislature hereby finds and declares that:*



1. *Within the State of Nevada, there are many valuable yet nonrenewable and finite mineral resources.*

2. *The extraction of minerals from the State of Nevada is an important economic activity that is essential to the prosperity of this State and the Nation.*

3. *Although beneficial, the extraction of minerals from the State of Nevada comes with significant environmental, ecological and societal costs.*

4. *For the protection and benefit of the public's health, safety and welfare, this chapter imposes, for the privilege of engaging in mineral extraction in the State of Nevada, an excise tax upon mineral extraction by each extractive operation and upon all royalties paid by each extractive operation.*

5. *This chapter does not impose an ad valorem or property tax upon the value of the mineral extracted or the gross yield or net proceeds from the mineral extraction by each extractive operation or the royalties paid by each extractive operation.*

**Sec. 8.** NRS 362.010 is hereby amended to read as follows:

362.010 As used in this chapter, unless the context otherwise requires:

1. *“Extractive operation” or “operation” means each geographically separate extractive operation in this State where a person engages in mineral extraction.*

2. *“Gold or silver” means any gold-bearing or silver-bearing ores, quartz or other mineral substances from which gold or silver is extracted.*





3. *“Gross yield from mineral extraction” or “gross yield” means the gross yield from mineral extraction by each extractive operation as determined and certified pursuant to the provisions of NRS 362.100 to 362.240, inclusive.*

4. “Mine” means an excavation in the earth from which ores, coal or other mineral substances are extracted, or a subterranean natural deposit of minerals located and identified as such by the staking of a claim or other method recognized by law. The term includes , *without limitation*, a well drilled to extract minerals.

~~[2.]~~ 5. “Mineral” includes , *without limitation*, oil, gas and other hydrocarbons . ~~[, but]~~ *The term* does not include sand, gravel or water, except hot water or steam in an operation extracting geothermal resources for profit.

~~[3.]~~ 6. *“Mineral extraction” means any act, process, system or method by, through or from which ores, coal or other mineral substances are extracted. The term includes, without limitation, the use of a well drilled to extract minerals.*

7. *“Net proceeds from mineral extraction” or “net proceeds” means the net proceeds from mineral extraction by each extractive operation as determined and certified pursuant to the provisions of NRS 362.100 to 362.240, inclusive.*

8. “Patented mine or mining claim” means each separate, whole or fractional patented mining location, whether such whole or fractional mining location is covered by an independent patent or is included under a single patent with other mining locations.

9. *“Royalty” means a portion of the proceeds from mineral extraction which is paid for the privilege of extracting the mineral. The term does not include:*



*(a) Rents or other compensatory payments which are fixed and certain in amount and payable periodically over the duration of the lease regardless of the extent of extractions; or*

*(b) Minimum royalties covering periods when no mineral is extracted if the payments are fixed and certain in amount and payable on a regular periodic basis.*

*10. "Tax upon mineral extraction" means the excise tax upon mineral extraction imposed and collected pursuant to the provisions of NRS 362.100 to 362.240, inclusive.*

*11. "Tax upon royalties" means the excise tax upon royalties imposed and collected pursuant to the provisions of NRS 362.100 to 362.240, inclusive.*

**Sec. 9.** NRS 362.100 is hereby amended to read as follows:

362.100 1. The *provisions of NRS 362.100 to 362.240, inclusive:*

*(a) Impose, for the privilege of engaging in mineral extraction in the State of Nevada, an excise tax upon mineral extraction by each extractive operation based on the Department's determination and certification of the gross yield and net proceeds from the mineral extraction and upon all royalties paid by each extractive operation; and*

*(b) Do not impose an ad valorem or property tax upon the value of the mineral extracted or the gross yield or net proceeds from the mineral extraction by each extractive operation or the royalties paid by each extractive operation.*

*2. In administering the provisions of NRS 362.100 to 362.240, inclusive, the Department shall:*



(a) Investigate and determine the *gross yield and net proceeds* ~~[of all minerals extracted]~~ *from mineral extraction by each extractive operation* and certify ~~[them]~~ *the gross yield and net proceeds* as provided in NRS 362.100 to 362.240, inclusive.

(b) Appraise and assess all reduction, smelting and milling works, plants and facilities, whether or not associated with a mine, all drilling rigs, and all supplies, machinery, equipment, apparatus, facilities, buildings, structures and other improvements used in connection with any mining, drilling, reduction, smelting or milling operation as provided in chapter 361 of NRS.

~~[2.—As used in this section, “net proceeds of all minerals extracted” includes the proceeds of]~~

(c) *Deposit all taxes, interest and penalties it receives pursuant to the provisions of NRS 362.100 to 362.240, inclusive, in the State Treasury for credit to the State General Fund and, after being apportioned and appropriated as required by law, for credit to the proper account or fund for distribution to local governments pursuant to NRS 362.170, except that the Department shall deposit all taxes, interest and penalties it receives pursuant to paragraph (a) of subsection 6 of NRS 362.140 in the State Treasury for credit to the State Distributive School Account and the Trust Fund to Stabilize the Funding of Education to be used pursuant to section 33 of this act.*

3. *The provisions of NRS 362.100 to 362.240, inclusive, apply to all extractive operations, including, without limitation, all:*

- (a) Operating mines;
- (b) Operating oil and gas wells;



(c) Operations extracting geothermal resources for profit, except an operation which uses natural hot water to enhance the growth of animal or plant life; and

(d) Operations extracting minerals from natural solutions.

**Sec. 10.** NRS 362.110 is hereby amended to read as follows:

362.110 1. ~~Every~~ *Each* person ~~extracting any~~ *who engages in* mineral ~~in this State or receiving any royalty:~~ *extraction:*

(a) Shall, on or before February 16 of each year, file with the Department a statement showing the gross yield and claimed net proceeds from each ~~geographically separate~~ *extractive* operation ~~where a mineral is extracted by that person~~ *and all royalties paid by each extractive operation* during the calendar year immediately preceding the year in which the statement is filed.

(b) May have up to 30 days after filing the statement required by paragraph (a) to file an amended statement.

2. The statement must:

(a) Show the claimed deductions from the gross yield in the detail set forth in NRS 362.120. The deductions are limited to the costs incurred during the calendar year immediately preceding the year in which the statement is filed.

(b) Be in the form prescribed by the Department.

(c) Be verified by the manager, superintendent, secretary or treasurer of the corporation, or by the owner of the operation ~~;~~ or, if the owner is a natural person, by someone authorized in his or her behalf.



3. Each ~~[recipient of a royalty as described in subsection 1]~~ *person who receives any royalties from an extractive operation* shall annually file with the Department a ~~[list]~~ *statement* showing *the amount of the royalties and* each of the lessees *or sublessees who paid the royalties and who is* responsible for *the* taxes *upon mineral extraction* due ~~[in connection with]~~ *from* the *extractive* operation . ~~[or operations included in the statement filed pursuant to subsections 1 and 2.]~~

**Sec. 11.** NRS 362.115 is hereby amended to read as follows:

362.115 1. In addition to the statement ~~[required by subsection 1 of]~~ *filed pursuant to* NRS 362.110, each person ~~[extracting any]~~ *who engages in* mineral ~~[in this State]~~ *extraction* shall, on or before March 1 of each year, file with the Department a statement showing the estimated gross yield and estimated net proceeds from each ~~[such]~~ *extractive* operation for the entire current calendar year and an estimate of all royalties that will be paid ~~[during]~~ *by each extractive operation for* the *entire* current calendar year.

2. The Department shall:

- (a) Use the statement filed pursuant to subsection 1 only to prepare estimates for use by local governments in the preparation of their budgets; and
- (b) Submit those estimates to the local governments on or before March 15 of each year.

**Sec. 12.** NRS 362.120 is hereby amended to read as follows:

362.120 1. The Department shall, from the statement filed pursuant to NRS 362.110 and from all obtainable data, evidence and reports, compute in dollars and cents the gross yield and



net proceeds ~~[of]~~ *from each extractive operation for* the calendar year immediately preceding the year in which the statement is filed.

2. The *computation of the* gross yield must include ~~[the value of]~~, *without limitation*, any mineral extracted which, *during that period*, was:

- (a) Sold;
- (b) Exchanged for any thing or service;
- (c) Removed from ~~[the]~~ *this* State in a form ready for use or sale; or
- (d) Used in a manufacturing process or in providing a service. ~~[~~

~~→ during that period.]~~

3. The *computation of the* net proceeds ~~[are]~~ *must be* ascertained and determined by subtracting from the gross yield the following deductions for costs incurred during that period, and none other:

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

(b) The actual cost of transporting the mineral to the place or places of reduction, refining and sale.

(c) The actual cost of reduction, refining and sale.

(d) The actual cost of delivering the mineral.

(e) The actual cost of maintenance and repairs of:

(1) All machinery, equipment, apparatus and facilities used in the mine.

(2) All milling, refining, smelting and reduction works, plants and facilities.



(3) All facilities and equipment for transportation except those that are under the jurisdiction of the Public Utilities Commission of Nevada or the Nevada Transportation Authority.

(f) Depreciation of the original capitalized cost of the machinery, equipment, apparatus, works, plants and facilities mentioned in paragraph (e). The annual depreciation charge consists of amortization of the original cost in a manner prescribed by regulation of the Nevada Tax Commission. The probable life of the property represented by the original cost must be considered in computing the depreciation charge.

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

(h) All money paid as contributions or payments under the unemployment compensation law of the State of Nevada, as contained in chapter 612 of NRS, all money paid as contributions under the Social Security Act of the Federal Government, and all money paid to either the State of Nevada or the Federal Government under any amendment to either or both of the statutes mentioned in this paragraph.

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

(j) The costs of Nevada-based corporate services relating to paragraphs (e) to (i), inclusive.



(k) The actual cost of developmental work in or about the mine or upon a group of mines when operated as a unit, which is limited to work that is necessary to the operation of the mine or group of mines.

(l) The costs of reclamation work in the years the reclamation work occurred, including, without limitation, costs associated with the remediation of a site.

(m) All money paid as royalties by a lessee or sublessee of a mine or well, or by both, in determining the net proceeds of the lessee or sublessee, or both.

4. Royalties deducted by a lessee or sublessee constitute part of the net proceeds ~~[of the minerals extracted,]~~ *from mineral extraction, and the tax* upon ~~[which a tax]~~ *royalties* must be levied against the person to whom the ~~[royalty has been]~~ *royalties are* paid.

5. ~~[Every]~~ *Each* person ~~[acquiring]~~ *who acquires any interest in* property in the State of Nevada to engage in ~~[the]~~ *mineral* extraction ~~[of minerals]~~ and who incurs any of the expenses mentioned in subsection 3 shall report those expenses and the recipient of any royalty to the Department on forms provided by the Department. The Department shall report annually to the Mining Oversight and Accountability Commission the expenses and deductions of each mining operation in the State of Nevada.

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

- (a) The working of the mine;
- (b) The operating of the mill, smelter or reduction works;
- (c) The operating of the facilities or equipment for transportation;





(d) Superintending the management of any of those operations;

(e) The State of Nevada, in office, clerical or engineering work necessary or proper in connection with any of those operations; or

(f) Nevada-based corporate services.

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

(a) The costs of employee housing.

(b) Except as otherwise provided in paragraph (i) of subsection 3, the costs of employee travel.

(c) The costs of severing the employment of any employees.

(d) Any dues paid to a third-party organization or trade association to promote or advertise a product.

(e) Expenses relating to governmental relations or to compensate a natural person or entity to influence legislative decisions.

(f) The costs of mineral exploration.

(g) Any federal, state or local taxes.

8. As used in this section, "Nevada-based corporate services" means corporate services which are performed in the State of Nevada from an office located in this State and which directly support mining operations in this State, including, without limitation, accounting functions relating to mining operations at a mine site in this State such as payroll, accounts



payable, production reporting, cost reporting, state and local tax reporting and recordkeeping concerning property.

**Sec. 13.** NRS 362.130 is hereby amended to read as follows:

362.130 1. When the Department determines from the annual statement filed pursuant to NRS 362.110 the net proceeds ~~[of any minerals extracted,]~~ *from mineral extraction*, it shall prepare its certificate of the amount of the net proceeds and the tax due and send a copy of the certificate to the owner ~~[of the mine,]~~ *or* operator of the ~~[mine or]~~ *extractive operation and the* recipient of ~~[the]~~ *any* royalty, as the case may be.

2. The certificate must be prepared and mailed not later than:

(a) April 20 immediately following the month of February during which the annual statement was filed; or

(b) April 30 immediately thereafter if an amended statement is filed in a timely manner.

3. The tax due as indicated in the certificate must be paid on or before May 10 of the year in which the certificate is received.

4. If an overpayment was made, the overpayment must be credited toward the payment due on May 10 of the next calendar year. If the certificate shows a net loss for the year covered by the certificate or an amount of tax due for that year which is less than an overpayment made for the preceding year, the amount or remaining amount of the overpayment must, after being credited against any amount then due from the taxpayer in accordance with NRS 360.236, be refunded to the taxpayer within 30 days after the certification was sent to the taxpayer.

**Sec. 14.** NRS 362.140 is hereby amended to read as follows:



362.140 1. *There is hereby imposed an excise tax upon mineral extraction by each extractive operation.* Except as otherwise provided in this section, the rate of tax upon ~~the net proceeds of~~ *mineral extraction by* each ~~geographically separate~~ extractive operation depends upon the ratio of the net proceeds to the gross proceeds ~~of~~ *from* that operation as a whole, according to the following table:

Net Proceeds as Percentage of Gross Proceeds	Rate of Tax as Percentage of Net Proceeds
Less than 10.....	2.00
10 or more but less than 18 .....	2.50
18 or more but less than 26 .....	3.00
26 or more but less than 34 .....	3.50
34 or more but less than 42 .....	4.00
42 or more but less than 50 .....	4.50
50 or more .....	5.00

2. If the combined rate of tax ad valorem, ~~which would be assessed but for the provisions of Section 5 of Article 10 of the Constitution of this state,~~ including any rate levied by the State of Nevada, ~~upon~~ *for* property at the situs of the *extractive* operation is more than 2 percent, the



minimum rate of tax ~~[under this section equals that]~~ upon mineral extraction by the operation is an amount equal to the combined rate of tax ad valorem ~~[ ]~~ multiplied by the net proceeds.

3. *There is hereby imposed an excise tax upon royalties.* The rate of tax upon royalties is 5 percent ~~[ ]~~.

~~—4.—The ]~~, regardless of the rate of tax upon ~~[the net proceeds of]~~ mineral extraction which is imposed on the extractive operation that pays the royalties.

4. *If a geothermal operation is taxable pursuant to NRS 362.100 to 362.240, inclusive, the rate of tax upon mineral extraction by the operation is an amount equal to the combined rate of tax ad valorem [applicable to the], including any rate levied by the State of Nevada, for property at the situs of the operation [ ]*

~~—5.—The rate of tax upon] multiplied by the net proceeds.~~

5. *Except as otherwise provided in subsections 4 and 6, if an extractive operation extracts minerals for which the net proceeds in a calendar year exceed \$4,000,000, the rate of tax upon mineral extraction by the operation is an amount equal to 5 percent [ ] multiplied by the net proceeds.*

6. *If an extractive operation extracts gold or silver for which the net proceeds in a calendar year exceed \$4,000,000, the rate of tax upon mineral extraction by the operation is an amount equal to:*

(a) *Ten percent multiplied by the net proceeds; and*

(b) *The combined rate of tax ad valorem, including any rate levied by the State of Nevada, for property at the situs of the operation multiplied by the net proceeds.*



**Sec. 15.** NRS 362.150 is hereby amended to read as follows:

362.150 *1.* Every tax ~~[levied under the authority or provisions of NRS 362.100 to 362.240, inclusive, on the proceeds of minerals extracted]~~ *upon mineral extraction* is hereby made a lien on ~~[the]~~ :

*(a)* *The* mines *of the taxpayer* from which *the* minerals are extracted ~~[for sale or reduction, and also on all]~~ ; *and*

*(b)* *All* machinery, fixtures, equipment and stockpiles of the taxpayer located at the ~~[mine site]~~ *mines of the taxpayer* or elsewhere in ~~[the]~~ *this* State.

*2.* The lien attaches on ~~[the 1st day of]~~ January *1* of each year, for the calendar year commencing on that day , and may not be removed or satisfied until the taxes are all paid ~~[;]~~ or the title to ~~[those]~~ *the mines or property of the taxpayer* has vested absolutely in a purchaser under a sale for ~~[those]~~ *the unpaid* taxes.

**Sec. 16.** NRS 362.160 is hereby amended to read as follows:

362.160 *1.* Except as otherwise provided in NRS 360.232 and 360.320, if the amount of any tax ~~[required by NRS 362.100 to 362.240, inclusive,]~~ *upon mineral extraction or royalties* is not paid *by the taxpayer* within 10 days after it is due, it is delinquent and must be collected as other delinquent taxes are collected by law, together with a penalty of 10 percent of the amount of the tax which is owed, as determined by the Department, in addition to the tax, plus interest at the rate of 1 percent per month, or fraction of a month, from the date the tax was due until the date of payment.



2. Any ~~person extracting any mineral or receiving a royalty~~ *taxpayer against whom a penalty and interest is imposed pursuant to this section* may appeal from the imposition of the penalty and interest to the Nevada Tax Commission by filing a notice of appeal in accordance with the requirements set forth in NRS 360.245.

**Sec. 17.** NRS 362.170 is hereby amended to read as follows:

362.170 1. There is hereby appropriated to each county the total of the amounts obtained by multiplying, for each extractive operation situated within the county, the net proceeds ~~of~~ *from* that operation and any royalties paid by that operation, by the combined rate of tax ad valorem, excluding any rate levied by the State of Nevada, for property at ~~that site,~~ *the situs of the operation*, plus a pro rata share of any penalties and interest collected by the Department for the late payment of taxes distributed to the county. The Department shall report to the State Controller on or before May 25 of each year the amount appropriated to each county, as calculated for each operation from the final statement made in February of that year for the preceding calendar year. The State Controller shall distribute all money due to a county on or before May 30 of each year.

2. The county treasurer shall apportion to each local government or other local entity an amount calculated by:

(a) Determining the total of the amounts obtained by multiplying, for each extractive operation situated within its jurisdiction, the net proceeds ~~of~~ *from* that operation and any ~~royalty payments~~ *royalties* paid by that operation, by the rate *of tax ad valorem* levied on behalf of that local government or other local entity;



(b) Adding to the amount determined pursuant to paragraph (a) a pro rata share of any penalties and interest collected by the Department for the late payment of taxes distributed to that local government or *other* local entity; and

(c) Subtracting from the amount determined pursuant to paragraph (b) a commission of 3 percent of that amount which must be deposited in the county general fund.

3. The amounts apportioned pursuant to subsection 2, including, without limitation, the amount retained by the county ~~[and]~~, *but* excluding the *county's* percentage commission, must be applied to the uses for which each levy was authorized in the same proportion as the rate of each levy bears to the total rate.

4. The Department shall report to the State Controller on or before May 25 of each year the *total* amount received ~~[as]~~ *for the benefit of the State of Nevada from the* tax upon ~~[the net proceeds of]~~ *mineral extraction by* geothermal ~~[resources]~~ *operations*, which equals the product of ~~[those]~~ *the* net proceeds *from those operations* multiplied by the rate of tax ~~[levied]~~ ad valorem *levied* by the State of Nevada.

**Sec. 18.** NRS 362.171 is hereby amended to read as follows:

362.171 1. Each county to which money is appropriated by subsection 1 of NRS 362.170 may set aside a percentage of that appropriation to establish a county fund for mitigation. Money from the fund may be appropriated by the board of county commissioners only to mitigate adverse effects upon the county, or the school district located in the county, which result from:



(a) A decline in the revenue received by the county from the tax ~~[on the net proceeds of minerals]~~ *upon mineral extraction* during the 2 fiscal years immediately preceding the current fiscal year; or

(b) The opening or closing of an extractive operation from ~~[the net proceeds of]~~ which revenue has been or is reasonably expected to be ~~[derived pursuant to this chapter.]~~ *received by the county from the tax upon mineral extraction.*

2. Each school district to which money is apportioned by a county pursuant to subsection 2 of NRS 362.170 may set aside a percentage of the amount apportioned to establish a school district fund for mitigation. Except as otherwise provided in subsection 3, money from the fund may be used by the school district only to mitigate adverse effects upon the school district which result from:

(a) A decline in the revenue received by the school district from the tax ~~[on the net proceeds of minerals;]~~ *upon mineral extraction;*

(b) The opening or closing of an extractive operation from ~~[the net proceeds of]~~ which revenue has been or is reasonably expected to be ~~[derived pursuant to this chapter.]~~ *received by the school district from the tax upon mineral extraction;* or

(c) Expenses incurred by the school district arising from a natural disaster.

3. In addition to the authorized uses for mitigation set forth in subsection 2, a school district in a county whose population is less than 4,500 may, as the board of trustees of the school district determines is necessary, use the money from the fund established pursuant to subsection 2:





(a) To retire bonds issued by the school district or any other outstanding obligations of the school district; and

(b) To continue the instructional programs of the school district or the services and activities that are necessary to support those instructional programs, which would otherwise be reduced or eliminated if not for the provisions of this section.

↪ Before authorizing the expenditure of money pursuant to this subsection, the board of trustees shall hold at least one public hearing on the matter.

**Sec. 19.** NRS 362.175 is hereby amended to read as follows:

362.175 1. If at any time, in the opinion of the Executive Director, it becomes impossible or impractical to collect any *unpaid* tax ~~[certified on the proceeds of minerals extracted,]~~ *upon mineral extraction or royalties*, the Executive Director may apply to the Nevada Tax Commission to have the amount of the *unpaid* tax and the name of the ~~[person against whom the tax is certified]~~ *delinquent taxpayer* removed from the tax records of the Department.

2. If the Nevada Tax Commission approves the application, the Department may remove the name and amount from its tax records.

**Sec. 20.** NRS 362.180 is hereby amended to read as follows:

362.180 In any ~~[suit]~~ *action* arising ~~[concerning the certification and taxation of the net proceeds of minerals extracted,]~~ *pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, the burden of proof is upon the taxpayer to show , if the taxpayer so alleges or contends , that ~~[the]~~ *any* certification *or taxation* by the Department is unjust, improper or otherwise invalid.



**Sec. 21.** NRS 362.200 is hereby amended to read as follows:

362.200 1. The Department may examine the records of any person ~~{operating or receiving}~~ *who engages in mineral extraction or receives* royalties from any extractive operation . ~~{in this state.}~~ The records are subject to examination at all times by the Department or its authorized agents and must remain available for examination for a period of 4 years from the date of any entry therein.

2. If *the Department examines the records of* any person whose gross yield from an extractive operation *was \$100,000 or more*, as reported to the Department for any annual reporting period during the 4 years immediately preceding the examination ~~{was \$100,000 or more}~~ , *and the person* keeps his or her ~~{books and}~~ records pertaining to that operation or royalties outside this ~~{state.}~~ *State*, the person shall pay an amount per day equal to the amount set by law for out-of-state travel for each day or fraction thereof during which an examiner is actually engaged in examining the ~~{books,}~~ *records*, plus the actual expenses of that examiner during the time he or she is absent from Carson City, Nevada, for the purpose of making the examination, but the time must not exceed 1 day going to and 1 day coming from the place of examination. No more than one examination may be charged against a person in any 1 fiscal year.

3. The Department may hold hearings and summon and subpoena witnesses to appear and testify upon any subject material to ~~{the determination of the net proceeds of minerals extracted.}~~ *any certification or taxation by the Department pursuant to the provisions of NRS 362.100 to 362.240, inclusive.* The hearings may be held at any place the Department designates, after not



less than 10 days' notice of the time and place of the hearing given in writing to the ~~owner or operator of the mine.~~ taxpayer. The ~~owner or operator~~ taxpayer is entitled, on request made to the Executive Director, to the issuance of the Department's subpoena requiring witnesses in behalf of the ~~owner or operator~~ taxpayer to appear and testify at such hearing.

4. The failure of a witness to obey the subpoena of the Department subjects the witness to the same penalties prescribed by law for failure to obey a subpoena of a district court.

**Sec. 22.** NRS 362.230 is hereby amended to read as follows:

362.230 1. ~~Every~~ *If any* person ~~extracting any~~ *engages in* mineral ~~in this state, or receiving a royalty in connection therewith, who~~ *extraction or receives royalties from any extractive operation and* fails to file with the Department ~~the statements provided for in~~ *a statement required by* NRS 362.100 to 362.240, inclusive, during the time and in the manner ~~provided for in NRS 362.100 to 362.240, inclusive,~~ *required by those sections:*

(a) *The person* shall pay a penalty of not more than \$5,000 ~~. If any such person fails to file the statement, the~~ *for each such violation; and*

(b) *The* Department may ascertain and certify the *amount of the gross yield*, net proceeds ~~of the minerals extracted or the value of the royalty~~ *and royalties received from the extractive operation* from all data and information obtainable, and the amount of the tax due must be computed on the basis of the ~~amount due~~ *amounts* so ascertained and certified ~~by~~ *by the Department.*



2. The Executive Director shall determine the amount of the penalty ~~[. This]~~ *imposed against the person, and the* penalty becomes a debt due the State of Nevada . ~~[and, upon collection, must be deposited in the State Treasury to the credit of the State General Fund.]~~

3. Any person ~~[extracting any mineral or receiving a royalty]~~ *against whom a penalty is imposed pursuant to this section* may appeal from the imposition of the penalty to the Nevada Tax Commission by filing a notice of appeal in accordance with the requirements set forth in NRS 360.245.

**Sec. 23.** NRS 362.240 is hereby amended to read as follows:

362.240 ~~[Any person who]~~

1. *If any person* verifies under oath to the truthfulness of a statement required by NRS 362.100 to 362.240, inclusive, that is false in any material respect , *the person* shall ~~[be liable to a]~~ *pay a* penalty of not more than 15 percent of the *amount of the* tax ~~[as determined by the]~~ *due as a result of the violation.*

2. *The* Executive Director ~~[after reasonable notice and hearing.]~~ *shall determine the amount of the penalty imposed against the person, and the penalty becomes a debt due the State of Nevada.*

3. *Any person against whom a penalty is imposed pursuant to this section may appeal from the imposition of the penalty to the Nevada Tax Commission by filing a notice of appeal in accordance with the requirements set forth in NRS 360.245.*

**Sec. 24.** NRS 363A.070 is hereby amended to read as follows:

363A.070 The Department shall:



1. Administer and enforce the provisions of this chapter, and may adopt such regulations as it deems appropriate for those purposes.

2. Deposit all taxes, interest and penalties it receives pursuant to this chapter in the State Treasury for credit to the State General Fund ~~§~~, *except that of the taxes, interest and penalties it receives pursuant to NRS 363A.130, the Department shall deposit 0.5 percent in the State Treasury for credit to the Trust Fund to Stabilize the Funding of Education to be used pursuant to section 33 of this act.*

**Sec. 25.** NRS 363A.130 is hereby amended to read as follows:

363A.130 1. There is hereby imposed an excise tax on each employer at the rate of ~~2.5~~ 2.5 percent of the wages, as defined in NRS 612.190, paid by the employer during a calendar quarter with respect to employment in connection with the business activities of the employer.

2. The tax imposed by this section:

(a) Does not apply to any person or other entity or any wages this State is prohibited from taxing under the Constitution, laws or treaties of the United States or the Nevada Constitution.

(b) Must not be deducted, in whole or in part, from any wages of persons in the employment of the employer.

3. Each employer shall, on or before the last day of the month immediately following each calendar quarter for which the employer is required to pay a contribution pursuant to NRS 612.535:

(a) File with the Department a return on a form prescribed by the Department; and

(b) Remit to the Department any tax due pursuant to this section for that calendar quarter.



**Sec. 26.** NRS 377B.170 is hereby amended to read as follows:

377B.170 1. In a county whose population is 700,000 or more and in which a water authority exists, the water authority shall enter into an interlocal agreement with a city or town located in the county whose territory is not within the boundaries of the area served by the water authority or with a public entity in the county which provides water or wastewater services and which is not a member of the water authority to provide a distribution from the infrastructure fund of the water authority to the city, town or public entity after the city, town or public entity has filed with the water authority a detailed plan for acquiring, establishing, constructing, improving or equipping, or any combination thereof, a water or wastewater facility.

2. Such a city, town or public entity may request annually from the infrastructure fund of the water authority an amount of the proceeds of the tax for infrastructure received annually by the water authority that is equal to the proportion that the assessed valuation of taxable property within the boundaries of the city or town or the area served by the public entity, except any assessed valuation attributable to the net proceeds ~~[of minerals.]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive,* bears to the total assessed valuation of taxable property within the county, except any assessed valuation attributable to the net proceeds ~~[of minerals.]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive.* If the boundaries of such a city or town overlap with the boundaries of a public entity in such a county which provides water or wastewater services and which is not a member of the water authority, the water authority shall apportion equally between the city or town and the



public entity the distribution from the infrastructure fund attributable to the assessed valuation in the area where the boundaries overlap.

3. The water authority shall not unreasonably refuse a request from such a city, town or public entity for a distribution from the infrastructure fund pursuant to the provisions of this section.

**Sec. 27.** NRS 349.238 is hereby amended to read as follows:

349.238 1. There must be levied annually a special tax on all property, both real and personal, subject to taxation within the boundaries of the State of Nevada, *that is* fully sufficient, together with the revenue which will result from application of the rate to the net proceeds ~~of~~ *minerals,] from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive, and* without regard to any statutory limitations now or hereafter existing, to pay the interest on the general obligation state securities and to pay and retire the securities as provided in the State Securities Law and in any act supplemental hereto. The amount of money to be raised by the tax must be included in the annual estimate or budget for each county in the state for each year for which the tax is hereby required to be levied. The tax must be levied and collected in the same manner and at the same time as other taxes are levied and collected.

2. The proceeds thereof levied to pay interest on the securities must be kept by the State Treasurer in a special fund, separate and apart from all other funds, and the proceeds of the tax levied to pay the principal of the securities must be kept by the Treasurer in a special fund, separate and apart from all other funds. The two special funds must be used for no other purpose



than the payment of the interest on the securities and the principal thereof, respectively, when due.

**Sec. 28.** NRS 350.592 is hereby amended to read as follows:

350.592 1. There must be levied annually in due season a special tax on all property, both real and personal, subject to taxation within the boundaries of the municipality, *that is* fully sufficient , together with the revenue which will result from application of the rate to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive, and* without regard to any statutory or charter tax limitations other than the limitation set forth in NRS 361.453, to pay the interest on the general obligation municipal securities and to pay and retire the securities as provided in the Local Government Securities Law and in any act supplemental hereto. The amount of money to be raised by the tax must be included in the annual estimate or budget for each county within the state for each year for which the tax is hereby required to be levied. The tax must be levied and collected in the same manner and at the same time as other taxes are levied and collected.

2. The proceeds thereof levied to pay interest on the securities must be kept by the treasurer in a special fund, separate and apart from all other funds, and the proceeds of the tax levied to pay the principal of the securities must be kept by the treasurer in a special fund, separate and apart from all other funds. The two special funds must be used for no other purpose than the payment of the interest on the securities and the principal thereof, respectively, when due; but, except as prevented by any contractual limitations imposed upon the municipality by proceedings appertaining to its outstanding securities, the municipality may provide for a





consolidated debt service fund to pay principal of and interest on outstanding securities, when due.

**Sec. 29.** NRS 354.59811 is hereby amended to read as follows:

354.59811 1. Except as otherwise provided in NRS 244.377, 278C.260, 354.59813, 354.59815, 354.59818, 354.5982, 354.5987, 354.705, 354.723, 450.425, 450.760, 540A.265 and 543.600, for each fiscal year beginning on or after July 1, 1989, the maximum amount of money that a local government, except a school district, a district to provide a telephone number for emergencies or a redevelopment agency, may receive from taxes ad valorem, other than ~~those~~ *taxes* attributable to the net proceeds ~~of minerals,~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive,* or ~~those~~ *taxes* levied for the payment of bonded indebtedness and interest thereon incurred as general long-term debt of the issuer, or for the payment of obligations issued to pay the cost of a water project pursuant to NRS 349.950, or for the payment of obligations under a capital lease executed before April 30, 1981, must be calculated as follows:

(a) The rate must be set so that when applied to the current fiscal year's assessed valuation of all property which was on the preceding fiscal year's assessment roll, together with the assessed valuation of property on the central assessment roll which was allocated to the local government, but excluding any assessed valuation attributable to the net proceeds ~~of minerals,~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive,* assessed valuation attributable to a redevelopment area and assessed valuation of a fire protection district attributable to real property which is transferred from



private ownership to public ownership for the purpose of conservation, it will produce 106 percent of the maximum revenue allowable from taxes ad valorem for the preceding fiscal year, except that the rate so determined must not be less than the rate allowed for the previous fiscal year, except for any decrease attributable to the imposition of a tax pursuant to NRS 354.59813 in the previous year.

(b) This rate must then be applied to the total assessed valuation, excluding the assessed valuation attributable to the net proceeds ~~[of minerals]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, and the assessed valuation of a fire protection district attributable to real property which is transferred from private ownership to public ownership for the purpose of conservation, but including new real property, possessory interests and mobile homes, for the current fiscal year to determine the allowed revenue from taxes ad valorem for the local government.

2. As used in this section, “general long-term debt” does not include debt created for medium-term obligations pursuant to NRS 350.087 to 350.095, inclusive.

**Sec. 30.** NRS 354.59813 is hereby amended to read as follows:

354.59813 1. In addition to the allowed revenue from taxes ad valorem determined pursuant to NRS 354.59811, if the estimate of the revenue available from the supplemental city-county relief tax to the county as determined by the Executive Director of the Department of Taxation pursuant to the provisions of subsection 11 of NRS 360.690 is less than the amount of money that would be generated by applying a tax rate of \$1.15 per \$100 of assessed valuation to the assessed valuation of the county, except any assessed valuation attributable to the net



proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, the governing body of each local government may levy an additional tax ad valorem for operating purposes. The total tax levied by the governing body of a local government pursuant to this section must not exceed a rate calculated to produce revenue equal to the difference between the:

(a) Amount of revenue from supplemental city-county relief tax estimated to be received by the county pursuant to subsection 11 of NRS 360.690; and

(b) The tax that the county would have been estimated to receive if the estimate for the total revenue available from the tax was equal to the amount of money that would be generated by applying a tax rate of \$1.15 per \$100 of assessed valuation to the assessed valuation of the county,

↳ multiplied by the proportion determined for the local government pursuant to subparagraph (2) of paragraph (a) of subsection 4 of NRS 360.690, subparagraph (2) of paragraph (a) of subsection 6 of NRS 360.690 or subparagraph (2) of paragraph (a) of subsection 7 of NRS 360.690, as appropriate.

2. Any additional taxes ad valorem levied as a result of the application of this section must not be included in the base from which the allowed revenue from taxes ad valorem for the next subsequent year is computed.

3. As used in this section, “local government” has the meaning ascribed to it in NRS 360.640.

**Sec. 31.** NRS 354.598747 is hereby amended to read as follows:



354.598747 1. To calculate the amount to be distributed pursuant to the provisions of NRS 360.680 and 360.690 from a county's subaccount in the Local Government Tax Distribution Account to a local government, special district or enterprise district after it assumes the functions of another local government, special district or enterprise district:

(a) Except as otherwise provided in this section, the Executive Director of the Department of Taxation shall:

(1) Add the amounts calculated pursuant to subsection 1 or 2 of NRS 360.680 for each local government, special district or enterprise district and allocate the combined amount to the local government, special district or enterprise district that assumes the functions; and

(2) If applicable, add the average change in population and average change in the assessed valuation of taxable property that would otherwise be allowed to the local government or special district whose functions are assumed, including the assessed valuation attributable to a redevelopment agency but excluding the portion attributable to the net proceeds ~~of minerals, pursuant to~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive, as appropriate under* subsection 4, 5, 6 or 7 of NRS 360.690, ~~as appropriate,~~ to the average change in population and average change in assessed valuation for the local government, special district or enterprise district that assumes the functions.

(b) If two or more local governments, special districts or enterprise districts assume the functions of another local government, special district or enterprise district, the additional



revenue must be divided among the local governments, special districts or enterprise districts that assume the functions on the basis of the proportionate costs of the functions assumed.

↪ The Nevada Tax Commission shall not allow any increase in the allowed revenue from the taxes contained in the county's subaccount in the Local Government Tax Distribution Account if the increase would result in a decrease in revenue of any local government, special district or enterprise district in the county that does not assume those functions. If more than one local government, special district or enterprise district assumes the functions, the Nevada Tax Commission shall determine the appropriate amounts calculated pursuant to subparagraphs (1) and (2) of paragraph (a).

2. If a city disincorporates, the board of county commissioners of the county in which the city is located must determine the amount the unincorporated town created by the disincorporation will receive pursuant to the provisions of NRS 360.600 to 360.740, inclusive.

3. As used in this section:

(a) "Enterprise district" has the meaning ascribed to it in NRS 360.620.

(b) "Local government" has the meaning ascribed to it in NRS 360.640.

(c) "Special district" has the meaning ascribed to it in NRS 360.650.

**Sec. 32.** NRS 380.130 is hereby amended to read as follows:

380.130 1. Whenever it appears to the board of county commissioners of any county having a law library that for any reason any debt incurred in the purchase and establishment of the library has not been fully paid or materially reduced with the money provided by the provisions of NRS 380.110, within the period of 5 years immediately preceding, the board of



county commissioners may, at the next annual tax levy, levy a special tax upon all taxable property within the county, both real and personal , *that is fully* sufficient, together with the revenue which will result from application of the rate to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, to raise a sum which will discharge any such indebtedness, but no more. The money must be placed in the law library fund in the county treasury and must be used for the payment of the indebtedness and for no other purpose.

2. In lieu of the levy of a special tax as provided in subsection 1, the board of county commissioners of any county having a law library may, in the discretion of the board of county commissioners, transfer from the general funds of the county to the law library fund a sufficient sum of money to pay any debts incurred in the purchase and establishment and maintenance of the library, which has not been fully paid or materially reduced with the money provided by the provisions of NRS 380.110, within the period of 5 years immediately preceding March 1, 1959.

**Sec. 33.** Chapter 387 of NRS is hereby amended by adding thereto a new section to read as follows:

*1. The proceeds from the excise tax upon mineral extraction imposed pursuant to paragraph (a) of subsection 6 of NRS 362.140, and all applicable interest and penalties thereon, must be deposited in the State General Fund and apportioned as follows:*

*(a) Two-thirds to the State Distributive School Account in the State General Fund.*

*(b) One-third to the Trust Fund to Stabilize the Funding of Education in the State General Fund.*



*2. The money deposited in the State Distributive School Account pursuant to this section must be used only for distribution to school districts to fund programs for kindergarten through 12th grade to:*

*(a) Reduce class sizes; or*

*(b) Assist pupils with attaining proficiency in the English language.*

*3. The Trust Fund to Stabilize the Funding of Education is hereby created in the State General Fund. The money in the Trust Fund remains in the Trust Fund and does not revert to the State General Fund at the end of any fiscal year. The interest and income earned on the money in the Trust Fund, after deducting any applicable charges, must be credited to the Trust Fund.*

*4. The money deposited in the Trust Fund pursuant to this section or any other statute or from any other source must be used only when the Legislature:*

*(a) Determines that the money deposited in the State Distributive School Account pursuant to this section is insufficient to fund the programs set forth in subsection 2; and*

*(b) Appropriates money from the Trust Fund for distribution to school districts to provide supplemental funding for those programs.*

**Sec. 34.** NRS 387.1235 is hereby amended to read as follows:

387.1235 1. Except as otherwise provided in subsection 2, local funds available are the sum of:

(a) The amount of one-third of the tax collected pursuant to subsection 1 of NRS 387.195 for the school district for the concurrent school year; and



(b) The proceeds of the local school support tax imposed by chapter 374 of NRS, excluding any amounts required to be remitted pursuant to NRS 360.850 and 360.855. The Department of Taxation shall furnish an estimate of these proceeds to the Superintendent of Public Instruction on or before July 15 for the fiscal year then begun, and the Superintendent shall adjust the final apportionment of the current school year to reflect any difference between the estimate and actual receipts.

2. The amount *of the local funds* computed ~~[under]~~ *pursuant to* subsection 1 that is ~~[attributable to]~~ *based on* any assessed valuation attributable to the net proceeds ~~[of minerals]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, must be held in reserve and may not be considered as local funds available until the succeeding fiscal year.

**Sec. 35.** NRS 387.195 is hereby amended to read as follows:

387.195 1. Each board of county commissioners shall levy a tax of 75 cents on each \$100 of assessed valuation of taxable property within the county for the support of the public schools within the county school district.

2. The *amount of the* tax collected pursuant to subsection 1 *that is based* on any assessed valuation attributable to the net proceeds ~~[of minerals]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive*, must not be considered as available to pay liabilities of the fiscal year in which the tax is collected but must be deferred for use in the subsequent fiscal year. The annual budget for the school district must only consider as an available source the *amount of the* tax ~~[on the net proceeds of minerals]~~





~~which was~~ collected in the prior *fiscal* year ~~[ ]~~ *that is based on any assessed valuation attributable to the net proceeds from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive.*

3. In addition to any tax levied in accordance with subsection 1, each board of county commissioners shall levy a tax for the payment of interest and redemption of outstanding bonds of the county school district.

4. The tax collected pursuant to subsection 1 and any interest earned from the investment of the proceeds of that tax must be credited to the county's school district fund.

5. The tax collected pursuant to subsection 3 and any interest earned from the investment of the proceeds of that tax must be credited to the county school district's debt service fund.

**Sec. 36.** NRS 450.660 is hereby amended to read as follows:

450.660 1. At the time of making the levy of county taxes for that year, each board of trustees shall levy a tax *that is fully* sufficient, together with the revenue which will result from application of the rate to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive,* to raise the amount so budgeted upon any real and personal property that is subject to taxation within the boundaries of the district. Any tax levied on interstate or intercounty telephone lines, power lines and other public utility lines pursuant to this section must be based upon valuations as established by the Nevada Tax Commission pursuant to the provisions of NRS 361.315 to 361.330, inclusive.

2. When levied, the tax must be:



- (a) Entered upon the assessment rolls of each county that is included within the district; and
- (b) Collected in the same manner as state and county taxes.

3. When the tax is collected it must be:

- (a) Placed in the treasury of the county in which the district hospital is located;
- (b) Credited to the current expense fund of the district; and
- (c) Used only for the purpose for which it was raised.

**Sec. 37.** NRS 474.190 is hereby amended to read as follows:

474.190 1. Subject to the provisions of subsection 3, the board of directors of each county fire protection district shall prepare annual budgets in accordance with NRS 354.470 to 354.626, inclusive.

2. The budget of a district must be based on estimates of the amount of money that will be needed to defray the expenses of the district and to meet unforeseen emergencies and the amount of a fire protection tax *that is fully* sufficient, together with the revenue which will result from application of the rate to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive,* to raise such sums.

3. The amount of money to be raised for the purpose of establishing, equipping and maintaining the district with fire-fighting facilities must not in any 1 year exceed 1 percent of the assessed value of the property described in NRS 474.200 and any net proceeds ~~[of minerals derived]~~ from *mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive,* within the boundaries of the district.



**Sec. 38.** NRS 474.510 is hereby amended to read as follows:

474.510 1. The board of fire commissioners shall prepare an annual budget in accordance with the provisions of NRS 354.470 to 354.626, inclusive, for each district organized in accordance with NRS 474.460.

2. Each budget must be based on estimates of the amount of money which will be needed to defray the expenses of the district and to meet unforeseen emergencies and the amount of a fire protection tax *that is fully* sufficient, together with the revenue which will result from application of the rate to the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive,* to raise such sums.

3. At the time of making the levy of county taxes for the year, the board of county commissioners shall levy the tax provided by subsection 2, upon all property, both real and personal, subject to taxation within the boundaries of the district. Any tax levied on interstate or intercounty telephone lines, power lines and other public utility lines as authorized in this section must be based upon valuations established by the Nevada Tax Commission pursuant to the provisions of NRS 361.315 to 361.330, inclusive.

4. The amount of tax to be collected for the purposes of this section must not exceed, in any 1 year, 1 percent of the value of the property described in subsection 3 and any net proceeds ~~[of minerals derived]~~ from *mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to 362.240, inclusive,* within the boundaries of the district.



5. If levied, the tax must be entered upon the assessment roll and collected in the same manner as state and county taxes. Taxes may be paid in four approximately equal installments at the times specified in NRS 361.483, and the same penalties as specified in NRS 361.483 must be added for failure to pay the taxes.

6. For the purposes of NRS 474.460 to 474.540, inclusive, the treasurer of the district shall keep two separate funds for each district, one to be known as the district fire protection operating fund and one to be known as the district emergency fund. The money collected to defray the expenses of any district organized pursuant to NRS 474.460 must be deposited in the district fire protection operating fund, and the money collected to meet unforeseen emergencies must be deposited in the district emergency fund. The district emergency fund must be used solely for emergencies and must not be used for regular operating expenses. The money deposited in the district emergency fund must not exceed the sum of \$1,000,000. Any interest earned on the money in the district emergency fund that causes the balance in that fund to exceed \$1,000,000 must be credited to the district fire protection operating fund.

7. For the purposes of subsection 6, an emergency includes, without limitation, any event that:

(a) Causes widespread or severe damage to property or injury to or the death of persons within the district;

(b) As determined by the district fire chief, requires immediate action to protect the health, safety and welfare of persons who reside within the district; and



(c) Requires the district to provide money to obtain a matching grant from an agency of the Federal Government to repair damage caused by a natural disaster that occurred within the district.

**Sec. 39.** NRS 514A.060 is hereby amended to read as follows:

514A.060 Notwithstanding any other provision of law, the Commission shall provide oversight of compliance with Nevada law relating to the activities of each state agency, board, bureau, commission, department or division with respect to the taxation, operation, safety and environmental regulation of mines and mining in this State, including, without limitation, the activities of:

1. The Nevada Tax Commission and the Department of Taxation in *the administration of the provisions of NRS 362.100 to 362.240, inclusive, concerning* the taxation of the net proceeds ~~[of minerals pursuant to chapter 362 of NRS and Section 5 of Article 10 of the Nevada Constitution.]~~ *from mineral extraction and royalties.*

2. The Division of Industrial Relations of the Department of Business and Industry in ~~[administering]~~ *the administration of* the provisions of chapter 512 of NRS concerning the safe and healthful working conditions at mines.

3. The Commission on Mineral Resources and the Division of Minerals of the Commission in the administration of the provisions of chapters 513 and 522 of NRS concerning the conduct of mining operations and operations for the production of oil, gas and geothermal energy in the State.



4. The Bureau of Mines and Geology of the State of Nevada in the Public Service Division of the Nevada System of Higher Education in ~~its~~ *the* administration of the provisions of chapter 514 of NRS.

5. The Division of Environmental Protection of the State Department of Conservation and Natural Resources in ~~its~~ *the* administration of the provisions of chapter 519A of NRS concerning the reclamation of mined land, areas of exploration and former areas of mining or exploration.

**Sec. 40.** NRS 514A.110 is hereby amended to read as follows:

514A.110 A permanent regulation adopted by the:

1. Nevada Tax Commission, pursuant to NRS 360.090, concerning any taxation related to the extraction of any mineral in this State, including, without limitation, the taxation of the net proceeds *from mineral extraction and royalties* pursuant to ~~chapter 362 of NRS and Section 5 of Article 10 of the Nevada Constitution;~~ *NRS 362.100 to 362.240, inclusive;*

2. Administrator of the Division of Industrial Relations of the Department of Business and Industry for mine health and safety pursuant to NRS 512.131;

3. Commission on Mineral Resources pursuant to *NRS* 513.063, 513.094 or 519A.290; and

4. State Environmental Commission pursuant to NRS 519A.160,

↪ is not effective unless it is reviewed by the Mining Oversight and Accountability Commission before it is approved pursuant to chapter 233B of NRS by the Legislative Commission or the Subcommittee to Review Regulations appointed pursuant to subsection 6 of NRS 233B.067. After conducting its review of the regulation, the Mining Oversight and Accountability



Commission shall provide a report of its findings and recommendations regarding the regulation to the Legislative Counsel for submission to the Legislative Commission or the Subcommittee to Review Regulations, as appropriate.

**Sec. 41.** NRS 522.115 is hereby amended to read as follows:

522.115 1. For purposes of determining the respective rights of the lessor and lessee and the owners of a royalty interest, overriding royalty interest and any other nonworking interest in the money earned from an oil and gas lease or other agreement concerning the sale of the production from an oil or gas well located in this state:

(a) The lessee is liable for all of the costs of production, which must be deducted from the working interest.

(b) The lessor's interest, the mineral owner's royalty interest and the overriding royalty interest must not be decreased by the costs of production.

(c) The following information must be reported with each remittance, unless otherwise reported each month, to the owner of an interest:

- (1) The name or number used to identify the lease, property or well;
- (2) The month and year during which any sale occurred for which payment is being made;
- (3) The total number of barrels of oil or thousands of cubic feet of gas sold;
- (4) The price per barrel of oil or the price per thousand cubic feet of gas;
- (5) The total amount of state taxes on the net proceeds ~~[of minerals,]~~ *from mineral extraction and royalties subject to the excise tax pursuant to the provisions of NRS 362.100 to*



**362.240, inclusive**, taxes ad valorem and other taxes on the production from an oil or gas well, if the payment of those taxes reduces the amount paid to the owner of an interest;

(6) An itemized list of any other deductions or adjustments that reduce the amount paid to the owner of an interest;

(7) The net value of total sales after deductions or adjustments that reduce the amount paid to the owner of an interest;

(8) The percentage share of the owner of an interest in the sales of the production from the oil or gas well, lease or property as expressed by a decimal number;

(9) The share of the total value attributed to the owner of an interest in the sales of the production from the oil or gas well, lease or property before any deductions or adjustments and after any deductions or adjustments; and

(10) A name and an address where the owner of an interest may receive clarification of the information reported pursuant to this paragraph and additional information concerning the owner's interest. If information is requested by certified mail, an answer must be mailed by certified mail within 30 days after receipt of the request.

2. Any person who fails to report information pursuant to paragraph (c) of subsection 1 is liable to the affected owner of an interest, except for the working interest, in the amount of \$100 for each violation and \$100 for each month that elapses thereafter until the information is provided.





3. As used in this section, the term “costs of production” means all costs incurred for the exploration and development of, primary or enhanced recovery of oil or gas from, and operations associated with the abandonment of, an oil or gas well, including costs associated with the:

- (a) Acquisition of an oil and gas lease;
- (b) Drilling and completion of the well;
- (c) Pumping or lifting, recycling, gathering, compressing, pressurizing, heater treating, dehydrating, separating and storing of oil or gas; and
- (d) Transporting of oil to storage tanks, or gas into the pipeline for delivery.

↪ The term does not include the reasonable and actual direct costs associated with transporting oil from storage tanks to the market, gas from the point of entry into the pipeline to the market or the processing of gas in a processing plant.

**Sec. 42.** NRS 362.105 is hereby repealed.

**Sec. 43.** 1. At the general election on November 4, 2014, the Secretary of State shall, pursuant to Section 2 of Article 19 of the Nevada Constitution, submit the provisions of this act to the registered voters of this State, for approval or disapproval, as a different measure on the same subject contained in the initiative petition that was transmitted to the 77th Session of the Legislature by the Secretary of State on February 4, 2013, under the name “The Education Initiative.”

2. Notwithstanding the provisions of any other law, the provisions of subsection 1:

- (a) Take precedence over any other elections law; and



(b) Impose a mandatory ministerial duty upon the Secretary of State and do not allow for the exercise of any discretion or judgment.

3. Notwithstanding the provisions of any other law, no person, entity or state or local officer, agency or political subdivision of any kind has any right or standing, on or before the general election on November 4, 2014, to bring an action or otherwise raise, maintain or prosecute a claim, either in law or in equity, in whole or in part, or facially or as applied, asking for any declaratory, injunctive, mandamus or other relief that prevents or bars this act from being submitted to the voters or placed on the ballot at the general election on November 4, 2014.

**Sec. 44.** 1. This section and sections 1 and 43 of this act become effective upon passage and approval.

2. Sections 2 to 42, inclusive, of this act become effective on January 1, 2015, only if:

(a) Pursuant to Section 2 of Article 19 of the Nevada Constitution, the provisions of this act are approved and ratified by the voters at the general election on November 4, 2014, and receive more affirmative votes at that general election than the initiative petition that was transmitted to the 77th Session of the Legislature by the Secretary of State on February 4, 2013, under the name “The Education Initiative”; and

(b) Pursuant to Section 1 of Article 16 of the Nevada Constitution, the provisions of Senate Joint Resolution No. 15, proposed and agreed to by the 76th Session of the Legislature and published as file number 44, Statutes of Nevada 2011, at page 3871, are agreed to and passed by the 77th Session of the Legislature and are approved and ratified by the voters at the general election on November 4, 2014.



3. Sections 24 and 25 of this act expire by limitation on December 31, 2015.

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**TEXT OF REPEALED SECTION**

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**362.105 “Royalty” defined.** As used in NRS 362.100 to 362.240, inclusive, unless the context otherwise requires:

1. “Royalty” means a portion of the proceeds from extraction of a mineral which is paid for the privilege of extracting the mineral.

2. “Royalties” do not include:

- (a) Rents or other compensatory payments which are fixed and certain in amount and payable periodically over the duration of the lease regardless of the extent of extractions; or

- (b) Minimum royalties covering periods when no mineral is extracted if the payments are fixed and certain in amount and payable on a regular periodic basis.

