

How Increased Sales and Use Tax Enforcement Can Help the Budget

By Richard A. Vallari CPA, CMI

In this issue of The Silver State CPA, I've decided to devote this space to an idea instead of a technical concept. The idea is based on conversations with Nevada Sales Tax auditors, media accounts, and personal observation. I believe the way to capture revenues currently not making it to the state chauffeurs is to enhance audit presence and to be more aggressive in collecting delinquent taxes.

The challenges faced by lawmakers during the 2009 legislative budget session and the 2010 special session to maintain current state services and address declining tax revenues in a down economy are not unique to Nevada. Many states have responded to this challenge by reducing services and increasing taxes. In Nevada, revenues are expected to decline over the next biennium as temporary tax increases expire and stimulus monies are exhausted. The pressure to maintain the current level of state services with reduced spending is critical now more than ever.

While different studies have been conducted regarding the shortcomings of Nevada's tax structure, there has been very little mention on how to enhance the system already in place. The need to impose a gross receipts tax, a personal income tax, expand the sales tax base to include services, and raise rates on existing taxes, have been tossed around by various groups amongst other concepts. However, I believe new taxes and tax increases would have an adverse affect on business and slow economic recovery. In addition, the favorable tax climate Nevada enjoys compared to neighboring states would be greatly reduced. I believe compliance with state sales and use tax laws are critical during this recession; this can only be achieved through additional auditors to assist those already on the front lines.

I recently read that New York State, in the midst of their annual effort to balance their budget, is looking to hire 330 tax auditors and investigators, with the goal of bringing in billions of dollars in additional tax revenue. This is an amazing development considering that 20% of New York's budget is ab-

sorbed by state labor costs, and the budget deficit is approximately \$9.2 billion.

The reaction I receive when conveying this news to sales tax auditors in Nevada is that of astonishment. In a state where departments and agencies are being asked to slash costs by double digit percentages and workers are being forced to take furlough days, this concept might seem bizarre. But New York, facing the same challenges on a much greater scale, realizes that a strong audit presence encourages "taxpayer compliance".

There are approximately 50 sales and use tax auditors in Nevada. The annual goal of the department is to audit four percent of all active business licenses. Most sales and use tax auditors manage to close four audits a month. While it's difficult to determine the total amount of active business licenses, a posted press release dated April 8, 2010 indicates that the Commercial Recordings Division at the Nevada Secretary of State issued 111,419 state business licenses since taking over the function Oct. 1 of last year.

While many of the licensees may be service-based industries required only to file an annual Use Tax return, the challenge to keep up with the larger entities that may sell tangible personal property or purchase many items from outside of the state is enormous. Accordingly, the need to increase the audit presence in Nevada and be more aggressive collecting delinquent taxes is crucial during these hard times.



Rich is the founder of Southwest Sales tax Solutions, LLC. He has 23 years of experience in the accounting industry, including over 20 years of experience handling sales and use tax issues. He has worked in both industry and public accounting, including one of the National CPA Firms. Rich is a member of the Institute of Professionals in Taxation, earning his designation as a CMI. This designation is widely known as a mark of achievement and distinction in the sales and use tax field. You can contact Rich at (702) 233-0049 or by e-mail at rvallari@cox.net.