

When Enforcement Lacks.....

By Richard A. Vallari CPA, CMI

By the time you are reading this article, the biennial meeting of the Nevada Legislature will have concluded. New laws and regulations are adopted, and the course of the state over the next two years has been charted.

The latest budget epic in Nevada is, unfortunately, a battle of political ideologies regarding funding of government to provide services. It is a battle being fought in many states with most states having tapped all possible sources of revenue and maxing out their credit lines. The stress on citizens and politicians to create an equitable solution and provide effective government services is high. Sales tax plays a critical role in this epic, especially in Nevada. Whatever the outcome of this session, sales tax is certain to have been a large part of the discussion, and perhaps the solution.

I have been reading with great interest many published articles (in various media sources) that claim to solve Nevada's budget problems. Some articles suggest tax increases are needed, others advocate an expansion of the tax base to include services. Whether it's Senate Bill 491 pushing for a "margin tax" and the postponement of the expiration of certain taxes, or Assembly Bill 569 which advocates a "transaction tax", neither bill addresses the flaws of our current tax system: compliance and enforcement. I believe this is the main failure in our current tax

system and why adequate revenues to meet Nevada's budget needs are lacking.

As a practitioner who works strictly with sales and use tax, I can assure you there is a lot of uncollected tax out there. The main fault with our tax structure lies within the enforcement mechanism which ensures sales tax is properly reported and remitted. This is not a knock towards the Department of Taxation's current audit staff. Just the opposite – there are not enough auditors in place to adequately ensure compliance. With less than 50 sales tax auditors in the state to ensure sales tax compliance and a political climate that stresses cutting back on the cost of state workers through furlough days, layoffs, and attrition, I'm baffled at the suggestion of new taxes without suggesting additional enforcement. If Nevada cannot currently assure citizens that the current sales tax system in place is adequately enforced, what guarantees that expanding the sales tax base to services or implementing an additional tax based on gross receipts or some other measure can also be enforced properly?

The matter of increasing taxes has the potential to be a short term revenue fix while expansion of the sales tax base to services to diversify the source of sales tax revenues is short sighted. Neither bill (to the best of my knowledge) addresses the lack of compliance and enforcement in this state. If politicians truly understood the main faults in our current tax system, they would be advocating funding enforcement rather than the implantation of new taxes or the expansion of the current sales tax base. Until this is achieved, Nevada will continue to have funding shortfalls that will become the main focus at every biennial gathering.

Alert - At the time of print AB569 and SB491 did not pass the legislature.

Alert - Misprint

In the May issue of the Silver State CPA, it was brought to our attention that an ad for Bob Ranweiler's Tax Advisors Update had a misprint. The correct information is listed below:

Las Vegas Course -
12/12/11

Reno Course -
12/13/11



Back by popular demand, Bob's popular Tax Advisors Update is returning to Nevada!

To register call the Society at 1 (800) 554-8254.



Rich is the founder of Southwest Sales Tax Solutions, LLC. He has over 20 years of experience handling sales and use tax issues. His company specializes in sales and use tax audit representation and consulting. Rich is a licensed CPA, a member of the Nevada Society of CPA's and the American Institute of Certified Public Accountants. Rich is also a member of the Institute for Professionals in Taxation, earning his designation as a Certified Member of the Institute in Sales Tax (CMI). Rich may be contacted at (702) 233-0049 or at rvallari@cox.net. Visit www.swsalestax.com for more information.