



INFORMATION ABOUT

Arizona – Nevada Business Cost Comparison

Business costs and taxes will vary based on specific locations.

Taxes	Arizona	Nevada	Taxes	Arizona	Nevada
State Corporate Income Tax ¹	6.968%	No	Franchise Tax	No	No
Personal Income Tax ²	2.59%-4.54%	No	Capital Gains Tax ⁵	2.59%-4.54%	No
Payroll Tax ³	No	0.5%	Unemployment Ins Tax	.02%-5.4%	.25%-5.4%
Property Tax ⁴	*22% of Full Cash Value (2009)	3.15% of the Assessed Value	Unitary Tax ⁶	No	No

Nevada's 2009 Business Tax Climate Ranks 3rd - The Index compares the states in five areas of taxation that impact business: corporate taxes, individual income taxes, sales taxes, unemployment insurance taxes, and property taxes. Neighboring states ranked as follows: California (48th), Oregon (9th), Idaho (29th), Utah (11th), Arizona (22nd), Washington (12th), Colorado (13th) & New Mexico (26th) (Source: Tax Foundation www.taxfoundation.org/taxdata/show/22661.html)

Business Costs	Arizona	Nevada
Annual Lease Rates ⁷	Phoenix - \$1,860,000	Reno - \$1,020,000
Payroll Tax costs ⁸	No	\$3,005
Property Tax Cost ⁹	\$151,360	\$55,125
Utility Costs ¹⁰	\$34,907 APS (Phoenix)	\$46,835 NV Energy (Reno)

Workman's Compensation Costs

Description	Arizona Rate	Nevada Rate
Class 2915 – Veneer Products Mfg	\$7.20	\$5.97
Class 3632 - Machine Shop NOC	\$2.91	\$5.87
Class 8017 – Store: Retail NOC	\$1.66	\$1.90
Class 8810 - Clerical Office Employees NOC	\$0.24	\$0.64

NOC = Not Otherwise Classified

Source: Oregon Department of Consumer and Business Services: Comp Premium Rate Rankings by Class & State - 2008 (www.cbs.state.or.us/imd/rasums/2083/08web/08_2083.pdf)

The rates listed for each state are calculated manual rates and may include loss cost multipliers and assessments.

*Note: Nevada also has a payroll cap: \$36,000 of reportable payroll per employee, per employer, per year. However, no adjustment was made to Nevada's rates to compensate for its payroll limitation on workers' compensation premium.

1. A company with net profits of \$5,000,000 will pay 6.968% or \$348,400 per year in Arizona corporate income tax. (Source: Tax Administration 2008 www.taxadmin.org/fta/rate/corp_inc.html) **Nevada has no corporate income tax.**
2. Personal income taxes affect businesses significantly because roughly 90% of businesses file taxes as individuals (e.g. sole proprietorships and partnerships)..(Sources: U.S. Small Business Administration; Tax Foundation 2009 www.taxfoundation.org/taxdata/show/228.html) **Nevada has no personal income tax.**
3. **Nevada's Payroll Tax:** If the sum of all taxable wages, **after health care deductions**, paid by the employer doesn't exceed \$62,500 for the calendar quarter, the amount of tax is 0.5% of the sum of those wages (0.005) If the sum of all wages exceeds \$62,500, the tax is \$312.50 plus 1.17% of the amount the wage exceeds \$62,500. (Source: State of Nevada Legislation Bill SB429 effective July 1, 2009)
4. Business property tax rate in Arizona is ***22% of the full cash value** of the property. (Assessed value is equal to 22% of the full cash value ÷ 100 x the tax rates set in August – a sum of state, county, city, school & special district rates.) Average rates in Nevada are **3.15%* on assessed value** (Assessed value is equal to **35%** of the taxable value, which is new replacement cost, less depreciation) *No distinction between residential & business (Sources: Maricopa County Arizona (Phoenix) Dept of Finance <http://www.maricopa.gov/finance/PDF/Tax/TaxRateBklt2008.pdf> , AZ House Republicans <http://azhouserepublicans.com/files/category-jobs.html> ; Nevada Dept of Taxation http://tax.state.nv.us/property_tax.htm)
5. "...access to capital is an enormous obstacle for businesses, and state capital gains taxes affect the economy by directly reducing the rate of return on investment and entrepreneurship.(Source: Small Business Survival Index 2008) **Nevada has no capital gains tax.**
6. A unitary tax is a state corporate income tax on worldwide income. Although they are unpopular with corporations, unitary taxes are instituted by governments to foil firms that use creative accounting techniques to transfer their income to states or countries with low income-tax rates. **Nevada has no unitary tax.**
7. Based on average industrial rates for Reno/Sparks, Nevada (\$0.34 per sf per mo.*) and Phoenix, Arizona (\$0.62 per sf per mo*) for 250,000 square feet of industrial warehouse space. (Sources: Miller Industrial Properties 2009 Q1 <http://millerindustrial.wordpress.com/> ; CB Richard Ellis-Phoenix Business Journal 4-09 <http://phoenix.bizjournals.com/phoenix/stories/2009/04/06/daily68.html>) *Taxes, Insurance and maintenance charges are not included in the rates.
8. **Nevada's Payroll Tax Example:** This is assuming \$100,000 in wages per quarter - \$312.50 plus \$438.75 (1.17% x \$37,500, the amt exceeding \$62,500) = \$751.25 per quarter X 4 = \$3,005 (See #3 above for complete formula)
9. **Arizona Example:** Business property valued at \$5M would pay \$151,360. (\$5M x 22%=Assessed value ÷ 100 x an assumed tax rate of \$13.76 (combination of taxes from various entities) and **3.15% of assessed value** (\$55,125*) in Nevada. - * \$5M X .35% = \$1,750,000 assessed value X 3.15% (See #4 above for Sources)
10. Based on an industrial user of 400,000 kWh per month and average rates taking into account summer and winter usage. (Source: Edison Electric Institute – Industrial Rates in effect July 1, 2008)

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<http://www.nvenergy.com/economicdevelopment>

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