



## INFORMATION ABOUT

# California – Nevada Business Cost Comparison

Business costs and taxes will vary based on specific locations.

Taxes	California	Nevada	Taxes	California	Nevada
State Corporate Income Tax <sup>1</sup>	8.84%	No	Franchise Tax	Yes	No
Personal Income Tax <sup>2</sup>	1.25 to 10.55%	No	Capital Gains Tax <sup>5</sup>	Up to 10.55%	No
Payroll Tax <sup>3</sup>	1.5% (SF) \$1.01-\$5.07 per \$1K (LA)	0.5%	Unemployment InsTax	1.5%-6.2%	.25%-5.4%
Property Tax <sup>4</sup>	1.10%	3.15%	Unitary Tax <sup>6</sup>	Yes	No

**Nevada's 2009 Business Tax Climate Ranks 3<sup>rd</sup>** - 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 (48<sup>th</sup>), Oregon (9<sup>th</sup>), Idaho (29<sup>th</sup>), Utah (11<sup>th</sup>), Arizona (22<sup>nd</sup>), Washington (12<sup>th</sup>), Colorado (13<sup>th</sup>) & New Mexico (26<sup>th</sup>) (Source: Tax Foundation [www.taxfoundation.org/taxdata/show/22661.html](http://www.taxfoundation.org/taxdata/show/22661.html))

Business Costs	California	Nevada
Annual Lease Rates <sup>7</sup>	San Jose - \$2,580,000	Reno - \$1,020,000
Payroll Tax costs	\$6,000 <sup>8</sup>	\$3,005 <sup>9</sup>
Property Tax Cost <sup>10</sup>	\$55,000	\$55,125
Utility Costs <sup>11</sup>	\$47,082 PG&E	\$46,835 NV Energy (Reno)

### Workman's Compensation Costs

Description	California Rate	Nevada Rate
Class 2915 – Veneer Products Mfg	\$7.04	\$5.97
Class 3632 - Machine Shop NOC	\$4.95	\$5.87
Class 8017 – Store: Retail NOC	\$4.10	\$1.90
Class 8810 - Clerical Office Employees NOC	\$0.64	\$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](http://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 8.84% or \$442,000 per year in California corporate income tax. **Nevada has no corporate income tax.** (Source: Tax Administration 2008 [www.taxadmin.org/fta/rate/corp\\_inc.html](http://www.taxadmin.org/fta/rate/corp_inc.html))
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](http://www.taxfoundation.org/taxdata/show/228.html))  
**Nevada has no personal income tax.**
3. Payroll Expense Taxes (Gross receipts taxes) for San Francisco (1.5%), for Los Angeles (\$1.01-\$5.07 per \$1K of gross receipts). In Nevada, 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. (Sources: [http://www.sfgov.org/site/treasurer\\_page.asp?id=14976](http://www.sfgov.org/site/treasurer_page.asp?id=14976) San Francisco Treasurer and Tax Collector ; [http://www.lacity.org/Finance/pdf/TaxRateTable\\_2009.pdf](http://www.lacity.org/Finance/pdf/TaxRateTable_2009.pdf) City of Los Angeles, Office of Finance; State of Nevada Legislation Bill SB429 effective July 1, 2009)
4. Average business property tax rates in California are \$1.10 per \$100 of assessed value (1.10%). Average rate in Nevada is 3.15%\* of the assessed value. (Assessed value is equal to 35% of the taxable value, which is new replacement cost, less depreciation) \*No distinction between personal & business property tax. (Sources: California Board of Equalization [www.boe.ca.gov/annual/statindex0506.htm#pt](http://www.boe.ca.gov/annual/statindex0506.htm#pt) ; Nevada Dept of Taxation [http://tax.state.nv.us/property\\_tax.htm](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. Computation for California unitary tax is found here: [www.assembly.ca.gov/acs/committee/c21/publications/Reference\\_Book/2001/CHAPTER2D.doc](http://www.assembly.ca.gov/acs/committee/c21/publications/Reference_Book/2001/CHAPTER2D.doc) **Nevada has no unitary tax.**
7. Based on average industrial rates for Reno/Sparks, Nevada (\$0.34\* per sf per month) and San Jose, California (\$0.86\* per sf per month) for 250,000 square feet of industrial warehouse space.(California Source: Cal Real Estate Journal Feb 2009 <http://www.carealestatejournal.com/newswire/index.cfm?sid=&tkn=&eid=899889&evd=1>) Nevada Source: Miller Industrial Properties – 2009 Q1 <http://millerindustrial.wordpress.com/> ) \*Taxes, Insurance and maintenance charges are not included in the rates.
8. **San Francisco payroll tax** of 1.5%\*. **Example:** Company annual payroll of \$400,000 X 1.5% = \$6,000 payroll tax annually. (Source: \*State of California – each city has a different payroll tax.)
9. **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)
10. Business property with an **assessed value** of \$5M would pay \$1.10 per \$100 of assessed value (\$55,000) in California and 3.15% on **assessed value** (\$55,125\*) in Nevada. \* \$5M X .35% = \$1,750,000 assessed value X 3.15% (See #4 above for Sources)
11. 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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