

INFORMATION ABOUT

Arizona – Nevada Business Cost Comparison

Business costs and taxes will vary based on specific locations. Based on \$50 million in net profit.

Taxes	Arizona	Nevada
State Corporate Income Tax ¹	6.968% x \$50M net profits	No
Personal Income Tax ²	2.59%-4.54%	No
Payroll Tax ³	No	0.5%
Property Tax- *Real & ^Personal ⁴	*22% of Full Cash Value in '09 & ^See #4	*3.15% of Assessed Value ^Personal - see # 4
Franchise Tax	No	No
Capital Gains Tax ⁵	2.59%-4.54%	No
Unemployment Ins Tax	.02%-5.4%	.25%-5.4%
Transaction Privilege Tax ⁶	Yes	No

Nevada's 2010 Business Tax Climate Ranks 4th

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), and 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	\$756,800	\$275,625
Utility Costs ¹⁰	\$34,907 APS (Phoenix)	\$46,835 NV Energy (Reno)

Workman's Compensation Costs

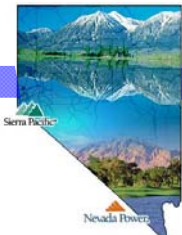
Description	Arizona Rate	Nevada Rate - *See note below
Class 2915 - Veneer Products Mfg	\$5.52	\$5.21
Class 3632 - Machine Shop NOC	\$3.83	\$3.63
Class 8017 - Store: Retail NOC	\$2.30	\$2.06
Class 8810 – Clerical NOC	\$0.28	\$0.60

NOC = Not Otherwise Classified

Source: National Council on Compensation Insurance (NCCI) – www.ncci.com – Rates effective 3/1/11

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.



INFORMATION ABOUT

1. A company with net profits of \$50,000,000 will pay 6.968% or \$3,484,000 per year in Arizona corporate income tax. (**Source:** Tax Administration 2010 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; Federation of Tax Administrators 2010 http://www.taxadmin.org/fta/blue/ind_inc.pdf) **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. **Arizona Business Real Property Tax Rate:** Average 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.)
Arizona Business Personal Property Tax Rate: Personal property is considered to be movable and not permanently attached to real estate. Based on original cost and age of all personal property in your possession as of December 31st of the prior year, the County Assessor will calculate the current replacement cost new, less depreciation (Full Cash Value) of each item. The Assessed Value is based on the Full Cash Value after application of the \$66,440 exemption, if qualified. The tax rates for the county and local governmental jurisdictions in which the business operates are applied to the Assessed value.
Nevada Business Real Property Tax Rate: Average 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.
Nevada Business Personal Property Tax Rate: \$3.66 per \$100 of assessed value.
(**Sources:** Maricopa County Arizona (Phoenix) Dept of Finance <http://www.maricopa.gov/finance/PDF/Tax/TaxRateBklt2008.pdf>; Maricopa County Assessor <http://www.maricopa.gov/assessor/FaqAll.aspx>; Nevada Taxpayers Association www.nevadataxpayers.org/pdf/property-tax-2009-10.pdf - See # 9 below for examples)
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. **Transaction Privilege Tax:** If you are selling a product or engaging in a service subject to transaction privilege tax, you will most likely need to obtain the state transaction privilege tax (TPT) license from the Arizona Department of Revenue (commonly referred to as a sales tax, resale, wholesale, vendor or tax license) **and** a transaction privilege tax or business/occupational license from the city(ies) in which you are based and/or operate.

(**Source:** <http://www.azdor.gov/Business.aspx>; <http://www.azdor.gov/Portals/0/TPTRates/201004.pdf>)

Nevada has no transaction privilege tax.

7. Based on average industrial rates for Reno/Sparks, Nevada (\$0.34 per square foot per month*) and Phoenix, Arizona (\$0.62 per square foot per month*) 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 for complete formula.
9. **Arizona Real Property Tax Example:** \$25,000,000 x .22 = Assessed value ÷ 100 x an assumed tax rate of \$13.76* = \$756,800 (*Combination of taxes from various entities.) See # 4 for sources.
Nevada Real Property Tax Example: \$25,000,000 X .35 = \$8,750,000 assessed value x .0315 = \$275,625 -See # 4 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)

(Rev. 4/10)