

INFORMATION ABOUT

California – Nevada Business Cost Comparison

Business costs and taxes will vary based on specific locations. Based on \$100 million in net profit.

Taxes	California	Nevada
State Corporate Income Tax ¹	8.84% x \$100M net profits	No
Personal Income Tax ²	1.25 to 10.55%	No
Payroll Tax ³	1.5% (SF) \$1.01-\$5.07 per \$1K (LA)	0.5%
Property Tax – *Real & ^Personal ⁴	* 1.1% of FCV - ^Personal - see # 4	*3.15% of Assessed Value ^Personal - see # 4
Franchise Tax	Yes	No
Capital Gains Tax ⁵	Up to 10.55%	No
Unemployment Insurance Tax	1.5%-6.2%	.25%-5.4%
Unitary 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	California	Nevada
Annual Lease Rates- 250K sf Industrial ⁷	San Jose - \$2,580,000	Reno - \$1,020,000
Payroll Tax Costs - \$400K Annual Payroll	\$6,000 ⁸	\$3,005 ⁹
Property Tax Cost on \$25M Property ¹⁰	\$275,000	\$275,625
Utility Costs ¹¹	\$47,082 PG&E	\$46,835 NV Energy (Reno)

Workman's Compensation Costs

Description	California Rate**	Nevada Rate - *See note below
Class 2915 - Veneer Products Mfg	\$7.56	\$5.21
Class 3632 - Machine Shop NOC	\$5.23	\$3.63
Class 8017 - Store: Retail NOC	\$4.19	\$2.06
Class 8810 – Clerical NOC	\$0.59	\$0.60

NOC = Not Otherwise Classified

California Source: California Dept of Insurance – 2011 Compensation Rate Comparisons (**Average of top insurers' base rates) <http://www.insurance.ca.gov/0100-consumers/0010-buying-insurance/0080-compare-premiums/0010-workers-comp-rate-comp/index.cfm>

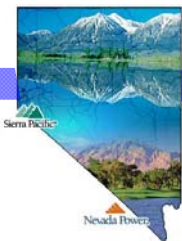
Nevada Source: National Council on Compensation Insurance (NCCI) – www.ncci.com – Rates effective 3/1/11

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.

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

Economic Development, NV Energy - 1.775.834.3636 or 1.800.824.8856



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1. A company with net profits of \$100,000,000 will pay 8.84% or \$8,840,000 per year in California corporate income tax. **Nevada has no corporate income tax.** (Source: Tax Administration 2010 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; Federation of Tax Administrators 2010 http://www.taxadmin.org/fta/rate/ind_inc.pdf) **Nevada has no personal income tax.**
3. **Payroll Expense Taxes in California:** (Gross receipts taxes) for San Francisco (1.5%), for Los Angeles (\$1.01-\$5.07 per \$1K of gross receipts). **Payroll Expense Taxes 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 San Francisco Treasurer and Tax Collector 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. **California Business Real Property Tax Rate:** Average 1.1% of full cash value (1% allowed by Proposition 13, plus the addition of other allowable taxes. Proposition 13 limits annual increases in the value of real property to the previous year's California Consumer Price Index for all items, up to a maximum of 2%.
Note: ^ In California, **(business) personal property** assessment increases are not limited to only two percent per year. Rather, personal property, or "business property," is assessed annually at its fair market value as of the lien date. <http://library.findlaw.com/1998/Jun/1/130340.html>
Nevada Business Real Property Tax Rate: Average 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. **Nevada Business Personal Property Tax Rate:** \$3.66 per \$100 of assessed value. (Sources: California Board of Equalization <http://www.boe.ca.gov/annual/pdf/2008/3-property08.pdf> ; Nevada Dept of Taxation http://tax.state.nv.us/property_tax.htm; Nevada Taxpayers Association www.nevadataxpayers.org/pdf/property-tax-2009-10.pdf - See examples in # 10 below
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
Nevada has no unitary tax.
7. Based on average industrial rates for Reno/Sparks, Nevada (\$0.34* per square foot per month) and San Jose, California (\$0.86* per square foot 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&evid=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 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 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 formula.
10. **California Real Property Tax Example:** Assuming a full cash value of \$25,000,000 x .011 (1.1%) = \$275,000;
Nevada Real Property Tax Example: \$25,000,000 X .35 = \$8,750,000 assessed value x .0315 = \$275,625
See # 4 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)

(Rev. 4/10)