



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 ¹	8.84%	No	Franchise Tax	Yes	No
Personal Income Tax ²	1.0 to 9.3%	No	Capital Gains Tax ⁵	Up to 9.3%	No
Payroll Tax ³	1.50%	.63%	Unemployment Insurance Tax	1.3%-5.4%	.25%-5.4%
Property Tax ⁴	1.10%	3.15%	Unitary Tax ⁶	Yes	No

Nevada's 2007 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 taxes on property, including residential and commercial property. Neighboring states ranked as follows: California (47th), Oregon (10th), Idaho (31st), Utah (17th) and Arizona (25th). (Source: Tax Foundation <http://www.taxfoundation.org/research/topic/42.html>)

Business Costs	California	Nevada
Annual Lease Rates ⁷	San Jose - \$1,890,000	Reno - \$1,020,000
Payroll Tax costs	\$67,500 ⁸	\$26,933 ⁹
Property Tax Cost ¹⁰	\$55,000	\$55,125
Utility Costs ¹¹	\$61,182 PG&E	\$46,184 Sierra Pacific (Reno)

Workman's Compensation Costs

Description	California Rate	Nevada Rate
Class 2915 – Veneer Products Mfg	\$9.95	\$6.53
Class 3632 - Machine Shop NOC	\$7.12	\$4.78
Class 8018 – Store: Wholesale NOC	\$9.63	\$3.97
Class 8810 - Clerical Office Employees NOC	\$1.08	\$0.44

NOC = Not Otherwise Classified

Source: Department of Consumer and Business Services, September 2006

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 Foundation)
2. Personal income taxes affect businesses significantly because roughly 90% of businesses file taxes as individuals (e.g. sole proprietorships and partnerships). (Source: U.S. Small Business Administration Office 2003) **Nevada has no personal income tax.** (Source: Tax Foundation 2008 <http://www.taxfoundation.org/taxdata/show/228.html>)
3. Payroll taxes for San Francisco (1.5%) vs. the State of Nevada (.63 **minus** the cost of health benefits paid by employers). (Source: San Francisco Office of Business and Industry and State of Nevada Legislation Bill SB523 effective June 30, 2007)
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. (Source: California Board of Equalization <http://www.boe.ca.gov/annual/statindex0506.htm#pt>; Nevada Dept of Taxation http://tax.state.nv.us/property_tax.htm)
5. "State capital gains taxes are a direct levy on investment and entrepreneurship, the sources of growth in the economy. High capital gain taxes restrict access to capital." (Source: Small Business Survival Index 2004) **Nevada has no capital gains tax.**
6. 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.** Computation for California unitary tax is found here: http://www.assembly.ca.gov/acs/committee/c21/publications/Reference_Book/2001/CHAPTER2D.doc
7. Based on average industrial rates for Reno/Sparks, Nevada (\$0.34* per sf per month) and San Jose, California (\$0.63* per sf per month) for 250,000 square feet of industrial warehouse space. (Source: 2007 Q4 Industrial Market Trends - www.grubb-ellis.com; Nevada Source: Miller Industrial Properties – 2007 Q4 <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 payroll of \$4.5M X 1.5% = \$67,500 payroll tax annually. (Source: *State of California – each city has a different payroll tax vs. Nevada's statewide payroll tax of .63%)
9. State of Nevada payroll tax of .63% **minus** the cost of health benefits paid by employers. **Example:** company payroll of \$4.5M minus health insurance cost (\$225,000) X .63% = \$26,933 payroll tax annually. (Source: State of Nevada Department of Taxation)
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, 2007)

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