



INFORMATION ABOUT

Washington – Nevada Business Cost Comparison

Business costs and taxes will vary based on specific locations.

| Taxes | Washington | Nevada | Taxes | Washington | Nevada |
|---|---------------------------|-------------------------|---------------------------------|-------------|-----------|
| State Corporate Income Tax ¹ | No | No | Franchise Tax ⁵ | No | No |
| Personal Income Tax ² | No | No | Capital Gains Tax ⁶ | No | No |
| Payroll Tax ³ | No | .63% | Unemployment Insurance Tax | .35%-6.2% | .25%-5.4% |
| Property Tax ⁴ | 1.0% of True & Fair Value | 3.15% of Assessed Value | Gross Receipts Tax ⁷ | .005%-.015% | 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), Arizona (25th) & Washington (11th). (Source: Tax Foundation <http://www.taxfoundation.org/research/topic/42.html>)

| Business Costs | Washington | Nevada |
|---------------------------------|-----------------------|--------------------------------|
| Annual Lease Rates ⁸ | Seattle - \$1,590,000 | Reno - \$1,020,000 |
| Payroll Tax costs | No | \$26,933 ⁹ |
| Property Tax Cost ¹⁰ | \$50,000 | \$55,125 |
| Utility Costs ¹¹ | \$28,086 (Seattle) | \$46,184 Sierra Pacific (Reno) |

Workman's Compensation Costs

| Description | Washington Rate | Nevada Rate |
|--|-----------------|-------------|
| Class 2915 – Veneer Products Mfg | \$7.44 | \$6.53 |
| Class 3632 - Machine Shop NOC | \$5.06 | \$4.78 |
| Class 8018 – Store: Wholesale NOC | \$3.31 | \$3.97 |
| Class 8810 - Clerical Office Employees NOC | \$0.20 | \$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.

- Source: Tax Administration 2007 www.taxadmin.org/fta/rate/corp_inc.html
- 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)
- Payroll taxes for the State of Nevada (.63 **minus** the cost of health benefits paid by employers). (Source: State of Nevada Legislation Bill SB523 effective June 30, 2007)
- Average business properties rates in Washington are **1% of true and fair market value**. (Source: 2007 Legislative Guide to Washington State Property Taxes www.leg.wa.gov/documents/Senate/SCS/WM/SwmWebsite/Publications/2007/PropTaxGuide2007.pdf) Average property tax rates in Nevada are **3.15%* of 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: Nevada Dept of Taxation http://tax.state.nv.us/property_tax.htm)
- The corporate franchise tax is a tax on the privilege or right to do business in a state based on net income.
- 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)
- Called a "Business & Occupation" tax in Washington, it's based on gross receipts. There are several classifications for businesses, each with their own rate. (Source: Washington State Dept of Revenue – Business Tax Overview June 2007) **Nevada has no gross receipts tax.**
- Based on standard industrial rates for Reno/Sparks, Nevada (\$0.34 per sf per mo.*) and Seattle, Washington (\$0.53 per sf per mo.*) for 250,000 square feet of industrial warehouse space. (Nevada Source: Miller Industrial Properties <http://millerindustrial.wordpress.com/>) (Washington Source: Seattle Office of Economic Development http://www.enterprisesattle.org/index.php?option=com_content&task=view&id=17&Itemid=46) *Taxes, Insurance and maintenance charges are not included in the rates.
- 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)
- Business property with a **true and fair market value** of \$5M would pay 1.0% (\$50,000) in Washington and 3.15% (\$55,125*) on **assessed value** in Nevada. * \$5M X .35% = \$1,750,000 assessed value X 3.15% (See #4 above for Sources)
- 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)

(Rev. 03/08)

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