



## **Frequently asked questions**

### **What is Assembly Bill 104?**

AB 104 is a portion of the fees and taxes that gaming operators pay. In 1991, the Nevada Legislature diverted revenue from Clark County to Washoe County as a response to the “Fair Share” issue. In the same year, the Nevada Legislature passed [Assembly Bill \(AB\) 104](#), which modified Nevada Revised Statute 491 and gave the Washoe County Board of County Commissioners (BCC) the option to implement five “makeup” revenues: sales tax, motor vehicle privilege tax, property tax, real property transfer tax and a gaming tax. Gaming operators pay the AB104 tax in addition to their annual business licensing fees.

### **How are the taxes calculated?**

AB 104 set different formulas for each of the five taxes. The calculation of the annual gaming tax due is based on a percentage of the sum of the AB104 portion of property taxes, sales tax, real property transfer tax, gaming taxes and interest.

### **Who collects the gaming taxes?**

Washoe County collects the AB 104 gaming tax from all gaming operators in the County along with other gaming fees (e.g., slot machine and table fees). Each year, the county calculates the amount and bills gaming operators for the AB104 gaming tax.

### **Where do the AB 104 taxes go after collected by Washoe County?**

The AB 104 gaming tax receipts, along with other AB 104 revenues, are sent to the State of Nevada on a monthly basis. The State then distributes AB 104 proceeds back to local governments based on their allocation formulas on a monthly basis.

### **How was the error in the amount of gaming taxes collected discovered?**

As part of Washoe County’s ongoing administrative review of procedures and processes, an error was recently discovered in the amount collected from gaming operators for certain gaming taxes (AB 104 Gaming Taxes). The Washoe County budget team identified a decline, not related to the recession, in the amount of gaming taxes collected each year beginning in Fiscal Year 2009.

The budget team identified a decline in the amount of gaming taxes collected each year beginning in Fiscal Year 2009. The budget staff, verified through reports from the County’s billing system, discovered the amount billed and sent by gaming establishments to Washoe County were reduced during the 2009-2015 time period. Gaming operators in the County now pay a fraction of the gaming tax that was formerly collected prior to Fiscal Year 2009. The budget team verified the formula for the calculation of the tax in state law and re-calculated the amount due each fiscal year. The error was a misapplication of the correct formula.

### **What was the average impact of the amount under-collected on the Washoe County annual budget?**

From Fiscal Year 2009 through FY 2015, approximately \$4.8 million was under-collected in gaming taxes. The annual average impact on Washoe County during FY 2009-2015 was \$460,000, which is approximately less than a quarter of one percent (0.16%) of the Washoe County annual General Fund revenues during that time frame.

### **Which government entities are impacted by this tax calculation error?**

The following local governments and special districts receive AB104 taxes:

- Washoe County
- City of Reno
- City of Sparks
- Three General Improvement Districts': Incline Village GID, Sun Valley GID and Palomino Valley GID
- Three Fire Protection Districts: Truckee Meadows, Sierra, and North Lake Tahoe
- Two other local districts: Verdi TV District and Carson Truckee Water Conservancy District.

### **How much money did local government agencies not receive due to the error?**

For some agencies, their portion of the average amount under-collected between the years of 2009-2015 is estimated to be less than \$1,000 per year. The average under-collection for the cities of Reno and Sparks is as follows:

- City of Reno - \$100,000
- City of Sparks - \$50,000

### **How does Washoe County know their calculations are now correct?**

The County retained the audit firm of Grant Thornton to independently review the formula for calculation of the gaming tax, validate the Washoe County Budget Office's computations, review all billings reports from the County, and review receipts of the gaming tax collected by the County to reconcile these collections to the amount sent to the State. The firm of Grant Thornton was selected based on their experience and independence from the County and its external auditor. The firm validated the County's calculation of both the amount of under-collection and local agencies' share of the under-collected amount. Grant Thornton also compared billings and collections reports from the County to the amounts reported to the State.

### **What is Washoe County's plan for charging gaming establishments the appropriate amount of the gaming tax?**

For Fiscal Year 2017, which starts on July 1, 2016, gaming establishments will receive bills with the correct amount of the gaming tax.

### **How much will gaming establishments now have to pay?**

AB 104 is a portion of the fees and taxes that gaming operators pay. Gaming operators will continue to pay their annual licensing fees in addition to the gaming tax. The AB 104 gaming taxes paid by gaming establishments and other businesses owing this tax will increase in Fiscal Year 2017 to be compliant with the formula set in State law. For example, an establishment that currently pays \$5 per quarter in AB 104 gaming taxes, the new quarterly amount due would be approximately \$150.

### **Who will make the decision on what to do with gaming taxes that weren't collected correctly?**

The Board of County Commissioners will review this issue and options at a future meeting.

**What are the next steps?**

During the February 9, 2016 Washoe County Board of County Commissioners meeting, the County Commission will receive a staff report and copy of a report from an independent audit firm concerning the under collection of AB 104 gaming taxes. Following review of the staff report and the audit report, it is expected that the Commission will direct staff to return at a future meeting of the Commission to present options related to the issue.

**Timeline**

- **November 16, 2015:** Washoe County Manager John Slaughter received a memo from the budget manager disclosing a potential under-collection of AB 104 gaming tax revenues.
- **November 30, 2015:** County Manager sent a memo to the BCC regarding the issue.
- **December 14, 2015:** Engagement letter with audit firm Grant Thornton executed and firm began work.
- **January 15, 2016:** Washoe County received Grant Thornton's final report.
- **January 20, 2016:** Budget Manager distributed final report to Washoe County Manager John Slaughter.
- **February 9, 2016:** Board of County Commissioners meeting to acknowledge receipt of Grant Thornton's report.
- **TBD** – BCC meeting to review options for future steps and provide direction to County staff.