

FAQ FORMULA SERIES

International FAQ Issue # 77 November 10, 2020 TAXES FOR CANADIAN BUSINESSES IN THE USA: NEVADA

Question:

What state taxes does a Canadian business pay in Nevada?

Answer:

Sales Tax

Nevada has a statewide sales tax rate of 6.85%. Local county taxes can increase this rate up to 8.265%.

Use Tax

Nevada has a statewide use tax rate of 6.85% .

Unemployment Tax (Payroll Tax)

If you have employees working in Nevada, you must pay unemployment taxes on their gross wages up to the taxable wage base (\$32,500 as of 2020). Tax rates are to range from 0.3% to 5.4% depending on experience rating.

Modified Business Tax (Payroll Tax)

Every employer who is subject to Nevada Unemployment Compensation Law is also subject to the Modified Business Tax on total gross wages less employee health care benefits paid by the employer. The tax rate for most General Business employers is 1.475% on wages after deduction of health benefits paid by the employer .

Commerce Tax (Income Tax)

Each business whose Nevada gross revenue in a taxable year exceeds \$4,000,000 is required to file the Commerce Tax return. For businesses located outside of Nevada, both a minimum connection with Nevada and a \$4,000,000 Nevada gross revenue test should be met in order for them to be subject to Commerce Tax. The Commerce Tax rate varies by industry and ranges from 0.051% to 0.331%.

Discussion:

If you remain under certain thresholds in this state you are not responsible for taxes.

Tax	Threshold
Sales	\$100,000 or 200 transactions
Use	\$100,000
Commerce	\$4,000,000

Availability of Treaty benefits:

Use taxes are often treated as income taxes by the Canadian government when calculating income in Canada and applying for foreign tax credits. Meaning if you pay use tax in the USA but have no net profit, you will not benefit from a tax credit theoretically. The actual application is a bit more complex.

Income taxes in the USA are almost always treated as income taxes by the Canadian government. Thus, in the majority of cases, if you pay tax in the state you don't pay tax again in Canada unless the Canadian rate is higher.

Recommendation:

If you are considering business in Nevada, including sales over \$100,000 to residents and businesses in Nevada, please contact GGCPA's at www.gilmour.ca/contact and we can advise on the best structure to reduce or minimize the impact of the taxes.

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