

Nevada hires audit team to track cigarette taxes

By Sean Whaley, Nevada News Bureau

CARSON CITY — The Nevada Legislature's Interim Finance Committee approved a request from the Department of Taxation for \$260,000 to hire a team of auditors to track cigarette sales to protect a \$40 million a year payment to Nevada from the nation's major tobacco companies.

"The reason for the request is that Nevada is involved in a nationwide arbitration with a group of tobacco companies over the Master Settlement Agreement," said William Chisel, director of the Tax Department. "The stakes of the arbitration are high. Nevada's potential liability is up to \$40 million for calendar year 2003. Nevada is also potentially liable for each subsequent year to the current totaling about \$360 million."

Chisel said it is important for the state to monitor the sales of cigarettes by the smaller tobacco companies that are not part of the MSA. The MSA has resulted in payments to Nevada and most other states since the agreement was finalized in 1998.

As part of the MSA, there is a requirement that these smaller companies set aside a portion of their tobacco sales in an escrow account in an amount proportionate to the payments made to the state by the major tobacco companies. The MSA provides for a reduction of the required annual payments by the major tobacco companies to any state which fails to adequately enforce these laws in a particular calendar year.

Chisel said the team will work to protect the payments that have already been made to the state.

The tobacco payments help fund the Gov. Kenny Guinn Millennium Scholarship for eligible Nevada high school graduates, among other programs.