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Nevada Health and Bioscience Asset Corporation v. State ex rel. Department of Taxation

Supreme Court of Nevada - May 28, 2026 - P.3d - 2026 WL 1500882 - 142 Nev. Adv. Op. 38

Taxpayer, a nonprofit organization established to privately fund and manage the development of a state-of-the-art medical education building for state medical school, sought judicial review of decision of Nevada Tax Commission that upheld on reconsideration Nevada Department of Taxation's denial of taxpayer's application for sales and use tax exemption.

The District Court denied petition. Taxpayer appealed.

The Supreme Court held that:

- Taxpayer satisfied statutory criteria for recognition as a charitable organization eligible for sales and use tax exemption;
- Department's refusal to recognize taxpayer as a charitable organization eligible for sales and use tax exemption was arbitrary and capricious and an abuse of discretion;
- Taxpayer could seek reconsideration of its sales and use tax exemption application as a charitable organization;
- On reconsideration, Tax Commission was required to evaluate taxpayer as a charitable-organization applicant, rather than limiting review to taxpayer's initial selection of educational-organization classification on application form;
- Department was required to evaluate sales and use tax exemption application under statutory and regulatory standards governing nonprofit organizations created for religious, charitable, or educational purposes, rather than treating statute governing contractors for tax-exempt entities as a threshold bar to exemption;
- Statute providing that taxes apply to contractor for governmental, religious, or charitable entity that is otherwise exempt from tax did not disqualify taxpayer from sales and use tax exemption as a charitable organization; and
- Statute governing sales and use taxation of contractors for governmental, religious, or charitable entities was ambiguous.

Taxpayer, a nonprofit organization established to privately fund and manage development of medical education building for state university medical school, satisfied statutory criteria for recognition as a charitable organization eligible for sales and use tax exemption, where organization's bylaws, articles of incorporation, development agreement with university, and financial statements demonstrated that organization's primary public purpose was to address state's healthcare needs and critical physician shortage, that organization would serve this purpose gratuitously by relying on private contributions, that organization intended to gift completed building to university for modern medical education, and that organization satisfied federal requirements for recognition as public charity and state requirements for property tax exemption for project's parcel of land.

Department of Taxation's refusal to recognize taxpayer, a nonprofit organization established to privately fund and manage development of medical education building for state university medical school, as a charitable organization eligible for sales and use tax exemption was arbitrary and capricious and an abuse of discretion, where organization met statutory criteria for charitable organizations, and Department failed to meaningfully engage with relevant statutory criteria and organization's supporting documentation.

Taxpayer, a nonprofit organization established to fund and manage development of medical education building for state university medical school, could seek reconsideration of its sales and use tax exemption application as a charitable organization, although taxpayer initially checked box identifying itself as an educational organization, where taxpayer made clear when seeking reconsideration that initial selection was scrivener's error and that it sought reconsideration as a charitable organization, Department of Taxation conceded that taxpayer applied first as an educational organization and then as a charitable organization, Tax Commission's denial letter acknowledged that taxpayer applied as an educational and/or charitable organization, and record reflected that taxpayer had raised charitable-organization eligibility issue by the time the Tax Commission reviewed taxpayer's application.

Nevada Tax Commission was required, on reconsideration of sales and use tax exemption application filed by taxpayer, a nonprofit organization established to privately fund and manage development of medical education building for state university medical school, to evaluate taxpayer under criteria for charitable organizations, rather than limiting review to taxpayer's initial selection of educational-organization classification on application form; reconsideration regulation allowed Commission to grant or reissue exemption letter if taxpayer presented satisfactory evidence that it complied with exemption standards, and taxpayer submitted documentation necessary to evaluate charitable status, including organizational, financial, governmental-exemption, and project-related materials.

Department of Taxation was required to evaluate sales and use tax exemption application filed by taxpayer, a nonprofit organization, under statutory and regulatory standards governing nonprofit organizations created for religious, charitable, or educational purposes, rather than treating statute governing contractors for tax-exempt entities as a threshold bar to exemption; application-review statutes and regulation directed Department to determine whether applicant met standards for exemption set forth in statute defining eligible nonprofit organizations, Department's application form and template response letter identified those standards, those provisions did not mention contractor statute, and contractor statute did not override established procedure for evaluating exemption applications.

Statute providing that taxes apply to contractor for governmental, religious, or charitable entity that is otherwise exempt from tax did not disqualify taxpayer, a nonprofit organization, from sales and use tax exemption as a charitable organization, although taxpayer entered into a development agreement with state university to fund and manage construction of medical education building, where taxpayer independently satisfied statutory criteria for charitable organizations, contractor statute operated only to require taxation of particular transactions or acts taken by nonexempt actors, neither contractor statute nor case that statute codified contemplated that already-exempt nonprofit would lose tax-exempt status by contracting with government, and taxpayer's nonexempt private contractors could still be subject to taxation.

Statute governing sales and use taxation of contractors for governmental, religious, or charitable entities was ambiguous as to meaning of term "contractor," and thus court would look to legislative history for clarification of the statute's meaning, where statute did not define term, term was not defined elsewhere in Sales and Use Tax Act, and other chapters of Nevada Revised Statutes used disparate meanings of term.

Statute governing sales and use taxation of contractors for governmental, religious, or charitable entities does not factor into initial review of applications for tax exemption by nonprofit organizations created for religious, charitable, or educational purposes, does not alter an already-exempt entity's tax-exempt status, and does not apply to religious, charitable, or educational nonprofit organizations with tax-exempt status, but instead only limits nonexempt entities working with governmental, religious, or charitable entities.