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April 23, 2003

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State study: Service tax would cost more, earn less than gross receipts plan

Ray Hagar
RENO GAZETTE-JOURNAL
4/22/2003 11:10 pm

A proposed tax on services would cost some \$13.5 million to collect, nearly two times more than Gov. Kenny Guinn's competing plan to tax big businesses on gross receipts, according to a new state study.

The Nevada Department of Taxation study showed the service tax in the Care-Amodei bill would cost \$13.5 million to collect in its first two years and require 120 new workers. It would generate about \$229 million a year.

A gross receipts tax would cost \$7.3 million to collect in its first two years and require 67 new workers, according to the study. The service tax would bring in between \$350 million and \$500 million annually, depending on exceptions.

Guinn's overall tax plan — including increases on cigarette and alcohol taxes, among other fees — also would cost less than the Care-Amodei plan to establish, but both would require about a \$20 million upgrade in the Department of Taxation's computer system, the study found.

Guinn believes the study is an inducement to support his plan.

"If you take this at face value, it makes a pretty clear argument, it is less expensive to implement a gross receipts tax," said Guinn's chief of staff, Michael Hillerby.

But Sen. Mark Amodei, R-Carson City, who is sponsoring the service tax plan with Sen. Terry Care, D-Las Vegas, said he expected such a study to come out in favor of the governor's plan.

"With the assets that the governor has with the folks in the tax department, I'm sure that they are doing what they think is appropriate under the circumstances," Amodei said.

Chuck Chinnok, executive director of the Department of Taxation, said the study was not politically motivated, and he was not pressured to come up with results favorable to the governor's plan.

"We're not going to overstate our position," said Chinnok, who was appointed by Guinn in June.

"The Department of Taxation has the job of implementing whatever tax plan comes out of the Legislature. We are ready to justify our numbers."

Whether the tax study affects how well the plans do in the Legislature was unclear.

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SUBMITTED BY: BONNIE PARNELL