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Wednesday, April 16, 2003


# EDITORIAL: Kill the gross receipts tax

**Nevada's future hangs in the balance**

As members of the 2003 Legislature prepare to confront the two issues dominating the session -- taxes and spending -- they will go far in determining Nevada's fate. Will the Silver State remain a haven for dynamic, productive enterprise, rolling out the welcome mat to entrepreneurs eager to invest in the community ... or will it become a bloated, corpulent welfare state, drowning in excessive bureaucracy with unemployment lines stretching beyond the horizon?

That's the choice lawmakers face. If Nevadans aspire to a brighter future, they must insist that their representatives reject utterly the most odious proposal to come before the Legislature in decades: the gross receipts tax.

The arguments for this little-understood tax are based on duplicity and obfuscation. Its proponents -- led, unfortunately, by Gov. Kenny Guinn and the state's gaming giants -- claim the levy is needed to "broaden" the tax base, to capture revenues from businesses that don't pay their "fair share." But this is dangerous nonsense.

In truth, the tax would eviscerate our business-friendly climate. It would penalize companies large and small -- not only high-revenue, high-tech enterprises that are tentatively moving into Nevada, reducing the treasury's reliance on gaming and tourism; but also hundreds of more-traditional concerns, including supermarkets, convenience stores and automobile dealers, which base their continued vitality -- and their ability to employ thousands of Nevadans -- on selling high volumes at low profit margins.

Consider the supermarket that earns a profit margin at the national average of 1.25 percent. A 0.25 percent gross receipts tax would have the same effect as a 20 percent income tax, necessitating significant price increases.

The charge that the companies targeted by the gross receipts lobby "pay no taxes" is also a lie. These businesses pay every tax the law currently requires: property taxes, business licensing fees, the per-employee Business Activity Tax and sales taxes, when they apply.

The tax would also require the establishment of an IRS-like bureaucracy, with the potential to snoop into every transaction by every company, large or small. Even if the first $450,000 of receipts are exempt

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ASSEMBLY COMMITTEE ON TAXATION
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SUBMITTED BY: Janine Hansen

from the tax, those businesses that generate lower revenues would still have to account for their activities to the tax men.

As we've stated previously, no convincing case has been made that any new taxes are needed to maintain state programs at existing levels. Neither has any advocate of higher revenues incorporated any measures of accountability that would restrain the untrammeled growth of bureaucracy or guarantee more efficient service. Demanding more money from taxpayers, and saying only "trust us," is not an option.

The relentless crusade to enact a gross receipts tax immediately is puzzling, since the proposal now under consideration would not take effect until after the 2005 Legislature has adjourned. If the state's economy -- which continues to generate higher and higher revenues without new taxes -- rebounds further, the fiscal crisis now allegedly gripping Carson City might well evaporate, making this or any other new tax unnecessary after all.

The Silver State has earned its reputation as a haven from high taxation and oppressive bureaucracy. A gross receipts tax would squander that treasured legacy. Lawmakers who care about Nevada's future have one duty: Drive a stake through the heart of the gross receipts tax.