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Gross Receipts Tax Testimony
Eric M. Jenson

Ladies and Gentlemen of the ~~Senate~~^{Assembly} Tax Committee:

Thank you for taking time from your schedules to listen to the people of Nevada. As we know, it is the legislature's job to carry out the will of the people; and to enact laws that are in the best interest of Nevada and its citizens.

I am a 7½ year resident of Nevada and the president of a small business domiciled within the state called Jenson and Associates. We provide our clients IRAs, 401ks, mutual funds, annuities, life insurance and other financial products that help them prepare for their future. We do this through our affiliation with a broker dealer called World Group Securities.

For the past decade or more, Nevada has been an excellent place for business owners to build companies and create jobs for those around us. The favorable tax environment coupled with minimal red tape has created an environment for businesses of all kinds to flourish. My small company paid out close to \$2.5 million dollars in 1099 payroll last year and \$60,000 in W2 income. This money is used to buy homes, pay property tax, purchase food, purchase automobiles, pay sales tax, and gamble in casinos—all of which creates tax revenue for the state.

The Gross Receipts Tax (GRT) threatens to disrupt the business-friendly environment that has helped our state grow and prosper over the past decades. I am concerned that the GRT will have a negative effect on many businesses in our state. Just the threat alone of a GRT late last year caused a substantial client of mine to delay doing business with me. This client stated that if the GRT passed, he would have to leave the state and do business elsewhere. He also stated that he would have to wait until April or June to see whether or not the GRT passed before he could make a decision regarding a sizable investment he wanted to make. The loss of that client cost my company in excess of a \$100,000 profit. That may not be a lot of money to a large company, but to a small business owner a \$100,000 loss of income can have severe consequences. That is just one example. Multiply my negative experience by the thousands of business owners across Nevada and the economic effect could be chilling.

During the past two years, revenues to my company have fallen from their highs due to the stock market's 3 year decline. Last September we moved to a smaller building and made sweeping cuts to expenses of all kind. Even though revenue was down, profits rose last year. Saddling the business community with a highly unfair tax such as the GRT will only prolong this economic downturn. Raising taxes may create a temporary surge in revenue to the government; however, in the long run, higher taxes almost always result in less business expansion, fewer jobs, a smaller tax base and reduced revenue to the government.

I think we would all agree that we need to diversify the state's economy. Right now we are basically a one-trick pony. For the most part as gaming goes, so goes the state's economy. Wouldn't it be nice to use Nevada's business-friendly tax structure as a means of attracting new and diverse companies to Nevada? How does a Gross Receipts Tax on non-gaming revenues help us diversify our state's economy? I don't think it does. In fact a GRT will have the inverse effect. By burdening businesses with a GRT, Nevada will be sending a message to the American business community that we are no longer as open to new business as we once were. At the very least, a GRT will make businesses considering a move to Nevada think twice before making the move.

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SUBMITTED BY: ERIC JENSON

A GRT will siphon off profits that would typically be used to expand business and hire new employees, and funnel those profits into a bloated bureaucracy. I heard a study quoted at a Chamber of Commerce meeting that showed the potential cost of collecting the GRT to be around \$30M; and it may cost as much as \$50 Million by the time everything is implemented. It is difficult to understand why you are proposing to spend our hard earned profits to make government more inefficient.

So what's the solution? I leave that in your capable hands. However a few suggestions may be in order. #1. Spend less. 2. Increase an existing tax for which the collection mechanism is already in place. 3. Cut expenses. 4. Borrow to cover the shortfall. The economy will turn around and tax revenues will rise again. 5. In conjunction with a slight increase of an existing business tax, increase the gaming revenue tax by .5 to 1%.

Ladies and gentlemen. Again, thank you for your time. I implore you, please do not place a GRT on Nevada businesses. I ask you, please strive to preserve the phenomenal business environment that has made Nevada a great place to live and work. Thank you.

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