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New taxes must be fair and evenhanded

I own a Nevada service business. I have 40 mostly semi-skilled workers. Almost all of my sales are over \$50 each. The three major types of taxes proposed by Gov. Guinn and/or the state Legislature in an attempt to balance the state's budget would have the following effects on my business:

1. Gross Receipts Tax (.25 percent) — Cost: \$2,625.
2. Business Activities Tax (\$300 per employee) — \$12,000.
3. State Service Sales Tax (4.5 percent) — \$67,500.

Here is the bottom line on these taxes from a small-business owner's perspective:

1. Gross Receipts Tax — Most fair business tax, broad-based, applies evenly to all businesses in the state. Also least expensive to any one type of business.

2. Business Activities Tax — Less fair tax option. It penalizes service companies who provide most of Nevada's jobs. Example: My service business would pay \$12,000 per \$1.5 million sales, but retail stores may average less than \$1,500 for the same sales, because they require fewer employees.

3. State Service Sales Tax — Most unfair tax of the three. It severely penalizes legitimate service companies and costs Nevada jobs. Some legislators suggest: a) The tax is fair to business because customers pay the tax, or b) The tax is fair because each business' competitor is also taxed, making competition equitable.

Both statements unfortunately are flawed:



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(a) Customers pay all of a business' expenses. Adding on a Service Sales Tax simply increases the customers' cost. Since most general services are extremely discretionary for customers, any increase, especially during bad economic times, will have a negative effect on the industry.

(b) Not true. Many people don't realize there is a huge "black market" in services nationwide (in fact, one reason services have historically remained untaxed is because of the inability of government to regulate them). My business' biggest competitor is not another licensed business but unlicensed individuals who can charge less because they pay no fees or taxes of any kind. Ultimately, these unlicensed individuals will end up with a larger part of our business and we (the state of Nevada and the service industry) will end up with nothing. A state Service Sales Tax would severely handicap my ability to compete.

To understand how some of the new tax proposals would adversely and disproportionately affect the service sector statewide, and, undoubtedly, Nevada's future economy, one must appreciate the dynamics of the service economy and the role that small business plays. More than half of all jobs in America are provided by small businesses, and the majority of these are service related. Excluding service professionals such as doctors, dentists, lawyers, etc., who in any case represent, employment-wise, a relatively small proportion of the service sector, we are left with an extremely large base of "journeyman" professions, which include scores of labor classifications from lawn care to appliance repair, maintenance workers to maid service. It is these jobs which would be most jeopardized if an unbalanced tax initiative such as a state Service Sales Tax is adopted by our state.

With over 30,000 Nevadans receiving temporary assistance for needy families (TNAF), and a projected 200,000 Nevadans on Medicaid by the end of 2005, it would seem ill-advised to place an undue hardship on that segment of our economy which produces the very jobs many of these citizens need.

There is no question a healthy service sector is of vital importance to both employees and employers in Nevada. Providing a fair and evenhanded business tax is in everyone's best interest.

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