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**March 5, 2003**

**A NEW TAX SYSTEM  
as introduced in Montana  
in 1986**

**Whereas, Nevada, according to the journal "GOVERNMENT", has the worst taxing system in the nation, and**

**Whereas, it is desirous of the legislature and people of Nevada to have the best tax system available, and**

**Whereas, the people of Nevada should be the freest and richest people in America, and**

**Whereas, the state of Montana has had a good look at a system of uniform taxing of all financial transactions, and**

**Whereas, Nevada can perfect the Montana effort by instituting the following:**

**Be it therefore the purpose of our legislature to institute a one (1%) percent uniform tax on all financial transactions for a period of six months following enactment, then with a lesser 5/8 percent (.00625) rate after the initial six months.**

**The state of Montana used a very similar bill in 1986, except that they had a one (1%) percent tax on the first six months, reverting to a 3/4 (.0075) percent. This plan, by actuarial study, would have yielded Montana 20 percent more income the first year of institution than was received in the previous year. Please bare in mind that the Montana idea and the idea that I present is designed to eliminate all other forms of taxes heretofore used in the State of Nevada. And that the State of Montana had no casino business, hence the 5/8 percent rate. This form would follow:**

**The city governments would be charged with all collections within its political boundaries, the city would keep 20 percent of the take, then send 20 percent to the county and then send the balance of 60 percent to the State. The county would be responsible for collections within the unincorporated areas, keeping 20 percent of their collections and then sending the 80 percent balance to the State.**

**The seller and/or service provider would be charged with point of sale collections and be empowered to do so by statute in much the same way as sales tax is presently handled within the State, except that they would be subject to county/city collectors.**

**All financial transactions would be taxed at exactly the same rate, and all other forms of taxes and fees would be terminated with enactment of this system.**

**Casino taxing would be different due to the velocity of money. My proposal for the casinos is:**

**Impose a head tax of (\$1.00) on all adult admissions through a turnstile type of entrance. At first glance this proposal would seem burdensome, but bare in mind that the casino industry is unique and exists at the pleasure of the State and therefore can and should be subject to whatever the State deems as necessary in order to insure a flow of income to t he State, earmarked for public education. Further, all buy-ins of \$100.00 or greater would be subject tot he 5/8 percent (.00625) rate that would exist on all transactions and payoffs that exceed \$50.00 would also be taxed at the 5/8 percent rate. This system should be applied to all casinos with fifty or more manual, electric or electronic games. The smaller casinos would be taxed "by the game rate" already established by the State Tax Commission and collected by the governmental entity in which the casino resides. However, if the smaller casinos would elect to use the "big casino" turnstile system, they would be allowed to revert, but such changes might not be allowed to revert more often than every 5 years or so due to continuity and inconvenience. I would ask that any violations of "the big casino system (turnstile) methods that appear to be o n-going could be subject to a large fine and possibly be doubled or so for chronic violations. Violations by smaller casinos might be liable to a lesser penalty but commensurate to size as might be imposed by the Nevada Tax and/or gaming commissions or by the discretion of our legislature. The gaming commission would still be the governing body of this industry. All casino taxes collected by**

**the local taxing entity would be allowed to keep only ten (10%) percent (10%) of the take while shipping the balance (90%) to the state for school support.**

**All out-of-state purchases such as equipment, farm machinery, air planes, cars, ATVS, motor cycles, snow mobiles, etc., and the required tax stamp affixed to it and be available for inspection in the same manner as a car by the proper taxing authority. Further, these out-of-state purchases of greater than \$1000.00 value would be taxed at double the 5/8 percent rate in order to reflect the transaction of both buyer and seller. If importer (person buying) described of such items, does not report said purchase within 30 days, he/she would be liable for quadruple tax assessment.**

**Further, the State Tax Commission as it now exists would survive only to instruct and be an investigative body for city and county entities.**

**Excluded from this new tax system would be all "Yard sales" as presently understood and all charitable fund raisers as presently recognized and legal "occasional sales" would also be excluded.**

**In the first year of enactment, at least five entities of State government created by unfunding "fed" mandates would be eliminated and five more in the year following.**

**Further, the State and its agencies would cease all hiring and personnel replacements in all departments for a period of two years following enactment.**

**The purpose of this radical tax change is to make the residents of Nevada, as personally wealthy and free from bureaucratic intrusion as possible and for them to be living in the most prosperous and desirable state in the union with the best public school system.**

**Thomas Jefferson**

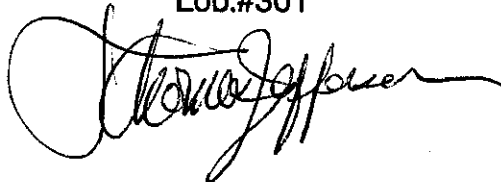
P.O. Box 5242

Elko, Nevada 89802

Home 775-738-9693

Work 775-738-5116

Lob.#301

A handwritten signature in black ink, appearing to read 'Thomas Jefferson', with a large, stylized initial 'T' and a long, sweeping horizontal stroke at the end.

# Tying the Taxing Hands

Once upon a time there was a constitutional initiative that nobody wanted — nobody, that is, except the people. So it is with Montana's CI-55, an ingenious little proposal that could do more to place government under the wise and watchful eye of the citizenry than all the other races and issues in the state combined. It is a sleeping giant in the fall elections that has the special interest groups (and their pandering politicians) quaking in their boots. It also has the rest of the nation looking on with intense interest.

## Conservative Brainchild

CI-55 is the brainchild of Corvallis, Montana's Naomi Powell. Naomi is not a politician, a lawyer, or a feminist. Although she's a "senior citizen," she's anything but a Gray Panther! You will find no feature articles about her in the Montana dailies, because she doesn't conform to the media's predetermined image of what women in politics should be. Her Christian faith doesn't fit any more than her conservative ideology. Yet, if you threw all the feminist media stars together and added up their achievements, they wouldn't hold a candle to what Naomi Powell has been able to accomplish in a few short years.

In 1986, Naomi spearheaded the drive for CI-27 in Montana, which would have abolished all property taxes in the state. Amidst a firestorm of political opposition, this proposal still gained the support of 46 percent of the electorate. CI-55 is in many ways superior to CI-27 in that it not only abolishes all taxes, but also provides a simple and foolproof alternative for funding state government, "the 1 percent 'trade charge.'"

While no one likes taxes — whether direct or indirect — most would concede that, to support the essential and legitimate functions of government, some consistent source of revenue must be found. The trick is to find an income source that inherently limits the size and growth

of government by being distinctly removed from the politician's grasping hand. Therein lies the beauty of CI-55.

## Beyond the Pound of Flesh

Consider the more "traditional" means of funding state governments:

- **Income Taxes:** There is probably no other form of taxation that is more subject to shameless political manipulation and demagoguery. It's an age-old game. Politicians, seeking ever more largess for the public treasury, grandstand about the need to soak the rich, thereby appealing to the basest of human instincts — envy of other people's possessions and achievement. While many people bite on the bait, there's a treble hook hidden inside that snags not only the "wealthy," but also the consumer who must absorb the ultimate price increases, and, most of all, the middle-class wage earner who always has paid and always will pay the lion's share of all income taxes. Thanks to politically-contrived inflation, the middle class will see their incomes creep into progressively higher tax brackets.

But the evils of the income tax go far beyond the pounds of flesh it extracts. Taxation of personal income necessarily requires a government enforcement apparatus that places our liberties in constant jeopardy. The army of bureaucrats necessary to execute such a tax, and the "administrative" powers they wield, have no place in a free society. Neither does the invasion of our financial privacy, and the reams of records we must keep and dutifully turn over to our government. Furthermore, the income tax is viewed by politicians as an ideal way to manipulate society. Every time they change the tax codes to encourage or discourage certain categories of human action, we all jump through their hoops. We wind up making financial decisions based not on sound economic principles, but on

the whims of the tax collector.

- **Sales Tax:** This is another form of tax that, once established, politicians find very easy to escalate out of sight, one percent at a time. State residents who start out with a 1 or 2 percent sales tax wonder how it is that, ten years later, they are being taxed 6 or 7 percent. Raising the sales tax is a temptation that politicians cannot resist. Meanwhile, private business becomes the state's tax collector. Private businessmen bear the burden of enforcing the tax and guaranteeing that every cent is paid in. Companies judged negligent face severe penalties.

- **Property Tax:** This is perhaps the most onerous tax of all because it establishes the precept that private property, in the truest sense, does not exist. It says, in effect, that we do not own our property; we merely rent it from the government. If you doubt this is true, try not paying your property taxes for a while and see how quickly a lien is slapped on your property by your friendly local government. The property you think you own you will not own for long!

In net effect, what the property tax does is discourage the accumulation of private property. It shatters dreams, punishes success, and forces us into a short-term, consumptive view of life. Property taxes often work their worst hardship on retirees and others who live on fixed or reduced incomes, who find themselves no longer able to pay the government "rent" necessary to stay in their own homes. Finally, property taxes, like income taxes, create a permanent professional bureaucracy for the purpose of assessing and collecting these taxes.

## Tamper-Proof Funding

The wisdom of CI-55's "trade charge" approach is that it incorporates the basic characteristics of the "ideal tax" (if there is such a thing). In that: (1) It is very small and both administratively and legislatively tamper-proof, thus automatically



limiting the size of state government. (2) it is fundamentally fair, applying to all people equally, with no loopholes to regulate our lives, and (3) is as unobtrusive as possible, posing little or no threat to the privacy of the individual.

CI-55 would abolish all state income taxes, property taxes, business and severance taxes, gasoline taxes, and license fees. In their place, the state would levy a 1 percent flat tax on all legislatively defined "financial transactions" (after 18 months, this rate would be lowered, since 1 percent is projected to bring in significantly more revenue than the government needs). No longer would state politicians be able to use our tax system to punish certain groups while benefitting others. No longer would they be able to use tax incentives and disincentives as a means of regulating and manipulating our lives. One of the major sources of government corruption and influence peddling would end.

Furthermore, CI-55 would strike at the heart of the government growth and spending problem. Who would bear the greatest burden of each new tax has until now depended solely on which interest groups could exert the most political pressure. This may sound cynical, but it's exactly how the process has worked. Ironically, as these taxes have passed through the economy, we have all become the losers because, ultimately, we have all paid the price through higher consumer costs, a sluggish economy, lower wages, and fewer jobs.

CI-55 would remove from the politicians the power to raise taxes at will. The trade charge would replace all current taxes, and the only way to raise trade charge rates would be on a temporary basis through a 60 percent vote of the people. State government, while quite adequately funded, would be placed under the discipline of a "tax" system that it cannot change. Government would be forced to live within its means; politicians would no longer have the option to just raise more taxes to pay for their pet programs.

### High Peaks, Higher Taxes

History teaches us that politicians cannot be trusted — particularly with our money! Their methods and their intentions are usually less than honorable. One need look no further than the demolition of yet another Montana tax initiative — I-105 — to determine the "trustworthiness" of most elected officials. When the people passed I-105, their intent was obvious. They wanted to freeze property taxes at current levels, just as the initiative stated. Yet, almost immediately, the desire of the politicians was to get around the will of the people by arguing that I-105 only froze tax rates, not assessment. Eventually, the legislature passed HB-28 and HB-703, bills that effectively negated the property tax freeze that I-105 had mandated, resulting in property tax increases across Montana of, typically, 15 to 25 percent.

Because of this type of legislative mischief, Montana's rate of government growth has been among the highest in the nation. The image put forth to the rest of the nation is that Montana is the land of high peaks and higher taxes. Consider, for example, that between 1986 and 1988 Montana had the highest state tax increase (42.5 percent) of any state in the union. In 1987, state and local government expenditures totaled \$272 for every \$1000 of personal income in the state. This was 24 percent above the national average — only three states plus oil-rich Alaska were higher. State government is the biggest offender. During this period, spending in Montana was 22 percent above the national average for state employee wages per \$1000 of income. Moreover, the number of people the state employs per capita was 34 percent above the national average. Contrary to all the whining from the education lobby about "inadequate" funding of public education, Montana is currently third in the nation in its spending per pupil, relative to personal income.

### Fighting Chance

Faced with these realities, Montanans are justifiably fed up with all the furrowed-brow politicians who look down their collective noses at CI-55 as if there is something terribly primitive and unsophisticated about lowering taxes. We are supposed to believe that it takes courage and conviction to vote for more taxes — that the moral high ground is to bilk the people and keep on spending. And so we listen to state legislators like Bozeman's Dorothy Bradley — champion of the 4 percent sales tax — repeatedly refer to CI-55 as "bizarre" and unworthy of our consideration. We hear the Montana Education Association characterize the initiative as "whacko." And soon, Oh, how they insult the people.

No one is suggesting that CI-55 is a panacea. There are justifiable concerns, for example, over the degree of discretionary power it gives to the legislature in the implementation of the trade charge. How much of a special interest battle ground will that create? And, in one sense, the proposal expands government tax collection in a way similar to the Value Added Tax (VAT), plus it requires involvement by private business, as with a sales tax.

But the impersonal, no-exceptions nature of the C-55 tax is extremely appealing, because it protects our privacy and property, and sets us free from the professional meddlers and social engineers.

Moreover, CI-55 provides for a tax climate in Montana that is fair, predictable, and non-predatory, which should be a great encouragement to private investment and economic growth. State funding, in turn, is directly tied to that growth, which should hold the big spenders at bay long enough to give our economy a fighting chance. ■

— ROGER KOORMAN

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