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# **Business And Taxes**

**Business Representatives Group  
March 18, 2003**

## **The Process**

**at a dozen meetings**

**people average**

**ours each**

**00 business people & companies**

**proprietors to largest companies**

**y part of private sector**

## The Process

identified at FIRST meeting

ment on fundamental changes

2nd meeting, "No Tax" option off the table

sands of man hours invested

PERFECT TAX

ervation of PROSPERITY and ECONOMIC  
LOPMENT essential

## The Principles

single industry targeted

business-paid taxes

ate sector/Ghost Town connection

successful areas have diverse economies  
(son City, Elko, Las Vegas)

## **The Principles**

**ne areas at risk now**

**policy that puts business at risk,  
eases the cost of government**

## **The Principles**

**ne ideas had dissenters-and that  
s allowed/encouraged**

**reement broad as is group**

**eed on need, but not on HOW**

## The Principles

Revenue need a moving target

Changing numbers made our challenge

Debts on  
Spending  
Revenue Projections  
Programs  
Government Growth

## The Principles

Participants unwilling to ante-up *without*

ing, accountability and performance

ns especially in education

## The Principles

Government is **OVERHEAD** to  
business and society

Private sector drives **PROSPERITY**

Government improvements go hand  
and with tax increases or new  
es

## The Tax Policy

Adam Smith must be remembered

Tax systems should reflect the  
economy

Taxes should be **VISIBLE** and  
**VOLUNTARY** whenever possible

## The Tax Policy

### GRT

- Stable in short-term
- Discourages new businesses
- May destroy marginal businesses
- Chilling effect on economic development at a time that we know we MUST diversify
- Does not flex during stress times
  - Recession
  - Natural or man-made disasters
  - Threat of war

## The Tax Policy

• Effort by reducing volatility of

- Sales and Use Tax (SUT)
- Gaming Taxes

## **The Tax Policy**

### **T on Services**

0%+ and growing part of economy  
business to business transactions  
could lower overall rate  
currently narrow base  
look at every exemption/exception  
add stability and broaden base

## **The Tax Policy**

**id sticker shock**

**ate good tax policy**

**enefits business**

**enefits government**

**enefits citizens**

**tically acceptable**



## The GRT

**Margin/High Volume businesses pay more of profit**

grocery stores  
auto dealers  
banks  
gasoline stations  
convenience stores  
homebuilders  
wholesalers  
truckers

## The GRT

**Low margin industries, when**  
**Cost of goods rises due to outside forces**  
**Revenue is increased to cover the higher costs**  
**Margins remain constant**  
**Taxes paid INCREASE because the tax rate is**  
**multiplied by higher revenue**  
**After tax profit declines**

## The GRT

is computed on revenue

if a company increases sales to pay  
GRT, its tax bill also rises

is paid at the same rate,  
regardless of profitability, margin or  
*ability to pay*

## The GRT

economic growth & diversification  
can be damaged. Whole classes of  
industry see this tax as  
discriminatory

uncertainty will lead businesses  
thinking to relocate to look elsewhere

## **The GRT**

**amids through the entire  
duction and distribution chain**

**es the same revenue more than  
e**

**ual GRT on an item may be  
eral times the initial GRT rate**

## **The GRT**

**nmodity industries cannot pass  
GRT through to their customers**

**ending on their margins, they  
ld pay as much as 25-50% of their  
-tax profits in taxes**

## The GRT

is a stealth increase in sales tax for those  
businesses who are able to pass it through  
is regressive since it will tax non-  
durable items currently exempt  
series  
care  
with care  
should be honest and transparent-the  
neither

## The GRT

legislature will be very tempted to  
the rate or decrease the exemption  
to meet revenue needs

## Nevada Banker's Association



**Jackie Delaney**  
**President and CEO**  
**Sun West Bank**

## Nevada Banker's Association

### Scenario #1

Net Interest Received:	\$5,000,000
Cost of Funds:	<u>(\$4,950,000)</u>
Net Profit	\$ 50,000
Proposed GRT:	<u>(\$ 12,500)</u>
Adjusted Gross Profit :	\$ 37,500

## Nevada Banker's Association

### **Scenario #2 – Interest Rate Triples**

**Gross Interest Received: \$15,000,000**

**Cost of Funds: (\$14,950,000)**

**Gross Profit \$ 50,000**

**Proposed GRT: (\$ 37,500)**

**Net Gross Profit : \$ 12,500**

## Nevada Banker's Association

### **Conclusion**

**Under a gross receipts tax scenario, interest rate volatility would have a significant detrimental impact on financial services companies.**