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Wayne Frediani  
Executive Director  
Nevada Franchised Auto Dealers Association  
Testimony before the Senate Taxation Committee  
March 18, 2003  
Gross Receipts Tax

Mr. Chairman and members of the Senate Taxation Committee, for the record, Wayne Frediani, Executive Director of the Nevada Franchised Auto Dealers Association. Our association realizes that the State of Nevada faces a significant budget shortfall, that improved educational quality is crucial to Nevada's economic competitiveness, and that both of these issues mean that taxes must be raised. We know that business will have to provide a substantial share of the new tax revenue and are ready to do so.

However, the proposed gross receipts tax is fundamentally unfair and discriminatory. Since automobile dealerships have high volumes and low margins, we would have to pay a much higher percentage of net income in gross receipts taxes than would companies in industries with comparatively lower volume and higher margins. As an auto dealership sells more vehicles to earn cash to pay the tax, its tax burden will continue to rise, irregardless of whether the company is profitable or not. To the extent that

auto dealers can pass gross receipts tax through to consumers, it is essentially an additional tax that consumers will have to pay.

Instead, we ask that you favorably consider a broad expansion of the sales tax base, to include all services except those needed for a basic standard of living, such as groceries, health care, day care, and rent. The gross receipts tax, in contrast, places a surreptitious sales tax on these items. The broadening of the sales tax to services would provide the needed additional revenue while permitting the overall tax rate to be reduced to about 5 percent. It will also track the growing part of the economy, thus avoiding future budget shortfalls.

In sum, the Nevada Franchised Auto Dealers stand ready and willing to pay our share of additional taxes through the Business License Tax and an expansion of the sales tax to services – a tax that is fair, equitable, and broadly based, and provides a stable financial future for Nevada. In addition, the auto industry is a significant purchaser of services on which dealerships would pay the tax. We are also willing to pay a doubling of the Business License Tax.