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# Testimony of David Schumann before the Senate Taxation Committee

Re: S.B. 238 on March 18, 2003

Mr. Chairman, members of the committee, I had a tough time deciding where to start with this economy-wrecking bill. It is so bad. Then, right there on page 3 in Sec. 11, the Governor himself told me where to start. "The Legislature hereby finds and declares that the tax imposed by this chapter on a business entity must not be construed as a tax upon customers of the business entity, but as a tax which is imposed upon and collectible from the business entity and which constitutes part of the operating overhead of the business entity." I, of course, understand that "the Legislature" has found no such thing. This is the governor's bill and HE is boldly declaring that he is totally **ignorant** of the laws of economics. He might as well ask you to find and declare that it is not nice that people fall out of tall buildings and die upon hitting the ground and that therefore you are repealing the law of gravity. The Governor is asking you to collaborate in his ignorance of economics.

Here is a revelation for the governor: a "business entity" needs to recover **ALL** of its **operating overhead plus a profit from its activities or it goes out of business.** Think about it. A person as ignorant of economics as that is attempting to increase the burden of government on the people of Nevada by something like one billion dollars!!! This bill, ladies and gentlemen, is an attempt to sneak an income tax through by disguising it under a different name. Please turn to page 5, Sec. 16, "A natural person engaging in a business shall be deemed to be a business entity that is subject to the provisions of this chapter if the person is required to file with the Internal Revenue Service a schedule C (form 1040)....or a Schedule F (form 1040)" The complete title of form 1040 is "U.S. **Individual Income Tax** return." So of course Governor Guinn's proposal is a sneaky way to impose an income tax. It will engage the Nevada government in exchanging information with the I.R.S. about Nevadans' **Individual Income Tax** information. Did the Governor announce this aspect of his plan when he boldly called anyone who objected a coward? I don't think so. I doubt that even 5% of Nevadans know what the Governor has planned for them. The Governor did also NOT tell Nevadans that income from 5 or more rental units would be included in his "gross receipts tax." There are a number of people, such as your humble witness, who have retired here from other states. They have invested a sizable portion of their life savings in rental units and complied with all local laws. Now they find that this income is going to be attacked by the Governor.

It is not enough that the Governor is proposing a tax that will hit every Nevadan, no, he