

## POSITION STATEMENT OF THE NEVADA TAXPAYERS ASSOCIATION ON TAX AND EXPENDITURE REFORM PROPOSALS

The attached document is submitted to you by the Nevada Taxpayers Association and contains the positions<sup>1</sup> taken by the Board on the various tax issues, some of which are currently before this legislative session.

The positions of the Association reflect the Board’s belief that our fiscal structure must balance the needs and methods of obtaining revenue with the needs and methods of providing services. This balance is critical if the economic well being of both Nevada citizens and businesses is to be assured, particularly in “soft” economic times such as we are currently experiencing. Achieving this balance may be difficult and require a longer period of time than has been proposed in some of the bills. However, it is important that the revenue side be reflective of the State’s economy and acknowledge the manner in which business is conducted. This would assure that in the long run Nevada will be minimally impacted by cyclical downturns in the economy.

While positions have been developed on both the tax and expenditure issues, this document deals primarily with those measures which would raise revenue. There are however two revenue reform measures below that represent the *quid pro quo* for the Association’s “Support” on those tax issues identified on the following two pages. The fourth page also identifies NTA’s positions on other revenue issues that at this point in time have not been discussed or, with the exception of the lottery, have not been identified in any bill.

As you will note from reviewing this Position Paper, the Board believes that working primarily within the existing tax structure achieves the stabilization of Nevada’s tax base and generates additional revenue. Many of the positions identified have been espoused by NTA since 1990.

Those revenue enhancements which are supported by the Association carry the caveat that there must also be corresponding revenue and expenditure reforms. The minimum revenue reform measures to be enacted for the Board to support various revenue enhancement measures are identified below.

REVENUE REFORM MEASURES	REASON FOR SUPPORT
Tax and fee measures must be received by the Governor no later than the 105 <sup>th</sup> day of session.	This should provide sufficient time in most cases to evaluate the provisions contained within a tax bill. This would insure that any problems identified in administration or compliance, etc. with the tax could be corrected before enactment, rather than the following session, which has been the norm.
No more than 80% of new revenue projected to be received from a new or increased tax or fee which is to support the general fund in whole or part should be expended. Additionally, revenue received from the new or increased sources and which is over the 80 percent expenditure level should be deposited into the State’s Budget Stabilization Fund (a.k.a. Rainy Day Fund).	In a soft economy, such as Nevada is currently experiencing, revenue projections may not materialize (this was also the norm in 1981 and 1991). Spending at 80% would avoid cuts being made from overly optimistic revenue projections, particularly on a new revenue source.

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<sup>1</sup> In order for a position to be taken on behalf of the Association, the Board is surveyed in writing. Sixty percent of the Board must respond in writing to the survey and 55 percent of those responding must agree on a position.

REVENUE MEASURE	BOARD POSITION	MISCELLANEOUS COMMENT
<b>PASSIVE REVENUE GENERATORS</b> ! Electronic Funds Reporting ! Acceptance of electronic funds transfers, debit and credit cards. ! Reduction in retail collection allowance ! Shorten time frame to receive collection allowance	<b>Support all.</b>	These provisions as they appear in various bills require technical amendments.
<b>CIGARETTE TAX</b>	<b>Support nominal increase.</b> This tax is extremely regressive. Additionally, when the cigarette tax was raised in the 80's the projected revenue increases did not materialize, in fact it took two years to recognize an increase in revenue.	
<b>ALCOHOLIC BEVERAGE TAX</b>	<b>Oppose.</b> This is also a highly regressive tax.	Technical amendment needed if considered.
<b>SECRETARY OF STATE FEES</b>	<b>Support</b> an increase in the annual filing of director's lists from \$85 to \$125 and for non-profits from \$15 to \$25. During the 2001 legislative session the majority of fees were doubled and the Board does not support further increases on those fees.	The Board was not surveyed on other fee increases such as recommended by the Resident Agents and therefore expresses no position.
<b>STATE BUSINESS LICENSE TAX</b> ! Annual Renewal  ! Business License Tax  ! Inclusion of Sole Proprietors	<b>Support</b> at \$25.00. An annual renewal would provide a data base of businesses operating in the State.  <b>Support</b> increase no greater than Task Force recommendation of \$140 per year.  <b>Support.</b> This would eliminate a statutory conflict that exists between NRS 364A.130 and 364A.160	Technical amendment needed if considered.
<b>BUSINESS TAX SURCHARGE</b>	<b>No consensus</b> on position.	Major policy issues have to be addressed if tax is to be considered. Substantive and technical amendments will also be required.
<b>GROSS RECEIPTS TAX</b>	<b>Oppose.</b> This tax does not reflect the business economy of Nevada which is totally different than the State of Washington.	Major policy issues have to be addressed if tax is to be considered. Some of these have been addressed in a separate document. Substantive and technical amendments will also be required.

REVENUE MEASURE	BOARD POSITION	MISCELLANEOUS COMMENT
<b>ADMISSION/AMUSEMENT TAX</b>	<b>Support</b> , on both spectator and participatory amusements. This expansion of the entertainment tax is not only reflective of the current economy of the state, but is also ranked as a very progressive tax. Exemptions should be limited and meet a specific policy goal.	Substantive and technical amendments needed whatever version of this tax is considered. <i>Please Note:</i> If a services tax is to be considered, the amusement tax should be merged with that tax so that only one new chapter in Title 32 will be required. That will minimize potential conflicts between the chapters.
<b>PROPERTY TAX</b> ! Provide a property tax rate for State operating  ! Take away a portion of revenue received by local government from property tax due to increased growth in assessed value..  ! Provide across-the-board assessed value deduction for state imposed property tax rate.	<b>Support</b> no more than 5 cents at this time.  <b>Oppose.</b> This is nothing more than a shift in who will require additional revenue in the future - - - the State or local government. In this instance it is the taxpayers who are the only ones that can't shift their burden.  Board not surveyed - insufficient detail.	Requires a change in the property tax cap of \$3.64 per \$100 of assessed value.  Substantive amendments needed if this proposal is to be considered.
<b>TRANSACTION TAX ON SERVICES</b>	<b>Support</b> limited base expansion to include discretionary services and selected business services; or services purchased in conjunction with tangible goods. <b>Support is conditioned</b> on a corresponding rate reduction in the existing sales tax along with future rate reductions based on the size of future revenue increases from this tax source. Preference is to have this as an extension to the existing sales and use tax statutes to stabilize the revenue of all participating governments and allow future rate reductions to also occur in the governmental services tax.	Substantive and technical amendments required. <i>Please Note:</i> If an amusement / entertainment tax is also to be considered, the tax on services should be merged with that tax so only one new chapter in Title 32 will be required. That will minimize potential conflicts between the chapters.
<b>GROSS GAMING TAX</b> ! Increase Rate  ! Restructure Tax	Board not surveyed.  <b>Support.</b> Given that Nevada is no longer the only game in town the tax should be modified to allow for partial or full deductions for direct gaming employees and gaming equipment purchases/leases.	The policy position of the Board is not to support industry specific taxes. No position is taken if the industry has agreed to the tax.  In order to see the impact of restructuring the tax, gaming properties should be surveyed annually over the next two years for the purpose of reporting their expenses in these two categories.
<b>TRANSIENT LODGING TAX</b>	No Consensus	Technical amendments needed.
<b>REAL PROPERTY TRANSFER TAX</b>	No Consensus	The tax as currently structured does not provide for an effective audit or collection method. Substantive and technical amendments needed.

The Board was also surveyed and took positions on the following revenue measures which are not currently under consideration.

REVENUE MEASURE	BOARD POSITION	MISCELLANEOUS COMMENT
<p><b>Lottery</b> - Amend the Nevada Constitution to permit a State Lottery if authorized by the Legislature.</p>	<p><b>Support.</b> This position comes with the realization that unto itself a lottery is not the “silver bullet” that will solve the need for tax restructuring. However, in the future it may be considered to provide an additional source of revenue.</p>	<p>Because of somewhat less than stellar experiences in other states and to avoid the pitfall of instability, the revenue received should (1) be capped as to the percentages that can be spent for administration and operating (including marketing); (2) be placed in a trust fund with only the interest earned from the principle expended; and (3) be allowed only for expenditures involving essential services . . . public safety and health, education, and transportation.</p>
<p><b>Transportation of nuclear waste.</b> If Yucca Mountain becomes a nuclear waste repository the State should: (1) impose a tax on the transportation of the waste; and (2) negotiate funds for research, transportation, education and public safety and health.</p>	<p><b>Support</b> for this position is that if the repository becomes a reality, at the very least a tax should be imposed for the transportation of the waste.</p>	<p><i>Please Note:</i> The Association has taken no position with regards to the siting of a nuclear waste repository at Yucca Mountain. The issue is outside of NTA’s purview.</p>
<p><b>Net Proceeds redistribution.</b> Restructure the distribution of the Net Proceeds of Minerals Tax which accrues to the State so that it is phased into a trust account for the rural counties.</p>	<p><b>Support.</b> Prior to 1989 the Net Proceeds tax was a local government revenue source. Unfortunately the revenue derived from this tax has never materialized into the bonanza for the State it was envisioned to be in 1989. Rural local governments which rely on mining as a major revenue source have experienced declines in this revenue. It is not unreasonable to expect these counties to look to the State in the future for a bailout. As this never became the significant revenue source for the State that had been envisioned, it makes sense to redirect the State share into a trust fund to assist the rural counties.</p>	<p>The phase-out could begin July 1, 2005 and be done in increments of 20 percent over the following five years. The fund could be created so that only the interest would be used to offset emergency expenses dealing with education, public safety and health, transportation, and environmental issues.</p>

On behalf of the Board of Directors and our membership, thank you for taking the time to review these adopted positions on revenue generation. The positions on reforming the expenditure side of the equation will be identified in a separate document which you will receive shortly.