

FOOL'S GOLD

The Silver State's Tax Structure Inadequate and Inequitable



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PLAN

Progressive Leadership Alliance of Nevada

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Money Matters: A Vision of One Nevada 1

Nevada Tax Structure Plays the Public for Chumps 2

PLAN’s Revenue Proposals12

Appendix19

 Nevada Fact Sheet prepared by PLAN19

 Nevada Mining Tax Deduction Facts.....20

 Excerpts of the Analysis by Dr. Robert Ginsburg22

Resources & Acknowledgments.....24

More about PLAN25

Charts and Graphs

A System of Taxation Should 2

General Fund Revenue by Source 2007-2009 Biennium..... 4

Nevada’s Disproportionate Taxation 5

Nevada Industry, by percent of GDP and percent of taxes paid 6

Net Proceeds of Minerals (NPOM) as percentage of Gross Production
Value in the Mining Industry 8

Nevada Mining Tax Deductions for 2007..... 9

PLAN’s Adjusted Deductions for NPOM12

2008 Corporate Profits Taxes for neighboring states.....14

PLAN’s Proposals for the 2009-2011 Biennium17

Summary of PLAN’s Revenue Proposals18

Money Matters: A Vision of One Nevada Executive Summary

*“I don’t mind paying taxes.
It’s the price I pay for civilization.”
– Oliver Wendell Holmes*

Nevada is at a crossroads. Faced with a growing budget deficit, the state can build a solid foundation to support a more diverse economy that can thrive for the rest of the 21st Century or it can continue to trot out its one-trick pony of gambling-based tourism. The goals are clear. Nevada’s working families must have safer communities, more sound transportation systems and infrastructure, affordable health care and housing, better education, more economic opportunities and equal opportunity to live the American Dream. Nevada does not currently provide these things. It does not even come close.

Courageous and comprehensive changes must be made immediately before Nevada’s revenue crisis plunges the state into even more economic peril. The state cannot continue its reliance on income sources that are based on happenstance and fate. Such boom-and-bust cycles cripple progress, place the education of the state’s children even more at risk and shred even further Nevada’s few safety nets. A successful economy needs a diverse, well-educated workforce; it needs a modern transportation and communication infrastructure and it needs stability. Cutting spending is rarely an adequate answer.

The measure of a decent society is how it treats its most vulnerable members. Nevada treats them shamefully, overtaxing and under-servicing them. It has historically ranked at or near the bottom when it comes to funding education and providing social services. Recent figures confirm it continues to dwell at the bottom in literacy rates, school graduation rates and immunization rates, among other areas. In many indicators, it is the only non-Southern state to rate so low. Further cuts in education, human services, and public safety will only harm Nevada’s citizens more.

An equitable and reliable tax system is not only desirable; it is an absolute necessity.

Nevada Tax Structure Plays the Public for Chumps

Economic study released by PLAN exposes unfairness of state tax system, underscores need for reform

Nevada has slashed \$1.5 billion from its current budget and is facing an estimated \$2.5 billion shortfall in the next biennium.

At the same time, workers are building what has been called the largest private sector construction project in history on the Las Vegas Strip and skyrocketing gold prices have been generating unprecedented profits for the corporations operating Nevada's gold mines.

A SYSTEM OF TAXATION SHOULD...



- 1** be *fair* in assessing tax burden on individuals and companies and *efficient* in minimizing the impact (or not having an unreasonable impact) on important production and investment decisions
- 2** be *responsive* to growth in the economy
- 3** generate *stable* and *consistent* revenues
- 4** be *transparent* and *accountable* to reduce error and instill public confidence
- 5** generate *sufficient* revenue to meet identified needs and priorities and normal growth in costs

Adapted from: "Current Realities of Local/State Government Funding in Nevada: A Briefing to Identify Future Directions," by Dr. Robert Ginsburg.

When as much as \$9 billion or more is being spent to build a “city within a city,” as the CityCenter project is often called, shouldn’t some of that enormous economic activity be reflected in Nevada’s tax revenues and helping to offset the state’s budget crunch?

When the world’s largest mining corporations are boasting to shareholders about their magnificent profits, shouldn’t their enormous prosperity compensate a little for state revenues that are falling as the result of slowdowns in other sectors of the economy?

No... at least not the way Nevada’s tax system is structured.

The state’s tax structure is detailed in a new analysis, “Current Realities of Local/State Government Funding in Nevada: A Briefing to Identify Future Directions,” prepared for the Progressive Leadership Alliance of Nevada (PLAN) by economist Dr. Robert Ginsburg at Chicago’s Center on Work and Community Development. PLAN commissioned this analysis of the state budget and requested a series of recommendations to address the state’s financial problems.

The analysis’s statistical snapshots and comparative charts and graphs underscore long-familiar problems such as the state budget’s dangerous dependence on a single industry and Nevada’s unstable reliance on highly volatile sales tax revenues.

But the analysis also highlights a pernicious feature that, though woven throughout Nevada’s dysfunctional system of funding and budgeting programs, is routinely overlooked even by critics of the state’s tax structure – Nevada’s tax system is not just broken, it’s also fundamentally unfair, balancing the state budget on the backs of those who can least afford it while shielding some of the state’s biggest, and most profitable, businesses from any meaningful taxation whatsoever.

Working from the findings in the analysis prepared by Dr. Ginsburg, PLAN advocates reforms designed not only to help stabilize Nevada’s tax structure, but also to spread the state’s tax burden more evenly so that it no longer rests disproportionately upon working families.

Chief among those reforms are a long overdue broad-based business tax and revisions to the state’s outdated and embarrassingly industry-friendly method of taxing mineral production.

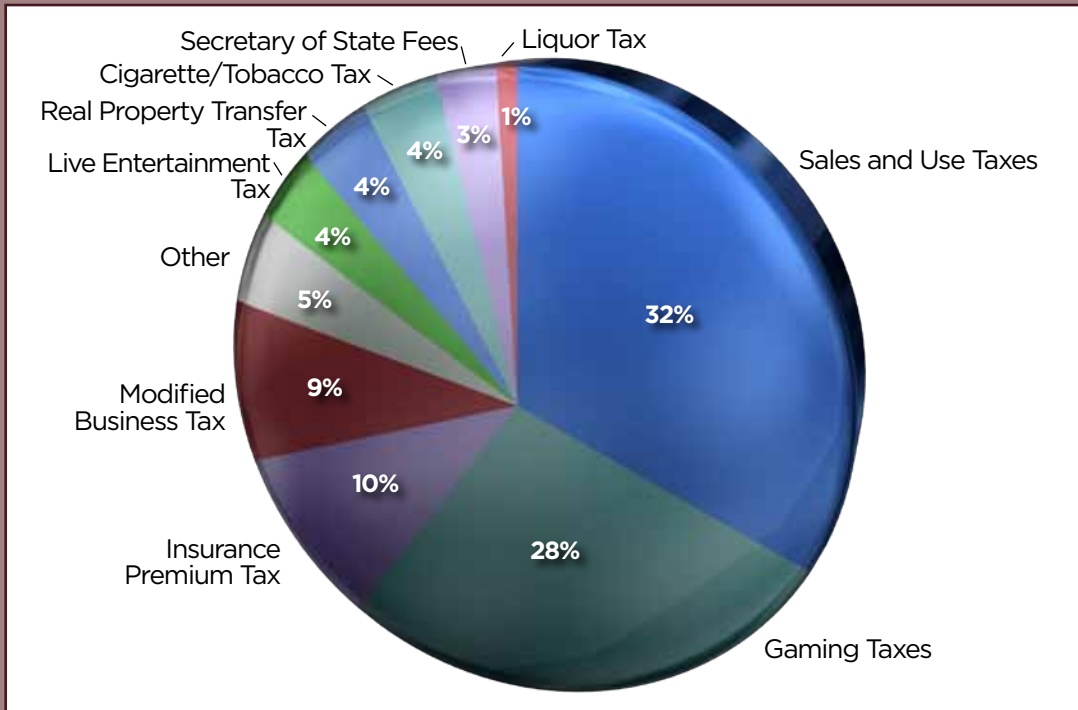
Nevada soaks the poor

Sales taxes account for 32 percent of the revenue coming into Nevada's general fund. No single source of revenue is larger (the gaming tax is the next largest, contributing 28 percent to the fund).

Enthusiastic supporters of funding the state largely through a regressive form of taxation, i.e., a tax that hits low income people the hardest, are fond of noting that the tax is collected when tourists buy designer clothing, fashionable handbags or fine food at five-star restaurants on the Las Vegas Strip.

But the sales tax is also collected when working Nevadans buy clothes in a discount store, purchase a used car or treat their kid to a cheeseburger.

GENERAL FUND REVENUE BY SOURCE 2007-2009 BIENNIUM



Modified from "Current Realities of Local/State Government Funding in Nevada: A Briefing to Identify Future Directions," by Dr. Robert Ginsburg.

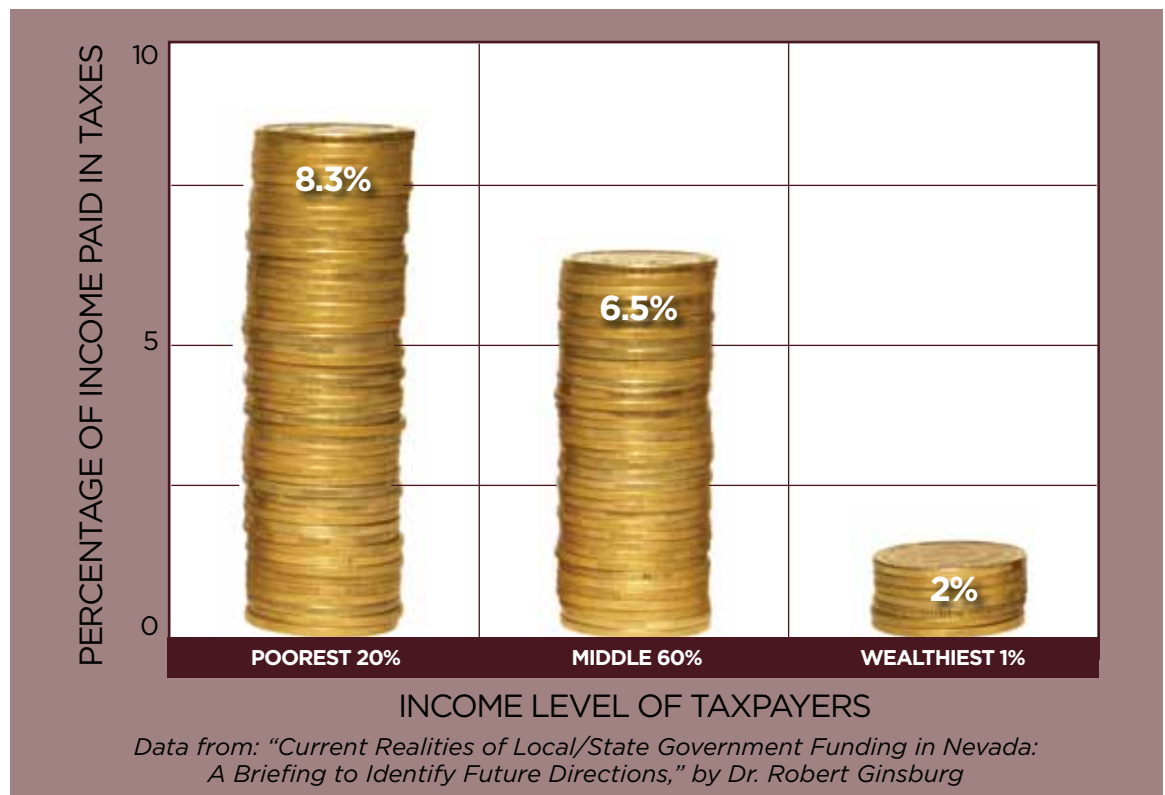
Thanks to the state’s dependence on sales taxes, Nevada has one of the most regressive tax systems in the nation. The poorest 20 percent of Nevadans pay 8.3 percent of their income in taxes, while the richest 1 percent pay only 2 percent of their income.

In other words, the tax burden on Nevada’s poor is more than four times that of Nevada’s wealthiest residents. Only three states (Florida, South Dakota and Washington) have a more regressive tax structure. If Nevada’s tax system had a motto, it might be “soak the poor.” Especially with the state so very reliant on sales taxes, average working Nevadans are paying far more than their fair share to provide education, protect public health and safety, and fund other public programs and services.

Meanwhile, some of the state’s biggest businesses benefit from those very same services – indeed, their existence and their profits depend on functioning education and transportation systems as well as a social safety net, health and environmental protections and other government-provided services that are the hallmarks of a civil society.

Yet those businesses pay next to nothing.

NEVADA’S DISPROPORTIONATE TAXATION



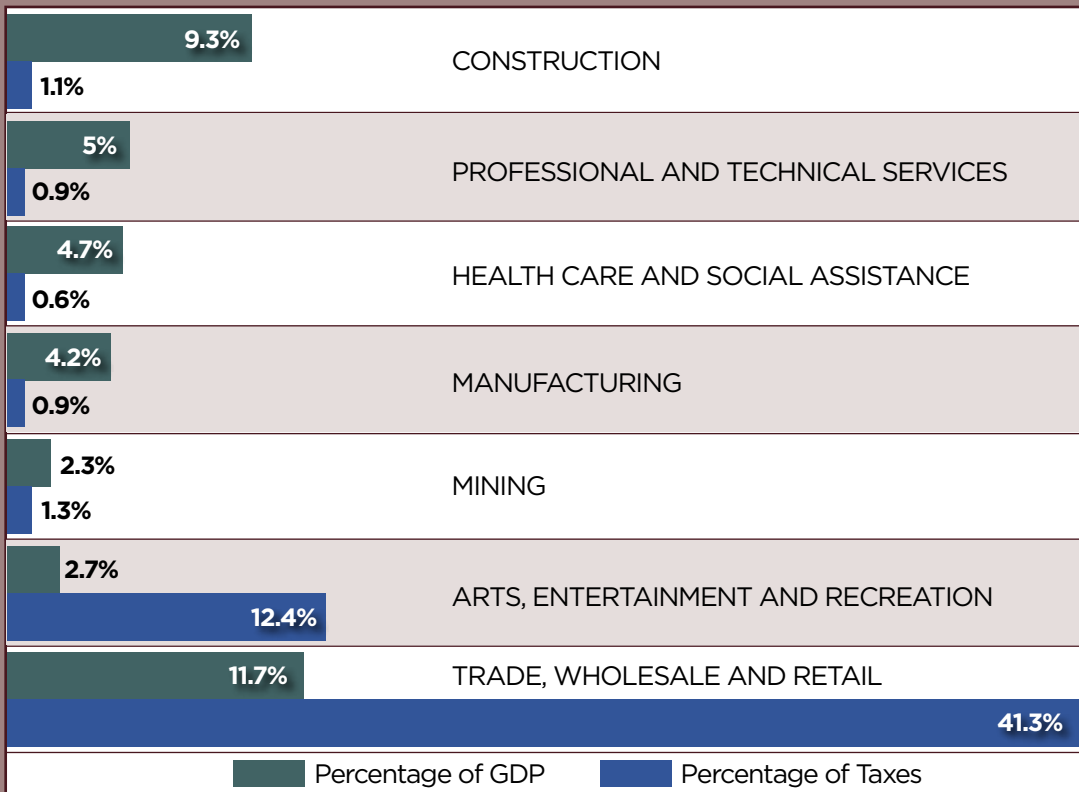
Time for a fairness-based business tax

A reasonable person might expect that the larger an industry's role in the state's economy, the larger that industry's relative tax burden.

Alas, Nevada's system of taxation appears to have been developed with very little input from reasonable persons.

In fact, while Nevada's working families bear a disproportionately heavy tax burden, the tax burden falling on some of the state's largest and most important industries is disproportionately light.

NEVADA INDUSTRY BY PERCENT OF GDP AND PERCENT OF TAXES PAID



Data from "Current Realities of Local/State Government Funding in Nevada: A Briefing to Identify Future Directions," by Dr. Robert Ginsburg.

One of the more striking tables in the analysis by Dr. Ginsburg compares, on a percentage basis, an industry's contribution to the state's gross domestic product to its contribution to the state's tax base.

The disconnect between economic activity and the tax structure is spread throughout Nevada's entire economy. At one extreme, gambling and retail sectors, reflecting gaming taxes and sales taxes paid directly by consumers, account for far larger portions of the tax base than their contributions to state GDP. On the other end of the spectrum, of all the industries that don't pay their fair share in taxes, construction leaps out, accounting for an impressive 9.3 percent of the state's GDP in 2006 but only a paltry 1.1 percent of the taxes paid in the state.

As far as Nevada's tax system is concerned, the roughly \$9 billion CityCenter project built in partnership between MGM Mirage and Dubai World barely exists.

Though particularly favored by Nevada's system of taxation – or more accurately, non-taxation – the construction industry is not the only one enjoying relative immunity from paying a truly – which is to say statistically – fair share of state taxes.

Health services account for nearly 5 percent of Nevada's GDP, but generate less than 1 percent of taxes paid in the state. Roughly the same goes for professional services. Manufacturing, financial services and a host of other industries all shoulder much smaller portions of the state's tax burden than their share of the state's overall economic activity.

A 5 percent net profits tax applied to businesses (including mining, gaming, retail and construction) with profits from \$50,000 to \$100,000 and a 7 percent net profits tax for those with profits of \$100,000 or more would raise an estimated \$194 million for Nevada's general fund.

A business profits tax would help stabilize the state's budgeting and revenue process by distributing the tax burden across the full breadth and width of Nevada's economy instead of tying the state budget almost exclusively to gambling wins and retail sales. And a broad-based tax on profits would begin to redress the fundamentally unfair nature of a state tax system that for years has relied on the spending habits of Nevada's workforce while letting big business slip the noose.

Time for a fairness-based tax on minerals

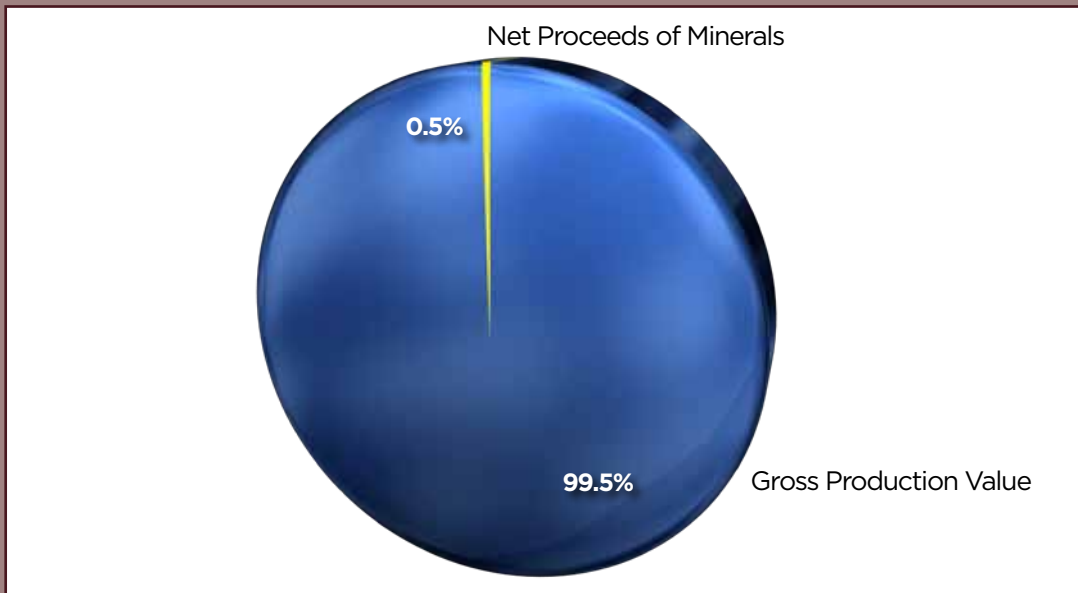
Rising unemployment, a deepening recession, the collapse of the housing market, the nation's highest home foreclosure rate, a Strip operator actually halting construction on a giant resort – Nevada's tourism and growth-based economy has suffered as harsh a reversal of fortune as any state in the country.

Meantime, one industry is booming.

The price of gold has roughly doubled in the last two years, and the corporations that own and operate Nevada's gold mines have been making glowing reports to shareholders. As Barrick Gold Corp. boasted when releasing its third quarter 2008 financial report, "The Company continues to sell the gold industry's largest production into historically high market prices" and the company was expecting even stronger performance in the year's last quarter.

Meantime, the state of Nevada, relying as usual on consumer spending to pay for public services, is reaping very little benefit from the boom in the gold fields.

NET PROCEEDS OF MINERALS AS PERCENTAGE OF GROSS PRODUCTION VALUE IN THE MINING INDUSTRY



Data from "Nevada Mining Tax Deduction Facts," prepared by Hugh Jackson, November 20, 2008.

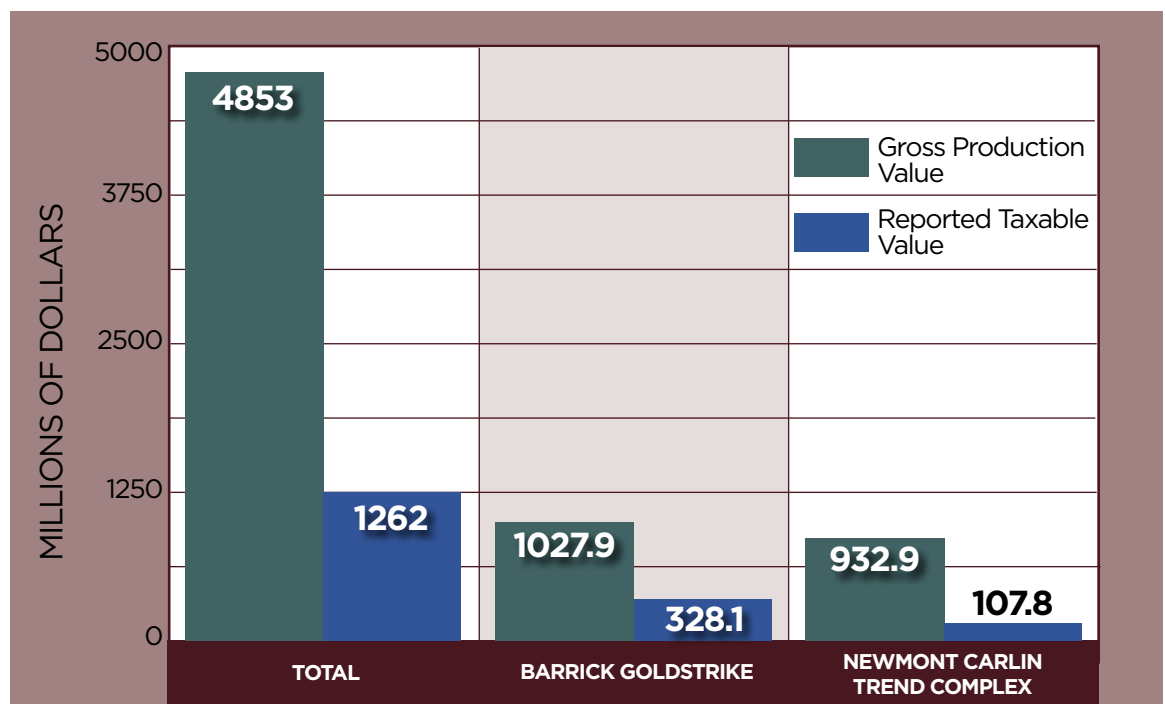
Nevada taxes mineral production on the “net proceeds” of the value of the mineral. In determining what is “net,” seemingly every conceivable cost is allowable as a deduction. The mining industry is much-vaunted and its history much-revered in Nevada. But at \$30.4 million in 2007, the state’s share of the main tax that the mining industry pays is frankly only a negligible contribution to Nevada’s general fund.

That \$30.4 million was on a market value of \$5.4 billion, for an effective tax rate of one-half of one percent.

The aforementioned poorest 20 percent of Nevadans who are paying 8.3 percent of their household income in taxes should be so lucky.

Severance taxes on coal, oil and natural gas in other states are typically assigned to the gross value of production, not the net – but the price is also assigned at the mine-mouth or well-head, and producers generally don’t pay processing costs. Thus the argument can be made that gold mines have additional costs not borne by other

NEVADA MINING TAX DEDUCTIONS FOR 2007



Data from “Nevada Mining Tax Deduction Facts,” prepared by Hugh Jackson, November 20, 2008.

extractive industries – the cost of transporting the ore to the processing facilities, the cost of processing, possibly the cost of transportation to the point of sale – and those are the costs that can fairly be treated as deductible from gross value.

However, the costs of extraction itself should not be an allowable deduction for gold any more than extraction costs are allowable deductions for oil and coal in other states

The currently allowable deductions for everything from equipment depreciation to fire insurance to social security employee contributions to marketing(!) and virtually every other cost incurred by the industry are patently absurd. Those deductions amount to nothing more than the people of Nevada coddling the world's largest transnational mining conglomerates as if they were fragile flowers that would wilt if exposed to the same realities faced by their extractive industry brethren in the coal field and the oil patch.

Eliminating the gratuitous list of deductions from the formula for establishing net value, and levying the constitutionally mandated 5 percent tax rate on a more sensible net proceeds of minerals would generate an estimated additional \$141 million per year.

The minerals will be gone someday, along with the corporations that mine them. When Nevada gets beyond its current budget crisis, enhanced state revenue as a result of more sensible calculations of net proceeds should be deposited in a permanent mineral trust fund as an investment for Nevada's future. While a portion of the fund's returns on investment should go to the state's general fund, some of the investment income should be earmarked back into the fund so it can continue to grow.

A suite of solutions

A broad-based tax on corporations and a less loophole-ridden method of taxing minerals would begin to redress the shameful unfairness that permeates Nevada's system of funding government. Nevada has historically ranked at or near the bottom when it comes to funding education and providing social services. Given years as the fastest growing state in the nation, state and local governments have struggled, sometimes successfully and sometimes not, just to keep from falling further behind in the effort to meet the demands of their citizens.

That's why PLAN advocates a suite of additional reforms. In the short term, those solutions include taxing meals that are comp'ed by the gaming industry, and increasing the room tax by 3 percent in the state's two largest counties to provide for K-12 public education funding. Even those solutions will not bridge the gap between the state revenues and the cost of providing basic services, and PLAN

recognizes that legislators must turn to other sources of additional revenue as well.

Ultimately, wealthy residents with unearned incomes over \$200,000 should be charged a tax on capital gains, interest and dividends. And Nevada should establish a state income tax like 43 other states. Both of those measures will require amending the state constitution.

Nevadans are getting ripped off

Advocates and champions can and do stress the importance of adequately funding education, road construction and various health and social service programs. But most people are too busy with their own lives to give much thought to what state government does and whether it matters. They may or may not think about how the family down the street finds care for their mentally challenged child during the day when both parents are at work, or where the money came from to build the roads that take them to their jobs and back, or how much their kid's teachers get paid, or where the money comes from to pay for a safe haven for children seeking escape from violent homes.

It's common, and understandable, that people often fail to make the connection between the importance of funding state government and the overall quality of life for themselves, their neighbors and their communities. And an understanding of that connection can be particularly elusive in a political milieu where attacking both taxation and government is routinely adopted as the shortest distance between an aspiring politician and a coveted career in the government which he or she professes to despise.

However, while people may not give very much thought to the role of state government, they have very firm ideas with regard to taxes. They don't like them.

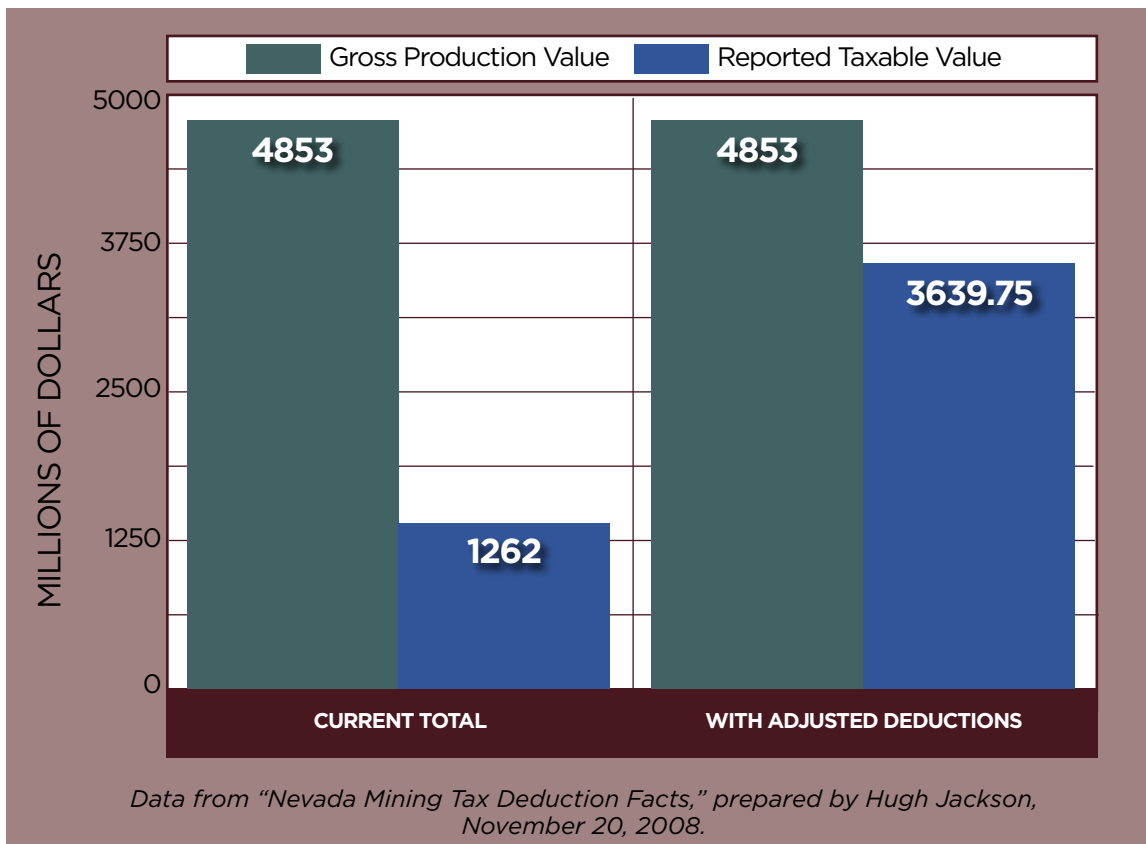
Politicians, political activists and the special interests that support them not unnaturally exploit the public's natural antagonism to taxation by fostering a public hatred of all forms of taxation. Conveniently for big businesses and some ideologically driven organizations, it is a fairly easy sell.

But Nevadans who rush to oppose all forms of new or increased taxes are perpetuating a tax system that forces average Nevadans to pay far more than their fair share while businesses that can much more easily afford to pay more taxes are contributing a relative pittance.

Put simply, working Nevadans are being played for chumps. And it's time for them to put a stop to it.

PLAN's Revenue Proposals

PLAN'S ADJUSTED DEDUCTIONS FOR NPOM



Net Proceeds of Minerals

Included in the changes to our tax structure to make it more progressive, PLAN is proposing a change in the Net Proceeds of Minerals (NPOM) Tax. It makes up less than 1 percent of the revenues of the state even though mining has been extremely profitable in these hard times. Over the last eight years, the Nevada Mining industry has deducted 79 percent of the value of gold production, and paid taxes only on the remaining 21 percent.

The NPOM Tax needs to be reevaluated. Mining in Nevada avoids paying taxes on the billions of dollars that are made from minerals which are removed and never available again. Some states have a Severance Tax which more fairly taxes the removal of valuable assets from the state.

The two largest gold mines, Barrick Goldstrike Mine and Newmont's Carlin Trend project, have reported zero taxable values during years when they have produced gold worth a half billion dollars or more. Why does this happen?

Clever lobbyists for the industry have expanded the deductions that are subtracted from the gross. They are written into the state statutes (NRS 362.120) and can be eliminated by a simple change in the law which would raise hundreds of millions of dollars for the state of Nevada.

One of those deductions is the accrued reclamation item which allows mines to include deductions for reclamation long after the project ends. Normally, they deduct expenses for the current year only and some of them don't reclaim the land for many years.

The grouping of mines (both successful and unsuccessful) for taxation purposes allows some companies to claim losses which, when combined with the profitable projects, allows them to avoid taxes entirely. This should be changed.

In addition, it is ridiculous to allow the cost of marketing to be deducted from the net proceeds. Why should the State of Nevada shoulder marketing costs for the mining industry? This deduction, like many of the others, is nothing more than a way for the mining industry to avoid paying any meaningful taxes. Mining advocates will say they pay other taxes like Sales, Property and the pitifully small Modified Business tax. But, so do all businesses in Nevada as well as most citizens.

PLAN believes these and other deductions need to be eliminated immediately.

Broad Based Business Profits Tax

Profitable businesses should help pay for the education and human services in Nevada. By increasing the Modified Business Tax and adding a business profits tax, we would still be competitive with other states. As the chart of neighboring states shows, Nevada's increase of business taxes would be moderate and would not affect our attraction to newcomers. We have no income tax and until that is remedied, we are a draw to wealthy corporations who want to escape taxes. The time has come to change all that. We want good corporate citizens who provide for their employees and contribute to the economy.

REVENUE PROPOSALS

“Big Box” Stores have never contributed enough to our economy. These two tax proposals would help remedy that. Large retailers pay comparable taxes in 46 states. Items are priced exactly the same in Nevada and any state that has higher corporate taxes. So arguments that these stores will pass along the tax to consumers is ridiculous. Additionally, important questions have been raised about large retailers who do not provide health insurance for their employees. These practices contribute to the very high number of uninsured workers in our state.

Nevada’s tax structure is flawed and the state continues to tax the poor much more heavily than it taxes the wealthy. Our proposal for a Broad Based Business tax and doubling the Modified Business tax would make our tax system more progressive.

A tiered system in which businesses with profits of \$50,000 to \$100,000 pay 5 percent, and businesses with profits over \$100,000 pay 7 percent, would generate \$194 million yearly based on 2006 federal corporate income tax returns. Such a system could easily be instituted using existing federal reporting requirements and forms. All types of businesses in Nevada, including mining, gaming, retail and construction, would be included in the tiered system, as they are in 46 other states. It is important to note that 85 percent of Nevada’s businesses make less than \$100,000 profit annually.

Only three states do not have a state Corporate Profits tax: Nevada, Washington and Wyoming. Here is the 2008 corporate profits tax Information on neighboring states:

2008 CORPORATE PROFITS TAX INFORMATION ON NEIGHBORING STATES

ARIZONA	6.968%	Flat rate
CALIFORNIA	8.84%	Flat rate
IDAHO	7.6%	Flat rate
MONTANA	6.75%	Flat rate
OREGON	6.6%	Flat rate
UTAH	5.0%	Flat rate
NEW MEXICO	4.8%	on profits over \$500,000
	7.6%	on \$1 million or more

Modified Business Tax Increase

In 2003, the Modified Business Tax was created, replacing an inadequate business “head” tax, which taxed the number of employees rather than the total amount of payroll. Currently the tax rate is 0.63 percent of the total payroll and PLAN is proposing to double this tax to 1.26 percent. This would raise an additional \$279 million per year and would be a way to quickly and efficiently increase our state revenues. Businesses that provide health insurance for their employees are able to deduct those costs from this tax.

Sales Tax Exemption on Comp’ed Meals

For many years, employers in the gaming industry paid sales tax on the meals that they comp’ed just like all citizens pay sales tax on meals. The Nevada Supreme Court recently struck down the requirement to apply sales tax to comp’ed meals. In addition to having an ongoing source of revenue taken away, the state of Nevada will have to reimburse the gaming industry \$140 million dollars. We support changing the law to include sales tax on comp’ed meals as revenue. This is a simple solution which would help recover money for our budget. With a \$2.5 billion shortfall for the next biennium, this loophole must be filled. Every sector of our economy has to help Nevada during this very difficult time. With this change, revenues generated would be about \$17 million per year.

Hotel Room Tax

Nevada’s K–12 education system has been near the bottom of the list of per-pupil expenditures for too long. We need to find solutions to our funding crises. Nevada State Education Association has worked diligently to address the low funding of Nevada Schools. The Hotel Room tax is just a beginning for filling this long overdue need.

We propose increasing the room tax by 3 percent in the two largest counties, Clark and Washoe. The proceeds would benefit K–12 public education funding. This would raise approximately \$125 million per year based on the 2006 hotel room tax. A statutory initiative would be required in order to make this happen. Advisory questions were on the November ballot in Clark and Washoe Counties. Voters enthusiastically supported the idea of raising more funds for public education, with 57 percent in Washoe County and 66 percent in Clark County agreeing.

Unearned Income Tax

For Nevada residents with unearned income over \$200,000 per year, charging a 3 percent tax on capital gains, interest and dividends would generate \$380 million per year (based on 2006 IRS data for unearned income). The constitution would have to be amended by ballot initiative or legislative initiative. Citizens in this financial stratum are already paying a much lower percentage of income as taxes than other citizens; they can afford to pay state unearned income tax.

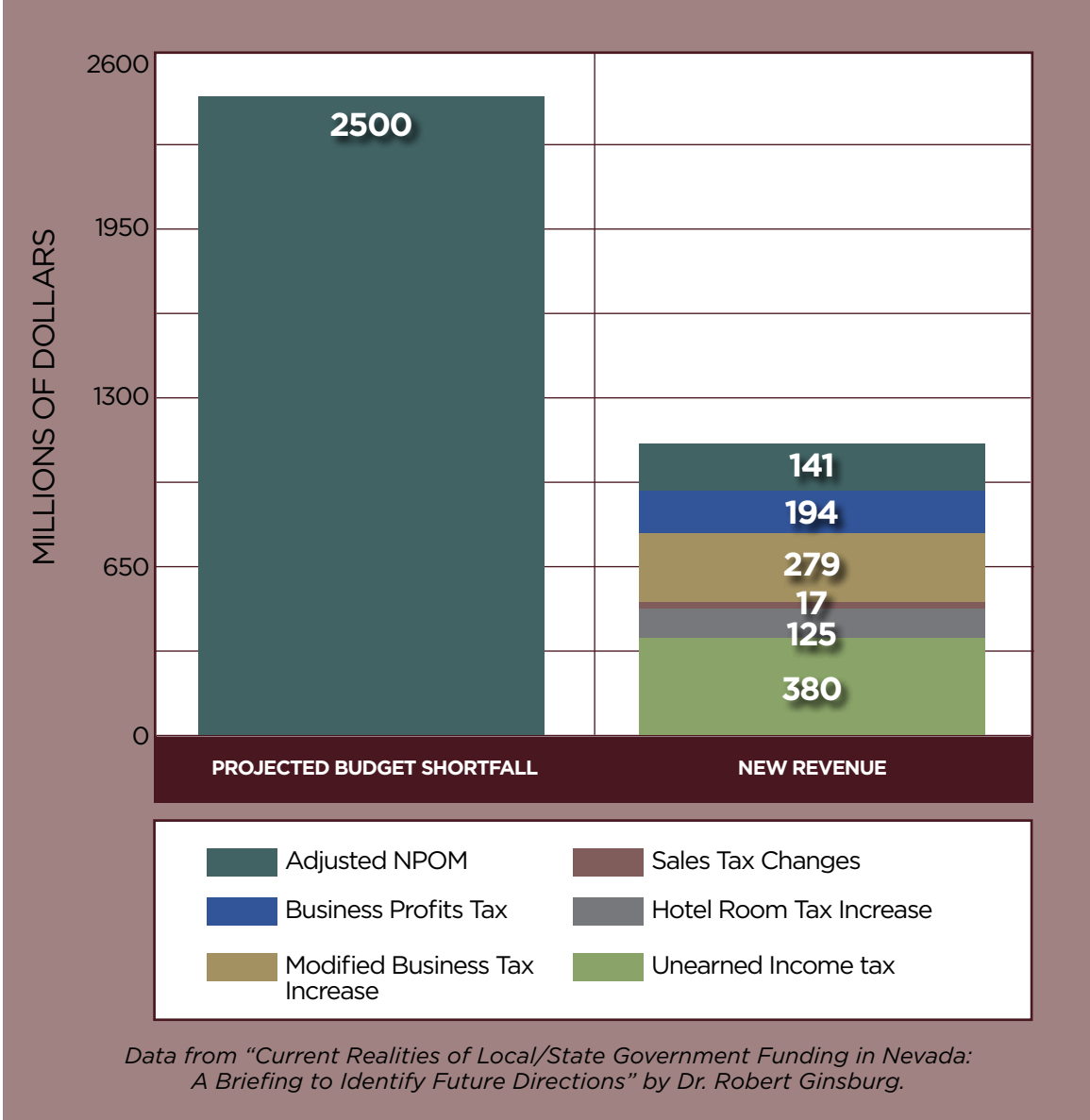
Income Tax

Only six other states have no income tax – Alaska, Florida, South Dakota, Texas, Washington and Wyoming. Nevada will never be able to make its taxation system a truly progressive and stable one unless we repeal the ban on income tax. This will require an amendment to the constitution. There are a couple of ways to go about this. With an initiative petition, two consecutive majority votes of the people of Nevada would make this change. Alternatively, a legislative proposal would require approval by two sessions of the legislature as well as a majority election by voters. It is time to get this process started.

More Ideas

PLAN opposes increasing our already heavy reliance on sales tax as it will only make Nevada's tax structure more regressive. Instead, increases can be made in several areas, such as gaming, alcohol and tobacco taxes, as well as raising fees in government offices. We also support a more efficient collection process for government fees that are already in place. Legislators are examining laws concerning tax abatements and incentives to see which can be modified to increase revenues. Implementing all of these ideas will put Nevada well on its way to digging itself out of its budget shortfall.

PROJECTED BUDGET SHORTFALL AND PLAN'S PROPOSALS FOR THE 2009-2011 BIENNIUM



Summary of PLAN's Revenue Proposals

New Income Generated:
Over \$1.136 Billion

PROPOSALS THAT CAN BE IMPLEMENTED IMMEDIATELY

PROPOSAL	NOTES	INCREASE
Net Proceeds of Minerals (NPOM)	Eliminate most exemptions except transportation and/or energy costs to make assessed value about 75% of market value	\$141 million
Business Profits Tax	Businesses with profits over \$50,000 would pay 5%; businesses with profits over \$100,000 would pay 7%	\$194 million
Increase Modified Business Tax	Increase Modified Business Tax from 0.63% to 1.26%	\$279 million
Sales Tax Exemption on comp'ed meals	Tax meals that are comp'ed in the gaming industry. We support changing the law to include this as revenue	\$17 million
Hotel Room Tax Increase	Increase room tax 3% in two largest counties for K-12 public education funding	\$125 million

PROPOSALS THAT WILL TAKE SEVERAL YEARS TO IMPLEMENT

PROPOSAL	NOTES	INCREASE
Unearned Income tax	Charge residents with income over \$200,000 per year 3% on capital gains, interest and dividends	\$380 million
Income Tax	Nevada will never be able to make its Taxation system a truly progressive and stable one unless we repeal the ban on income tax	unknown millions

NEVADA FACT SHEET JANUARY 2009

NEVADA IS ONE OF THE WEALTHIEST STATES IN THE COUNTRY

- Nevada ranks 14th in personal income per capita at \$35,780, compared to the national average of \$34,495. *U.S. Census Bureau*
- Nevada ranks 17th in median household income at \$49,169, compared to the national average of only \$46,242. *U.S. Census Bureau*

DESPITE THIS WEALTH, NEVADA IS WEAK IN GENERATING STATE REVENUE

- Nevada ranks 43rd in State government general revenue per capita at \$4,345, only one third of what the top ranking state, Alaska, generates - \$13,446. *U.S. Census Bureau*
- Nevada ranks 36th in State and local tax burden at 10.1%, compared to the number one state, Vermont, at 14.1%. *The Tax Foundation – data from the Bureau of Economic Analysis, Department of Commerce*
- Nevada ranks 49th in federal spending received per dollar of tax paid – for each dollar Nevada spends, the State receives \$0.65, compared to the highest state, New Mexico, at \$2.03. *The Tax Foundation*

NEVADA IS FAILING TO PROVIDE NECESSARY AND ADEQUATE SERVICES TO ITS MOST VULNERABLE POPULATIONS

- Nevada ranks 47th in per pupil school expenditures at \$6,963 compared to the national average of \$9,557. *Barbara Buckley's Nevada 2020 Presentation*
- High school graduation rates dropped from 67% in 2007 to 55.8% in 2008. *United Health Foundation*
- Nevada ranks 43rd in overall child well-being indicators. *Every Child Matters Education Fund, Geography Matters*
- Nevada ranks 47th for the percent of uninsured children in the state, 18.8%, compared to the highest ranking state, Rhode Island, at only 4.2%. *U.S. Census Bureau*
- Nevada ranks 44th in per capita child welfare expenditures at \$33.99, compared to the top 10 states' median at \$108.56. *Child Welfare League of America*
- Nevada ranks 3rd on the fifty-state (and D.C.) ranking of state economic distress levels. *Center for Budget and Policy Priorities*
- Nevada ranks 1st for the increase in food stamp caseloads. *Center for Budget and Policy Priorities*
- Nevada ranks 1st in foreclosures. *Center for Budget and Policy Priorities*
- As least 60 percent of families in Nevada do not have a regular doctor or nurse to see their children. *U.S. Department of Health and Human Services*
- 68,000 adults in Nevada, age 50-64, lack health insurance. *AARP 2008*
- Nevada dropped three spots to rank 42nd for America's 2008 Health Rankings. *United Health Foundation*

NEVADA MINING TAX DEDUCTION FACTS

- From 2000 through 2007, the mining industry in Nevada extracted and sold gold worth \$25.5 billion, and paid taxes to the state general fund totaling \$125.3 million, an effective gross state tax rate of one-half of one percent.
- Mine owners are allowed to write off expenses as deductions. Over the last eight years, the Nevada mining industry has deducted 79 percent of the value of gold production, and paid taxes only on the value of the remaining 21 percent.
- In any given year from 2000 through 2007, one-third to one-half of all the mines operating in the state produced gold worth hundreds of millions of dollars but reported zero taxable proceeds.
- Nevada's two largest gold mines, the Barrick Goldstrike mine and Newmont's Carlin Trend project, have reported zero taxable values during years when the mines have produced gold worth a half billion dollars or more.
- While the 5 percent Net Proceeds of Minerals (NPOM) tax rate is written in the Nevada Constitution and would take years to change, the deductions by which the mining industry avoids so much taxation are written in state statutes (NRS 362.120) and can be eliminated through legislation, raising tens and possibly hundreds of millions of dollars for the state budget as early as the next biennium

Table 1. Nevada gold mine industry deductions from gross production value 2000-2007 (\$ million)

Year	Gross production value	Reported taxable value	Deducted value	% deducted	NPOM taxes paid to state general fund
2007	4,853	1,262	3,591	74	30.4
2006	4,333	1,035	3,298	76	23.5
2005	3,388	648	2,740	81	14.1
2004	3,025	710	2,315	77	16.0
2003	2,728	626	2,102	77	14.1
2002	2,473	386	2,090	84	8.3
2001	2,270	326	1,944	86	6.9
2000	2,473	483	1,990	80	12.0
Total	25,546	5,476	20,070	78.5	125.3

Table 2. Number of Nevada gold mines reporting gross values but no taxable values 2000-2007 (\$ million)

Year	Mines Reporting Gross Values	Mines Reporting No Taxable Values	Gross Values of Production from Mines Reporting No Taxable Value	Taxes Paid to NV GF from Mines Reporting No Taxable Value
2007	25	7	365.5	0
2006	27	8	183.7	0
2005	28	11	802.9	0
2004	29	15	403.1	0
2003	25	10	573.6	0
2002	28	15	639.7	0
2001	30	17	711.0	0
2000	31	16	245.9	0
		Total	3,925	0

Table 3. Gross production value and reported taxable value at the Barrick Goldstrike mine (\$ million)

Year	Gross Production Value	Reported Taxable Value	Taxes paid to NV GF
2007	1,027.9	328.1	10.0
2006	1,008.5	373.1	11.4
2005	774.0	208.4	6.4
2004	679.2	184.0	5.9
2003	660.4	160.1	5.1
2002	520.7	0	0
2001	442.1	0	0
2000	459.8	35.7	1.2
Total	5,572.6	1,289.4	40.0

Table 4. Gross production value and reported taxable value at Newmont's Carlin Trend Project (\$ million)

Year	Gross Production Value	Reported Taxable Value	Taxes paid to NV GF
2007	932.9	107.8	3.3
2006	771.8	22.7	0.7
2005	622.7	0	0
2004	467.9	20.9	0.7
2003	394.7	0	0
2002	416.8	17.2	0.6
2001	384.7	30.5	1.0
2000	447.2	101.6	3.4
Total	4,468.7	300.7	9.7

Source for all tables: Nevada Department of Taxation, Division of Assessment Standards, Net Proceeds of Minerals Tax bulletins. Annual bulletins for 2000 through 2006 are online in pdf format (http://tax.state.nv.us/DOAS_archive_page.htm) in the Division of Assessment Standards archive. The 2007 report (http://tax.state.nv.us/DOAS_FORMS/CA%20Net%20Proc%20Bull%202007-08.pdf) is online in the Taxation Department's publications section. Nevada Mining Tax Deduction Facts independently prepared by Hugh Jackson (editor@lasvegasgleaner.com), Nov. 20, 2008

APPENDIX

SHARE OF FAMILY INCOME (NON-ELDERLY) OF STATE AND LOCAL TAXES (2002) REF: ITEP, JANUARY 2003

	Lowest	Second	Middle	Fourth	Top 20%		
Income Group	20%	20%	20%	20%	Next 15%	Next 4%	Top 1%
Income Range	Less than \$17,000	\$17,000-\$27,000	\$27,000-\$42,000	\$42,000-\$67,000	\$67,000-\$125,000	\$125,000-\$297,000	\$297,000 or more
Average Income in Group	\$11,000	\$21,200	\$33,600	\$53,500	\$87,000	\$178,000	\$1,186,000
Sales & Excise Taxes	6.30%	5.20%	4.30%	3.60%	2.70%	1.70%	0.80%
General Sales – Individuals	3.40%	3.00%	2.60%	2.30%	1.70%	1.20%	0.60%
Other Sales & Excise – Individuals	1.30%	0.80%	0.70%	0.60%	0.40%	0.20%	0.00%
Sales & Excise on Business	1.60%	1.30%	1.00%	0.80%	0.60%	0.40%	0.20%
Property Taxes	2.00%	2.30%	2.00%	2.20%	2.10%	1.80%	1.20%
Property Taxes on Families	2.00%	2.30%	1.90%	2.10%	2.00%	1.60%	0.70%
Other Property Taxes	0.10%	0.00%	0.00%	0.10%	0.10%	0.20%	0.50%
TOTAL TAXES	8.30%	7.50%	6.30%	5.80%	4.90%	3.50%	2.00%
Federal Deduction Offset	-0.0%	-0.1%	-0.2%	-0.3%	-0.4%	-0.4%	-0.2%
TOTAL AFTER OFFSET	8.30%	7.40%	6.10%	5.60%	4.40%	3.10%	1.80%

Table from: "Current Realities of Local/State Government Funding in Nevada: A Briefing to Identify Future Directions," by Dr. Robert Ginsburg, page 35. Ref: ITEP, January 2003

TAXES (US, NV LOCAL) BY INDUSTRY AND AS PERCENT OF 2006 GDP

INDUSTRY	2006	% OF TOTAL	TAXES (FED, STATE, LOCAL)	% TOTAL TAXES PAID
Total Gross Domestic Product by State	\$123,054	100.0%	\$10,869	100.0%
Private industries	\$111,149	90.3%	\$10,869	100.0%
Agriculture, forestry, fishing, and hunting	\$201	0.2%	\$13	0.1%
Crop and animal production (Farms)	\$164	0.1%	\$11	0.1%
Forestry, fishing, and related activities	\$37	0.0%	\$2	0.0%
Mining	\$2,833	2.3%	\$146	1.3%
Mining, except oil and gas	\$2,528	2.1%	\$142	1.3%
Support activities for mining	\$301	0.2%	\$4	0.0%
Utilities	\$2,033	1.7%	\$253	2.3%
Construction	\$11,386	9.3%	\$121	1.1%
Manufacturing	\$5,183	4.2%	\$98	0.9%
Durable goods	\$3,790	3.1%	\$60	0.6%
Nondurable goods	\$1,393	1.1%	\$37	0.3%
Wholesale trade	\$4,946	4.0%	\$1,421	13.1%
Retail trade	\$9,501	7.7%	\$3,066	28.2%
Transportation and warehousing, excluding Postal Service	\$3,513	2.9%	\$408	3.8%
Information	\$2,386	1.9%	\$214	2.0%
Finance and insurance	\$9,666	7.9%	\$459	4.2%
Real estate and rental and leasing	\$18,206	14.8%	\$1,829	16.8%
Professional and technical services	\$6,182	5.0%	\$93	0.9%
Management of companies and enterprises	\$2,676	2.2%	\$41	0.4%
Administrative and waste services	\$3,682	3.0%	\$102	0.9%
Educational services	\$312	0.3%	\$24	0.2%
Health care and social assistance	\$5,741	4.7%	\$60	0.6%
Arts, entertainment, and recreation	\$3,281	2.7%	\$1,346	12.4%
Performing arts, museums, and related activities	\$1,006	0.8%	\$428	3.9%
Amusement, gambling, and recreation	\$2,275	1.8%	\$918	8.4%
Accommodation and food services	\$17,235	14.0%	\$903	8.3%
Accommodation	\$14,336	11.7%	\$579	5.3%
Food services and drinking places	\$2,899	2.4%	\$325	3.0%
Other services, except government	\$2,185	1.8%	\$272	2.5%
Government	\$11,905	9.7%	(L)	
Federal civilian	\$1,722	1.4%	\$ -	0.0%
Federal military	\$1,080	0.9%	\$ -	0.0%
State and local	\$9,103	7.4%	(L)	

Taxes on production and imports (millions of current dollars) consist of tax liabilities, such as general sales and property taxes, that are chargeable to business expense in the calculation of profit-type incomes. Also included are special assessments. TOPI is the sum of state and local TOPI – which is primarily nonpersonal property taxes, licenses, and sales and gross receipt taxes – and Federal TOPI, which is composed of excise taxes on goods and services.

Table from: "Current Realities of Local/State Government Funding in Nevada: A Briefing to Identify Future Directions," by Dr. Robert Ginsburg, page 34.

Resources

Statistical Data throughout this report (except where noted) provided by Dr. Robert Ginsburg, Center on Work and Community Development, Chicago, IL rginsburg@igc.org

“The Sagebrush State: Nevada’s History, Government, and Politics,” by Michael W. Bowers, University of Nevada Press, explains the process for constitutional amendments that was detailed in the “Income Tax” paragraph of “PLAN’s Revenue Proposals.”

Nevada State Assembly Speaker Barbara E. Buckley has prepared a compelling presentation regarding Nevada’s future which can be found at: <http://www.nv2020.com/OverhaulingNVNov08.pdf>

National organizations analyzing and working for equitable tax systems:

- Center on Budget and Policy Priorities: <http://www.cbpp.org/>
- Economic Policy Institute: <http://www.epi.org/>
- Tax Fairness Organizing Collaborative: <http://www.faireconomy.org/node/80>

Las Vegas Gleaner: Progressive News and Opinion from the Heartland:
<http://www.lasvegsgleaner.com/>

Progressive Leadership Alliance of Nevada (PLAN) website:
<http://www.planevada.org/>

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Other contributions were made by PLAN staff and members of the Economic Tax Justice Committee, including the Human Services Network. Jesselin Anthony, PLAN volunteer, compiled this report.

Cover photos from PLAN’s State of OUR State events in Las Vegas and Reno, January 2009.

More about PLAN

The Progressive Leadership Alliance of Nevada (PLAN) is a non-profit organization formed in 1994 to bring people and organizations together to build a better Nevada. We are more than two-dozen groups dedicated to working for social, economic, and environmental justice. Our member groups include anti-poverty activists, people of color, children's advocates, disabled persons, environmentalists, lesbians and gay men, and labor unions.

PLAN works with diverse constituencies—many of whom do not traditionally work together—and builds bridges so that collectively we can build the power to impact policy decisions on a wide range of issues. Our mission is to build collective strategic action among coalition partners in order to deepen democracy and achieve greater social justice in Nevada. PLAN uses research, public education, leadership development and grassroots organizing to build power and create more humane solutions to Nevada's problems.

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PLAN Member Groups

AFSCME Local 4041, Committee to Aid Abused Women, Culinary Workers Local 226, Food Bank of Northern Nevada, Gay and Lesbian Community Center of Las Vegas, Great Basin Primary Care Association, Great Basin Resource Watch, Great Basin Water Network, Human Services Network, National Association of Social Workers-Nevada Chapter, National Organization for Women-Southern Nevada, Nevada Conservation League, Nevada Justice Association, Nevada Lawyers for Progressive Policy, Nevada State Education Association, Nevada Women's Lobby, Planned Parenthood Mar Monte of Northern Nevada, Planned Parenthood of Southern Nevada, Reno-Sparks Indian Colony, Reno-Sparks NAACP, SEIU Local 1107, Sierra Club—Toiyabe Chapter, Sunrise Sustainable Resources Group, TRENDZ, Inc.; Unitarian Universalist Congregation of Las Vegas, Unitarian Universalist Social Action Committee Reno, Washoe Legal Services.

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