



The Nevada Policy Research Institute

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Proposed tax hikes a threat to Nevada economy

The Nevada Legislature's new plan to confiscate an additional \$709 million from taxpayers through four new tax hikes would stifle job creation and deepen the Silver State's economic recession, said a fiscal policy analyst at the Nevada Policy Research Institute.

Geoffrey Lawrence warned that the series of tax increases lawmakers have outlined would likely have dire consequences for Nevada's businesses and families.

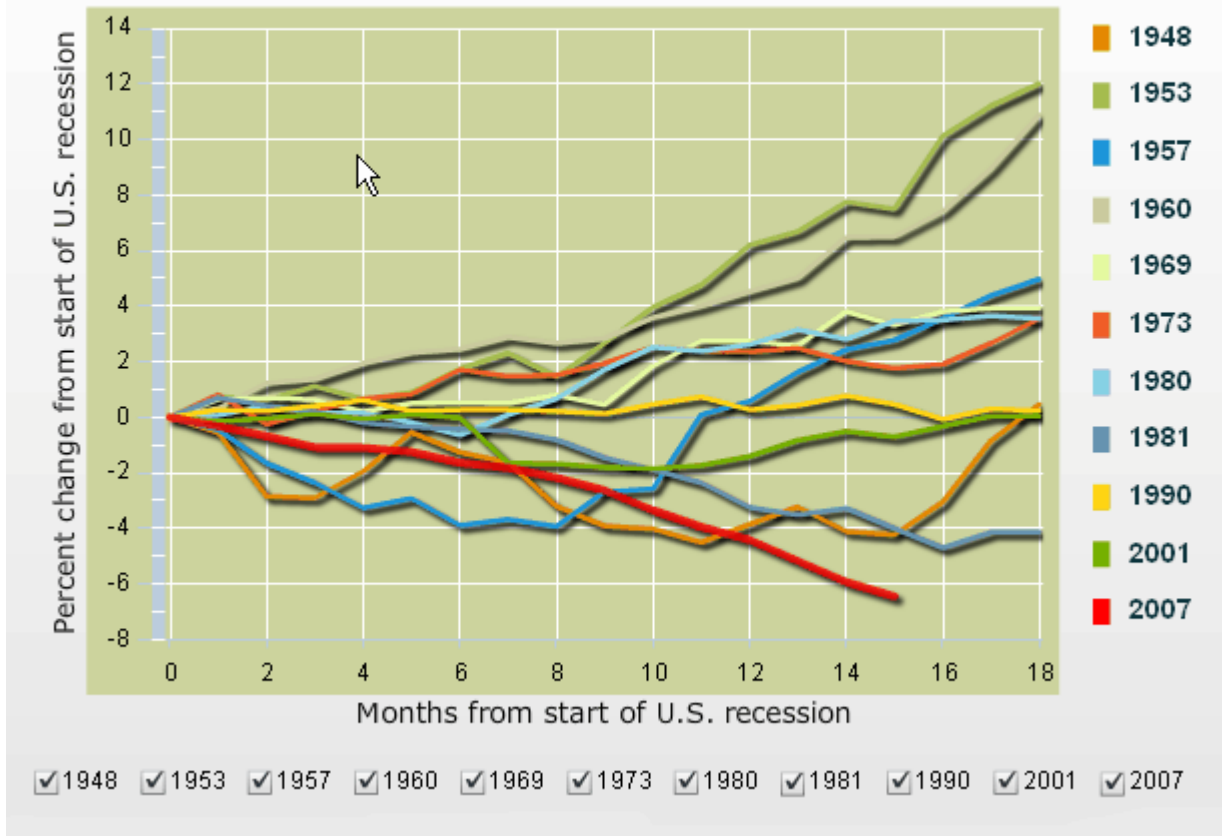
"The proposed doubling of the modified business tax would penalize employers for hiring workers or giving salary increases," said Lawrence, "while the sales tax increase would decrease consumer spending and lower some businesses' revenue, which would lead to more layoffs."

Lawrence noted that Assembly Speaker Barbara Buckley just last week acknowledged these points, saying that raising the modified business tax on small employers "could be the difference between laying people off." ("Buckley pitches new plan to bridge revenue gap," *Las Vegas Sun*, May 14, 2009)

"Perhaps if Speaker Buckley and other legislators spent less time in secret meetings concocting new ways to tax Nevadans, and more time studying unemployment statistics, they would see that *all* businesses — big *and* small — are struggling," said Lawrence. "With Nevada's unemployment rate above 10 percent, Nevada's legislative leadership should be examining ways to *ease* the burden on the state's citizens, rather than increase it through new taxes totaling more than \$700 million. At the least, leadership should be looking at ways to prioritize spending so the state can live within its means, as Nevada's businesses, families and individuals must."

Lawrence pointed to economic data from the U.S. Federal Reserve System showing that Nevada's current recession is the most severe since World War II. In an economic climate already so harsh, he said, the new taxes lawmakers seek to impose on Silver State job seekers would be even more devastating.

Nevada - Change in Employment: Comparing Individual Postwar Recessions



Source: The Federal Reserve Bank of Minneapolis.

See http://www.minneapolisfed.org/publications_papers/studies/recession_perspective/index.cfm.

“These new penalties would reduce the ability of individuals in the Silver State to provide for themselves through gainful employment, and they would foster greater dependency on government, thus limiting individual freedom,” said Lawrence.

“Job growth and economic recovery in Nevada are dependent on a low tax burden. Relatively low tax rates have historically led to record growth in the Silver State, and businesses and individuals in neighboring states have recognized that and flocked to Nevada in search of the opportunity for success. Now is not the time to forget that lesson.”

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