The Nevada Policy Research Institute

For Immediate Release
July 13, 2010

Contact Andy Matthews
(702) 222-0642

Tax Foundation praises NPRI study, warns of harm business tax would do to Nevada's economy

LAS VEGAS — The Tax Foundation, a nonpartisan tax research organization based in Washington, D.C., today released a fiscal fact sheet that cites a recent report from the Nevada Policy Research Institute and echoes NPRI's warnings about the negative economic consequences that would follow if Nevada were to institute a new business tax.

The Tax Foundation's report, entitled "Nevada panel considering tax reform options, including new business taxes," was authored by Joseph Henchman, the Foundation's tax counsel and director of state projects. It highlights the damage that a corporate income tax or gross-receipts tax would do to Nevada's economy and confirms many findings of the recent NPRI report, titled "One Sound State, Once Again." In particular, it echoes NPRI's finding that a corporate income tax, which Nevada Senate Majority Leader Steven Horsford has already stated he supports, is the most volatile of the tax instruments commonly used by states and would undermine attempts to stabilize Nevada's tax base.

"A corporate income tax is not a good choice if revenue stability is the goal," writes Henchman. "Corporate income taxes have proven to be the most volatile of the major taxes, as measured by year-over-year revenue changes."

The report also notes that gross-receipts taxes have a distortive and destructive impact, and that broadening the sales tax base while lowering the rate — a recommendation contained in NPRI's "One Sound State" report — is consistent with sound tax-reform policy. Additionally, the report notes that the multinational Organization for Economic Growth and Development has found that a corporate income tax is the most economically harmful tax.

"The Tax Foundation's fact sheet offers further evidence that NPRI's 'One Sound State' report contains the kinds of solutions that can put Nevada back on solid fiscal and economic footing," said Geoffrey Lawrence, a fiscal policy analyst with NPRI and the author of the study. "Citizens and lawmakers who are interested in ending Nevada's cycle

of unsustainable tax and spending increases should pay attention to this research and avoid the mistakes that have led to our current budget problems."

The Tax Foundation report comes as the Nevada Legislature's Interim Finance Committee has delayed, without public explanation, the release of its own tax study, which was originally scheduled to be released on July 1, 2010. NPRI's report remains the only recent study on the state's tax and budgetary challenges currently available for public debate and discussion.

Henchman notes that Nevada has benefited from being a more taxpayer-friendly state but warns that new taxes would undermine that status.

"With Washington, Oregon, California, and Arizona recently raising taxes, Nevada's already enviable tax climate looks better and better," Henchman concludes. "As the economy improves, the state is well-positioned for capital investment and job creation.

"This is an advantage that Nevada should be careful not to jeopardize. A corporate income tax and, in particular, a gross receipts tax, would do significant harm to the state's tax climate."

The new report from the Tax Foundation is available online at http://www.taxfoundation.org/publications/show/26507.html. NPRI's "One Sound State" report is available at http://npri.org/publications/one-sound-state-once-again.

###

The Nevada Policy Research Institute · 3155 E. Patrick Lane, Suite 10, Las Vegas, NV 89120
Phone: (702) 222-0642 · Fax: (702) 227-0927 · Web site: www.npri.org