



The Nevada Policy Research Institute

For Immediate Release
May 26, 2011

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NPRI analyst: Supreme Court ruling not an excuse to raise taxes

LAS VEGAS — The *Las Vegas Review-Journal* has reported that Gov. Brian Sandoval now supports raising taxes by extending a number of taxes that were scheduled to expire.

After a ruling by the Nevada Supreme Court appeared to leave a hole of up to \$430 million in the governor's most recent budget plan, he appears ready to completely repudiate his repeated no-new-tax promise.

In response to that decision, Steven Miller, vice president for policy at the Nevada Policy Research Institute, issued the following comments:

It is quite disappointing to see that after more than 100 days of Gov. Sandoval consistently advocating for the interests of Nevada taxpayers during this legislative session, he reportedly is ready to precipitously abandon his promise not to raise taxes.

Today's Supreme Court ruling was an entirely appropriate rejection of an unconstitutional money grab perpetrated by state legislators in 2010. But while that ruling endangered some similar gimmicks in the Sandoval budget, it was still quite possible to pass a budget near the level the governor had originally proposed.

On May 2, the Economic Forum projected that Nevada would have \$330 million more to spend in the next biennium than it had projected in December 2010, when Gov. Sandoval built his original spending plan. Combined with revised Medicaid projections and other monies, Sandoval has already added back \$440 million to his original budget proposal.

It would be bizarre if the governor were no longer comfortable with the very amount of spending he was advocating as recently as a month ago.

At a time when Nevada's effective unemployment rate is around 24 percent and private-sector families and businesses have made significant cutbacks, consistently sound policy is not too much to ask of Nevada's government. This is especially true when reports of government

waste and inefficiency abound. One example is yesterday's report that the Clark County School District had wasted more than \$800,000 of general fund money on iPads. Another was the \$22 million pulled out of his hat at a legislative hearing by Nevada System of Higher Education Chancellor Dan Klaich.

An extended higher sales tax component will necessarily result in lowered consumer demand and, hence, fewer revenues for private business. This will lower the demand for labor and result in either more unemployment and suppressed wages. The payroll tax is a direct tax on labor — making it more costly to hire additional workers. These are not the solutions that Nevada needs during this period of economic turmoil.

The Nevada Policy Research Institute has introduced a package of spending reforms that could save as much as \$3.5 billion over the next biennium — while maintaining or increasing the quality of services. While the governor did introduce legislation to pursue some of those reforms, he has yet to pursue the most meaningful among them.

If Nevada families are left with these burdensome taxes, it will be because policymakers in Carson City have irresponsibly protected unaccountable and highly-compensated, unionized bureaucracies at the local government level and billions of wasted dollars devoted to the prevailing-wage debacle.

Extending the sun-setting taxes will further hamper Nevada's economic recovery and discourage job creation.

Even Senate Majority Leader Steven Horsford has noted that the modified business tax, for example, "hampers job creation," and doubling it would further hinder Nevada's economic recovery.

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