



The Nevada Policy Research Institute

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Contact Victor Joecks
(702) 222-0642, cell (360) 359-3656

NPRI's Geoffrey Lawrence comments on union-backed margins-tax initiative

LAS VEGAS — Responding to news that the Nevada State Education Association and the AFL-CIO will file a 2 percent margins-tax initiative tomorrow, Geoffrey Lawrence, deputy policy director at the Nevada Policy Research Institute, issued the following comments:

This margins tax would be a disaster for Nevadans. Despite misleading rhetoric from the Left disparaging ‘corporate greed,’ all taxes are ultimately paid by individuals and families. A business margin tax will only further squeeze struggling private firms, dampening their ability to hire and suppressing growth in wages. This pain will be felt by families across Nevada.

The coalition of government unions seeking to increase the burden on Silver State families do so simply to fatten their own pocketbooks. Once again they offer the by-now-laughable claim that they’ll deliver a higher quality of education if Nevada families will just fork over the extra dough — even though Nevada taxpayers, in the last 50 years, have nearly tripled inflation-adjusted, per-pupil education spending. And what did taxpayers get in return? Just more stagnation in educational quality as these very union bosses twisted arms in the Legislature to protect the status quo and block the reforms that Nevada’s children need.

Given these union bosses’ prolonged efforts to prevent parents from being able to select better educational opportunities for their children, coupled with the unions’ work to keep ineffective teachers in the classroom, their claims about educational quality ring especially hollow.

Listening to union bosses, one would never know that Nevada now spends more on a per-pupil basis than most of its neighbor states, while getting lower test scores and graduation rates. That’s what [U.S. Department of Education data shows](#).

And what about a business margins tax? Economists from across the political spectrum note that a margins tax — being a modified gross-receipts tax — is one of the most economically destructive tax instruments available.

The Tax Foundation has [noted](#) that such taxes are “distortive and destructive,” because they “pyramid,” being assessed at every level of production. Thus, highly complex goods that require multiple stages of production are repeatedly hit with the tax — therefore bearing a significantly higher effective tax rate and distorting consumer behavior. If you want to completely block diversification of the Nevada economy, this is precisely the tax system you want.

With Nevada’s adult unemployment at 12 percent and youth unemployment rate at 28.8 percent, a margins tax is a recipe for prolonged economic depression in the Silver State.

Lawrence also cited Tax Foundation [research](#) that shows how a margin tax is more destructive than alternative tax instruments yielding the same amount of revenue. The Tax Foundation [concluded that](#): “There is no sensible case for gross receipts taxation, or modified gross receipts taxes such as a Texas-style margin tax.” Lawrence continued:

Research shows that there is little to no correlation between spending and student achievement. Indeed, for the last 50 years, Nevada has tried to spend its way to better student achievement and has nearly tripled inflation-adjusted, per-pupil spending while results have stagnated.

If union bosses were serious about improving education and not just fattening their own wallets, they would whole-heartedly support an agenda of proven education reforms, like the ones proposed by Governor Brian Sandoval.

Lawrence noted that a *Las Vegas Review-Journal* investigation revealed that in 2009, the latest year for which data is available, the Clark County Education Association teacher union spent more than a third of its \$4.1 million budget on just nine of its employees. John Jasonek, then-executive director of CCEA, took home [over \\$625,000](#) — \$205,745 for running the union and \$423,863 for simultaneously running two union-affiliated organizations. Each of the nine employees took in more than \$139,000 from the coffers of CCEA and related organizations.

“This margins-tax proposal isn’t any fix for Nevada’s education system,” said Lawrence. “It would only entrench the failing status quo, enrich the union bosses and hurt struggling businesses and men and women looking for work.”

Read more:

- [Texas margin tax: Always a bad idea](#)
- [Don't mess with the Texas mess](#)
- Tax Foundation: [Nevada May Consider New Business Taxes](#)
- [Analysis shows little to no correlation between education spending and student achievement](#)

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