

Summary of RAIN Forum
“Revenue Issues Facing 2003 Nevada Legislature”
Sept. 27, 2001

I. Introduction

The Religious Alliance in Nevada (RAIN) has been greatly concerned that adequate revenue be generated to support the social, educational, safety, and other programs authorized by the Legislature to meet the needs of Nevada’s citizens.

On September 27, 2001, a RAIN Conference was held to discuss this important issue. Over 20 leaders within the RAIN organization attended, and the Right Rev. Katharine Jefferts Schori, Bishop of the Episcopal Diocese of Nevada, opened the event with a thoughtful prayer reflecting on the changed times in which we live and the need to reach out and uplift those who are often forgotten, neglected, and relegated to the margins of society.

Larry Struve, RAIN Advocate, began the panel discussion by quoting from Governor Kenny Guinn’s 2001 State of the State Address. The Governor said:

“During this past year, I have made no secret of my belief that Nevada must explore new revenue streams and establish a broader economic base, so that we can provide a good education to our children, adequate health care to our families and seniors, and safety for all our citizens. . . . Indeed, the State’s expenditure and long-range revenue projections show that, without changes, Nevada will face a tremendous shortfall within eight years. . . . We must work together, in a bi-partisan spirit, to accomplish the public’s business and to maintain the public’s trust.”

In response to the Governor’s message, the Nevada Legislature enacted ACR 1 of the 17th Special Session on June 14, 2001, creating the Governor’s Task Force on Tax Policy in Nevada. This Task Force will be reviewing specific taxes and broad tax policy issues and considering ways to reduce budgetary reliance on volatile or cyclical revenue streams. A report must be submitted by November 15, 2002, which will include one or more definitive proposals to carry out the State’s need to provide additional revenue for state programs, to stabilize the tax base and to reduce the long-term structural deficit of the State budget.

Mr. Struve concluded by noting that as a result of the tragic events on Sept. 11, 2001, the timetable for change noted by the Governor will most likely be moved up, depending on the long-term effects to the Nevada economy resulting from the ongoing war on terrorism.

II. The Panel Discussion

Five panelists addressed the gathering, all of them lobbyists who were active in the 2001 Nevada Legislative Session and who represented a broad range of views on tax policy. They were (in their order of appearance):

1. Ken Lange, Executive Director of the Nevada State Education Assn.

Mr. Lange noted that taxes are a way of expressing our common goals as a society. In order to determine whether a particular tax is good or bad for society, the NSEA has identified the following basic principles:

- a. The tax must be reliable;
- b. It must be consistent;
- c. It must be balanced and equitable;
- d. It must be efficient and collectible;
- e. It must be accountable.

He noted that education in Nevada has not been adequately funded. Though Nevada has a per capita income in the top 10% of the nation, funding for public education per capita is in the bottom 20%. In short, Nevada's current tax system simply does not deliver enough revenue to get the job done.

He also believes Nevada's current tax system is unfair and "regressive" by requiring middle income Nevadans to pay a higher percentage of their income in taxes than upper income taxpayers.

Not surprisingly, the options for new taxes in Nevada are limited. He mentioned that the Legislature may take another look at a gross profits tax on business, increasing the franchise fee paid by corporations to do business in Nevada, and redistributing the funding generated by the 1981 tax law that reduced real property taxes and replaced the lost revenues with new sales and use taxes.

Mr. Lange urged RAIN to become knowledgeable on the revenue issues. He felt parishioners needed to examine biblical views on money and to relate the principles of their faith to their own views about the value and use of money within the context of the consumer culture that has emerged in America. The central question is: Do we have the ability to meet our needs, and, if so, how will we do it?

2. David Howard, Reno-Sparks Chamber of Commerce

Mr. Howard noted that the business sector in Nevada includes a wide spectrum of each community in the State. He emphasized that the business sector creates jobs and new investment. "Without business, you won't have a community," he stated.

The basic philosophy of the business sector on taxes is as follows: "Taxes

should be as broad-based as possible, and everyone should share in the burden.”

With regard to education, the business community recognizes its importance, but many do not feel they are getting a good product. Business people are reluctant to spend more, until the quality of instruction is improved. However, Mr. Howard noted that the business sector made a commitment at the end of the 2001 Session to increase funding for education, on the condition that there would be efforts to develop a better product. Note: Currently, education gets 51 cents of every tax dollar appropriated in the Legislature.

In the 2003 session, a commitment was made to look at taxes, but Mr. Howard cautioned that the solution has to be broad-based. “You can’t keep adding taxes onto business.” He did not know where the State could reach out for more money, but he encouraged groups like RAIN to discuss the issue and to let the legislators in Carson City know their views.

3. Cheryl Blomstrom, Berlyn Miller & Associates (representing mining, contractors, and utility companies)

Cheryl noted that gold production is a major economic force in rural Nevada. Currently, the price of gold is so low that when the current reserves are mined out in 2010, no new gold mining operations are being planned to take the place of existing ones.

Ms. Blomstrom noted that the organizations she represents adhere to the following philosophy on taxation: “Any new taxes need to be broad-based, fair, and equitable.” Related to this philosophy is the view that Nevada must maintain its attractiveness for new companies that are considering Nevada as a business location. Low taxes are part of the favorable perception that has been created over the past several years, and the organizations she represents would like to maintain this image.

Ms Blomstrom agreed with the notion that there had been slippage in the educational product of the State. She noted that in the construction industry, many construction workers are aging, and there are not enough new young people with the necessary skills coming in to replace them.

With respect to current taxes, Ms. Blomstrom does not believe the current system is broad-based. In this regard, she felt the 1981 legislation shifting the tax burden from the real property tax to an increased sales tax was probably wrong. This has resulted in a tax system that does not yield enough money to take care of everyone’s deserving needs in Nevada.

Ms. Blomstrom does not believe any new revenue measures will be proposed in the 2003 Nevada Legislature. However, she welcomed RAIN’s participation in the discussions on taxation. She felt the RAIN leadership should find out what are the

priorities of parishioners in their respective congregations throughout the State in areas of taxation and should communicate those views to legislators.

In particular, Ms. Blomstrom felt that RAIN congregations should reach out to their children and teach them about the importance of taxation in supporting the many services we depend on—i.e. schools, fire protection, police protection, roads and highways, public health programs, economic development projects, national defense, etc.

4. **Jan Gilbert, Progressive Leadership Alliance for Nevada**

Jan stated bluntly: “We do not have enough money to meet our needs in the State.”

A study conducted by the Center for Labor and Community Research in Chicago, which was commissioned by PLAN and released in the summer of 2001, revealed that Nevada’s current taxes are not fair and equitable. “49 other states require the wealthy to pay more in taxes than does Nevada.” The top 1% of the Nevada population based on income pay approximately 1.8% of their income in taxes (lowest in the nation), whereas the bottom 20% based on income paid 8.9% of their income in taxes. Comparing these statistics with those of the nation, Nevada has a regressive tax system. Based on 1995 figures, nationally, the top 1% of families in income paid 10.7% of their income in taxes, and the bottom 20% paid only 6.6% of their income in taxes. As noted above, these figures were reversed in Nevada.

In part, this may result from a tax system in which 85.2% of tax revenues are obtained from sales and selective sales taxes. Nationally, only 48% of tax revenues are collected from this source. In addition, Nevada is one of only 7 states without a personal income tax. In those states that have instituted an income tax, 34.5% of all revenues are derived from this source.

Finally, Nevada is one of only 4 states that does not have a corporate income tax. The average state in this category can bring in 6.1% of its needed revenue from this source.

Jan also raised the issue of livable wages in Nevada. She noted that in order to provide the necessities of life for a family of 3 in Nevada, the chief wage earner would need to earn \$14.50/hour. Currently, the minimum wage in Nevada is \$5.15; and a study by PLAN found that 87% of Nevada’s fastest growing jobs paid less than a livable wage.

Other examples cited by Jan of the inadequacy of the current tax system to meet the needs of society were:

- a. Lack of affordable health care for all Nevadans;
- b. Poor funding of drug and alcohol treatment programs;
- c. Educational disparity among teachers;
- d. Low amount available under TANF grants (Note: The basic monthly grant under TANF is \$348 for a family of 3—which amount has been unchanged for 10 years!)

Jan felt that RAIN needed to be more educated on the subject of taxes and urged the RAIN leadership to help the Legislature identify sources of revenue needed to address the critical needs of the State. She believed these needs would be even more urgent as a result of the drop in revenue from gaming and sales taxes resulting from a national recession, the phasing out of the revenue Nevada receives from the Federal estate tax, and the large amount of unearned income that escapes taxation in Nevada.

5. Carole Vilardo, Nevada Taxpayers Association

Carole Vilardo is President of the Nevada Taxpayers Assn. and has had 23 years of experience working in the retail trade. She felt the events of Sept. 11, 2001 opened up a new opportunity for Nevadans to unite, in light of the economic impact these events are having on the Nevada economy.

The main theme of Carole's presentation was:

- You must distinguish between "needs" and "wants."
- There is not enough money available to meet all the "wants" in society, and there is no such thing as a "fair" tax.
- You can't talk about tax policy without looking at fiscal policy, i.e. what will be the fiscal impact of any new tax(es) imposed?
- Improving efficiency of government operations can save monies that could be allocated elsewhere.

If new taxes are considered, Carole strongly urged that they be at the smallest increment possible, so no business or individual changes their spending habits. She noted that when taxes are increased by more than an incremental amount, spending is reduced for 6 months.

Because Nevada has such a narrow tax base, Carole believes the system does need to be looked at. However, she also felt that the tax system should reflect our economy.

Carole felt that RAIN could contribute some valuable insight in balancing priorities in the budget. For example, Nevada has high prison expenditures—among the top 3 to 5 in the country. How do we balance our feeling of safety with what we are willing to pay for? The State also spends a lot on transportation (highway construction), because of its unique geography.

Nevada is not a "one size fits all" state. The south is a mercantile center, the rural areas are based on mining and ranching, and northern Nevada is a blend of land based industries (such as warehousing, small manufacturing, and high tech) and rural areas and mercantile centers.

Carole felt RAIN needed to inform its member congregations about the tax

issues facing the State. She believed legislators would want to know how congregations felt about the revenue issues coming up in the 2003 session. She agreed that the sales tax in Nevada was too regressive, and suggested that ways be explored to help people on the lower end of the economic scale by exempting the application of the sales tax on certain items, such as clothing. Overall, she felt taxes probably would be increased in 2003 but did not know in what areas.

6. Issues Raised in Panel Discussion

1. There was consensus that a personal income tax is not on the table in Nevada, because it is constitutionally constrained.

2. Some felt a broad-based sales tax could be made progressive by exempting from the tax those necessary items on which people normally spend their disposable income; but others were adamantly opposed to exemptions from the sales tax.

3. Carole Vilardo noted that the Nevada Taxpayers Assn. is doing a survey on taxes and expenditure reforms. This survey will be released prior to the 2003 session.

4. One panelist suggested a "tax amnesty" period, to allow new businesses to catch up on taxes owed; and another suggested tax collections should be done through electronic fund transfers.

III. Issues to be considered by RAIN Board:

A. Should RAIN be actively involved in efforts to generate sufficient revenues to meet budgetary needs for State Government?

Note: If RAIN does choose to become involved, it could notify the organizations represented by the persons appearing on the above panel of RAIN's interest in participating in discussions to reach a consensus on what taxes or sources of revenue need to be enhanced and how to do it fairly.

B. Should RAIN undertake an educational effort within the congregations of the five judicatories represented by RAIN, to explain how Nevada's current tax system operates, how this system is regressive in its impact on different groups of people, and how taxes differ in the way they impact people?

Note: If RAIN does choose to launch an educational effort (which some panelists recommended), it will require recruitment, assembling a speaker's bureau, and distribution of literature to enhance such efforts at the local level.

C. Should RAIN encourage the members appearing on the panel at the September 27, 2001 event to continue their dialogue with RAIN, so that appropriate recommendations can be made to the Governor's Task Force on Tax Policy on what action is needed and how to present it to citizens prior to the 2003 Nevada Legislature?

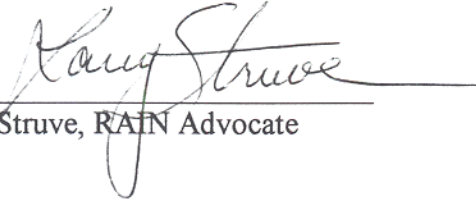
Note: If RAIN chooses to perform this role, it may become a coordinating force in developing recommendations in the limited areas where agreement is possible to generate more revenue and deciding who should pay and/or

who should not. Currently, there is no predisposition within the RAIN organization on what should be done about taxes and revenue. Thus, RAIN could come to the discussion in a neutral role, which might help in fashioning compromises.

D. Should RAIN publicize the results of the Revenue Forum on Sept. 27, 2001 (summarized above) to its member congregations, and if so, what should congregants be asked to do?

Note: This option needs to be discussed if no action is taken on any of the above suggestions. Some feedback should be given to the speakers who participated on the panels.

Thank you for your consideration of this Report.

A handwritten signature in cursive script that reads "Larry Struve". The signature is written in dark ink and is positioned above a horizontal line.

Larry Struve, RAIN Advocate