Comments to Nevada Vision Stakeholder Group
January 29, 2010

Geoffrey Lawrence
Fiscal Policy Analyst
Nevada Policy Research Institute

My name is Geoffrey Lawrence and I am a fiscal policy analyst at the Nevada Policy Research Institute.

I am concerned that this group may be targeting "quality-of-life" metrics intended to be achieved compulsorily and collectively through a costly expansion of government and not by individuals acting on their own accord. This approach would ignore the fact that individuals across the Silver State choose everyday what will constitute their own quality of life through their decisions in the marketplace. As such, the collectivist approach envisioned by this group would be less about catering to the specific needs of individual Nevadans, and more about imposing onto those individuals top-down lifestyle choices that they would not freely choose.

This collectivist approach could significantly expand the size and cost of government within the Silver State at a time when Nevadans can ill afford an additional tax burden. Indeed, one quality-of-life metric that should not be overlooked is the size and structure of that tax burden. The ideal tax burden imposes uniformly low rates so that no business or individual is uniquely disadvantaged. States that impose high and/or discriminatory tax rates often repel jobs and experience negative net domestic migration as businesses and individuals flock to states with lower and more uniform tax rates.

Particularly at this time, Silver Staters should be concerned with attracting new investment and business activity into the state. It is antithetical to believe that Nevada can encourage a diversification of economic activity by imposing a financial penalty against new economic forms of behavior. Yet, this appears to be precisely the directive that has been given to this group and to Moody's. Moody's has been explicitly instructed to review proposals for "broad-based taxes" that would be a repellant, and not an attraction, for new types of business activity.

The tax climate is important for attracting business investment. The Nevada Development Authority has recently been exploiting the fact that California's tax structure is so hostile to businesses in that state by airing commercials advertising the superiority of the business climate in Nevada. Indeed, Nevada's preferential business climate should be considered a quality-of-life metric that cannot be sacrificed.

The Tax Foundation currently ranks Nevada as having the fourth best business climate in the nation behind South Dakota, Wyoming and Alaska. As recently as last year, Nevada had ranked third, but changes to the tax structure enacted by the 2009 legislature have dropped the state in the rankings. A doubling of the payroll tax and business license fee are deterrents for new business investment. Likewise, any new levy imposed on economic activity conducted in the state would continue to deteriorate Nevada's ranking and lead to a destruction of employment opportunities.

If this body is truly concerned with improving the quality of life for everyday Nevadans, then its primary concern should be to ensure that tax rates remain as low and equitable as possible while remaining friendly to both the creation of new business initiatives as well as new investment by outside firms.

I urge the members of this body to consider how innovative ideas such as competitive contracting, performance contracting, performance auditing, education reform and restructuring of regulated industries can be used to improve the quality of public services within the Silver State without requiring a potentially destructive increase in the overall tax burden.