

EDAWN: Margins Tax Hurts Job Creation

While EDAWN is very selective in engaging in political issues and initiatives, after a thorough investigation into the Margins Tax / The Education Initiative, the EDAWN Board concluded that this initiative will have an adverse impact on EDAWN's ability to effectively accomplish its primary mission; quality job attraction, retention and entrepreneurial job creation.

As the primary organization in the region with the mission of quality job creation, the perspective of EDAWN on this initiative is simply, how does it impact our ability to accomplish our mission.

EDAWN agrees that our education system is significantly underfunded in comparison to the national average. Yet, in our view, there is no assurance that the initiative will improve education and there is no provision in the initiative to address the school infrastructure needs in our region.

When it comes to the three legs of economic development: attraction, retention/expansion and entrepreneurial job creation, all three are adversely impacted by the Margins Tax:

Job attraction is already being impacted. Several companies considering relocating to Nevada have indicated to us they are delaying their relocation decision pending the outcome of this initiative, and some have also indicated that they will not move to Nevada if this initiative passes.

Job retention and expansion also affected. Many existing companies and entrepreneurs have also made it clear that they will relocate their business or do future expansions out of the state if it passes. Here is an e-mail excerpt we received from an existing company on this matter. "I saw today that Nevada is about to vote on a corporate margin tax initiative! If it passes, I will be paying \$50-100,000 in taxes in Nevada that I wouldn't pay in California on top of my Federal taxes! This is amazing and crazy! In California we paid taxes on our profit each year so our actual tax liability was really limited. I understand the need for education funding but to make NV one of the highest if not the highest priced business climates in the U.S. is an incredible concept!"

Shoots of Entrepreneurial job creation crushed. The most significant impact of this initiative, if it passes, will be on our start-up community. The substantial progress made over the past few years in connecting and nurturing our entrepreneurial ecosystem will be destroyed. Since start-ups normally operate at a loss in their first several years, as they invest heavily in research, development and marketing, so the very thought that they will be required to pay taxes while operating at a loss will dampen any enthusiasm to grow a company in Nevada. Declining entrepreneurial activity will exacerbate the loss of our young talent and college graduates and significantly slow the revitalization of our midtown and downtown.

Jobs drive our economy and with more than 18,000 still unemployed in our region we want to ensure that the community is aware of the impacts of this initiative from a job creation perspective. There is no doubt our education system is in need of additional funding but the Margins Tax is not the way to get there.