In light of the repeated attacks by our anti-taxers and others that may just be misinformed, it is important to reflect on the recently passed Commerce Tax because, from the perspective of economic development, it is good for the state. The fact that it is a “tax” does not make it bad or inherently unfair. The reality is there is not a tax that anyone likes, a tax that is considered fair by all, or a tax that is free of implementation issues or flaws. So why is the commerce tax good for Nevada?

First, and most importantly, it is good that the commerce tax actually does something to address the states most pressing economic development challenge, funding for education. Our legislature has for years (some would say decades) considered countless ways to improve funding for the education system in the state. Many proposals, and even bills, have been drafted, debated and died – with nothing accomplished!

It is easy to pontificate about the ills of a public education system that is largely controlled and mandated out of Washington, or to attack any tax proposed, in lieu of offering a realistic and viable solution. It is also disingenuous to say this legislation goes against the will of the people, pointing to the margins tax that was voted down in 2014. That gross receipts tax was very different and severely flawed in comparison, which is why EDAWN’s board, along with most businesses in the state, opposed the prior gross receipts tax even though we agreed that funding support for education was critically important.

It is never easy to actually do something, especially when it comes to increasing taxes. Politicians know that voters will frown on any tax they support. Yet our Republican controlled Legislature, with a super majority, and our Governor chose to put their personal agendas aside and their political lives at risk, in order to make a real difference in the lives of our kids and the next generation of our workforce. We should all be proud and acknowledge this selfless service.

The commerce tax is also good because it is broad based and sensitive to the profit margins of different industries, again very different from the prior margins tax. Broad based is important as we transition our economy and our tax structure away from one that has been overly dependent upon gaming and mining in the past. Both industries are just a fraction of our economy now. The tax, while not perfect by any means, has a $4M revenue threshold (more than 85% of Nevada businesses are not affected) and has identified 26 business categories to accommodate industry sensitivity and provides a partial credit against the payroll tax.

What makes the tax especially palatable to economic development is the fact that it only taxes business activity in Nevada. That means new companies looking to relocate here are unaffected by the tax for transactions that occur out of the state, so there is no impact on our competitiveness as we work to attract new businesses. Additionally, businesses out of the state will now pay taxes for business activity that occurs in the state. For businesses in the state, they are all impacted the same so there is no competitive disadvantage.

In my four and a half years of economic development in Nevada, dealing with hundreds of companies looking to locate here, I have never heard “your taxes are too high” in fact, just the opposite. Many prospects have questioned the ability of the state, given the tax structure, to meet the infrastructure and workforce needs that are so important to business success. Even after this new tax is considered, the most
recent publication of the Chief Executive magazine ranked Nevada #3 in Taxation and Regulation and a “Top 10” State for Business.

The commerce tax and other legislation recently enacted to bolster funding for education, demonstrates the commitment by the state to education and long term workforce development. While there is clearly a need to reform our state tax structure, one that was developed when the state and the economy were very different, the commerce tax is a good fix for now. The education of our kids and the workforce needs of the New Nevada Economy can no longer wait for the perfect tax solution.