Study: Nevada's tax system means fewer specific incentives for businesses

By Sean Whaley, Nevada News Bureau

CARSON CITY – A report from the Council of State Governments exploring the successes that 13 Western states have had with tax incentives to encourage economic growth found that Nevada has fewer such programs in large part because of its tax structure.

Nevada does not have a personal income tax, unitary tax, corporate income tax, inventory tax, estate and/or gift tax, franchise tax, inheritance tax or special intangible tax, notes the report "Trends in Western State Business Incentives" released this week by the CSG.

The report found that Nevada does offer some incentives, including sales tax abatements on capital equipment purchases, a sales and use tax deferral on capital equipment purchases, abatements on personal and modified business taxes and real property tax abatements for recycling.

In addition, the Nevada Train Employees Now Program provides short-term, skills-based intensive job training to assist new and expanding firms to reach their productivity goals quickly.

"While state leaders may not agree on what strategy is best when it comes to reviving our economies, learning how our neighbors are innovating and pushing through tough fiscal times can help guide us as we move forward," said Nevada Assemblywoman Debbie Smith, D-Sparks, chairwoman of CSG West Fiscal Affairs Committee.

"This report adds to our knowledge base and gives policymakers another tool as they look for better, more efficient ways to bring jobs back into our communities and get our states back on track," she said in a press release announcing the release of the document.

While Nevada's incentives may be more limited than those in other Western states, they are playing a major role in the state's successful effort to bring Apple to Reno to build a new data center and related facilities that are expected to bring $1 billion in investment over the next decade. Part of the deal includes $89 million in sales tax and personal property tax abatements.

The tax breaks were discussed this week by the state Board of Economic Development, which includes Gov. Brian Sandoval, a strong advocate of the deal that is bringing Apple to Nevada.

The CSG report also noted the work by Sandoval and the 2011 Legislature that completely reorganized the state's economic development efforts. The new Governor's Office of Economic Development has taken over the tasks of job development and diversification.

Diversification and job creation are top priorities for Sandoval, who has set a goal of creating 50,000 jobs in Nevada by the end of 2014.

The report also mentions Assembly Bill 202 from 2011, which provides for a partial abatement of some property taxes for eligible new manufacturing businesses, including those that renovate an existing building or other structure.

But Nevada has come in for some criticism for failing to evaluate the effectiveness of its tax incentives. A study by the Pew Center on the States released in April identified Nevada as one of 16 states that did not publish a document between 2007 and 2011 that performed such an evaluation.

Jennifer Burnett, CSG's program manager for research services and special projects, said in a news release on today’s findings that there are definite trends in the kinds of economic incentives Western states are using.

“Although each state approaches development differently, every state relies on incentives in varying degrees as a component of their overall strategy,” she said. “For example, every Western state offers a tax exemption on raw materials used in manufacturing, while almost all states offer exemptions on goods in transit, manufacturers’ inventories and raw materials.”

Burnett also said state leaders are looking more closely at how incentives are used and more closely scrutinizing the payoff, which could mean big changes in the future of state economic development strategies.

“States have cut basic, essential programs – like education and infrastructure – to the bone and leaders don’t want to make even deeper cuts,” she said. “That means everything is on the table for discussion, including incentives and whether they are getting the return on investment they should be.”