

Commerce tax repeal before Nevada Supreme Court

By Michelle Rindels, AP

A high-stakes battle over a new business tax passed last year by the Nevada Legislature is heading to the Nevada Supreme Court today.

Justices will consider the fate of a proposed ballot measure to repeal the commerce tax, which applies to businesses that make more than \$4 million each year in Nevada revenue. A Carson City judge ruled a few months ago that the petition language passes legal muster, clearing the way for supporters to gather the more than 55,000 signatures they'll need to qualify it for the November ballot.

"I think we'll pass with flying colors," said Nevada state Controller Ron Knecht, a Republican who's leading the charge against the tax.

But while he's bullish on the petition's chances of surviving the court appeal, an all-volunteer signature-gathering effort is another story. With a June 21 deadline approaching, Knecht said, the "RIP Commerce Tax" petition had about 20,000 signatures, and not all signatures are expected to pass a verification stage.

While the effort has traction in rural counties, Knecht said it's having more trouble in the urban areas. That could be fatal for the petition because more than 13,000 signatures must be gathered from each of the four congressional districts – two of which are entirely contained within urban Clark County.

"We've done just awesomely well in the other 15 counties," Knecht said. "We've had some organization in Washoe and Clark.

We're focusing on turning that into a juggernaut in the next few weeks."

Knecht argues that the Republican-led Legislature went against the will of the voters when it approved a \$1.4 billion tax package last spring, less than a year after Nevadans overwhelmingly rejected a ballot measure imposing a margins tax. But Gov. Brian Sandoval and casino executives who opposed the tax on the ballot lined up in favor of the commerce tax during the legislative session, saying it's more nuanced and much smaller than the margins tax.

Sandoval presented the tax package as a way to fund targeted improvements to the state's dismally ranked public school system. Economic development officials testified that businesses that were otherwise attracted to Nevada wouldn't relocate to the state because of its schools.

"There is no doubt that what happens in our schools today will determine the future of Nevada," Sandoval said. "That is why a supermajority of the Legislature and I made a generational investment in the children of Nevada."

The commerce tax brings in about \$60 million a year when offsets are counted. It's the smallest part of the three-pronged tax package, which included more lucrative moves such as raising a payroll tax rate and permanently extending temporary taxes.

Knecht said the state will hardly miss the money if the tax goes away. Sandoval said schools are already counting on the money and axing it could defund new initiatives including autism therapy, an all-day kindergarten expansion and career training programs.

"It's about time the Controller looked a child or parent in the eyes and justify the devastating cuts to Nevada's schools he seeks to implement through his petition," the governor said.

The effort to preserve the tax has more financial firepower, reporting more than \$242,000 at the end of last year. Funders include major casinos, who are subject to the commerce tax but see it as a more palatable tax than other alternatives.

RIP Commerce Tax reported raising about \$13,000 last year, including donations from individuals, \$5,000 from Boulder City-based "Domain.com" and a \$5,000 loan from conservative Las Vegas City Councilman Bob Beers. Knecht estimated that fundraising was now in the "high five figures," but it still hasn't been enough to hire signature gatherers who could potentially speed up the process.

Groups that have opposed the repeal effort include the Elko Area Chamber, while the Las Vegas Metro Chamber of Commerce is endorsing incumbent Republican lawmakers who supported the tax and are now facing tough primaries from anti-tax candidates.

The nonpartisan Nevada Taxpayers Association is also opposing the proposed ballot measure, even though they haven't taken a position on the merits of the commerce tax itself. The group is concerned about the measure making it to the ballot because if voters say they don't want to repeal the tax, it will be locked into the statute as-is, inaccessible to legislators and with no changes possible without another statewide ballot question.

"Generally, lawmaking by referendum is a bad idea," said Anna Thornley, president of the association. "There are people whose job it is to advocate for sound, reasonable policies."