

# Committee to Protect Nevada Jobs opposes the Margin Tax

## What is the Margin Tax?

The Margin Tax Initiative is a ballot measure created by the Nevada Teachers Union that will be on Nevada's 2014 statewide ballot. It would impose a new 2 percent tax on the revenues of Nevada businesses.

## Who would pay the tax?

Every business whose total gross revenue exceeds \$1 million per year — regardless of whether any of that revenue actually is a profit.

For example, if your revenue is only \$1 above the \$1 million threshold, you would pay the tax on all of your revenue (the first million is not a deduction).

Although the initiative sets the initial tax rate at 2 percent and sets the threshold for payment at \$1 million in revenue, the State Legislature would have authority, after three years, to increase the rate or reduce the threshold, as they have done on other state taxes in the past.

Thus, if the Margin Tax is passed, the Legislature could later increase the tax rate to 3 percent, or reduce the revenue threshold to \$500,000 as a way of increasing state revenues, without any additional vote of the people.

## How would the tax be calculated?

The ballot initiative is long and complicated, and many aspects would have to be clarified with state regulations. For example, if a company's total revenue is \$10 million and it chose the standard deduction, the 2 percent rate would be applied to \$7 million, giving that company a tax liability of \$140,000.

Simply put, on average, for every million dollars in total revenue, your tax liability would be \$14,000.

As noted, this tax liability would be based on gross revenue, not true net revenue in the form of an actual profit. In fact, even an unprofitable business could have to pay the tax.

For instance, a business whose total revenue is \$2 million could have a combination of total expenses (such as rent, utilities, inventory, payroll, healthcare, county, city, state and federal taxes, franchise fees, etc.) that leave it with little or no profit — but it still would be forced to pay the state nearly \$30,000 in new taxes.

## Where would the money go?

The promoters claim their proposed Margin Tax would generate about \$800 million per year in new taxes. This new tax money would be put into a subaccount of the state's General Fund called the "Distributive School Account," which is used to fund education.

Currently, the state puts more than \$2 billion, or a third of the state's budget, into this account every two years. The promoters claim the state simply would continue to put \$2 billion into the fund, in addition to the new \$1.6 billion generated by the Margin Tax.

However, there is no guarantee the State Legislature would do that. And if the Legislature decided to use this new tax as the primary revenue source for education, funding for schools in Nevada actually could decrease by as much as \$400 million.

## Why and how we're going to fight this tax.

We all want adequate funding for our schools. But the proposed Margin Tax is a job-killing approach that would hurt thousands of Nevada businesses. By damaging our state's economy and job market, it actually could reduce the revenue available for education in Nevada, and the jobs available to our students when they graduate.

The promoters are planning to spend millions of dollars on a campaign to sell the initiative to voters by making them think it only affects big businesses and will guarantee more funds for schools.

We need to develop a comprehensive and well-funded grassroots, earned-media and paid-media campaign to make sure Nevada voters understand the potentially devastating impacts the Margin Tax would have on Nevada employers, their employees, our economy, and ultimately, on education funding and future job opportunities for our children.

## Here's how you and your business can help:

■ Become a member of our coalition by going to the website below and joining.

■ Make a financial contribution to our campaign fund.

■ Help us spread the word by providing information to your employees, customers, friends and neighbors.

To join or for more information, visit [www.ProtectingNevadaJobs.com](http://www.ProtectingNevadaJobs.com) or contact Danielle Cherry at [dcherry@nfvfundraiser.com](mailto:dcherry@nfvfundraiser.com), 775-410-0358 or cell 775-857-7226.