

COMMISSION ON
SCHOOL FUNDING

K12 FUNDING CONSIDERATIONS





Ranking the Principles of Tax Systems by Importance

Equitable and Effective Tax Systems			
Principle	Rank	Principle	Rank
 Revenue Stability		 Simplicity	
 Vertical Equity		 Horizontal Equity	
 Ease of Compliance		 Ease of Administration	
 Transparency		 Revenue Sufficiency	
 Predictability		 Uniformity	
 Competitiveness		 Neutrality	
 Exportability		 Integration	
 Flexibility			

Scoring: 1 = Most Important Principle, 15 = Least Important Principle

Nevada Has a Number of Alternative Revenue Sources...



Few Can Provide Sufficient Revenue and Have a Rational Nexus to K-12 Education





Ad Valorem (Property) Tax

Current Tax Base:	\$139.8 Billion
Current Tax Rate (Average):	\$3.19 / \$100 of Value
Current Tax Yield:	\$3.4 Billion

Yield Potential:	
1 Cent (Inside Abatement)	\$1.6 Million
1 Cent (Outside Abatement)	\$12.4 Million

Reform Potential:	Modifying Emergency Abatement Modifying Depreciation Assessing at Market Value Reset on Sale Income Approach Reset
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Challenges:	Abatements Are Popular Impacts Residential Taxpayers Some Reforms Constitutional
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Reform Areas		Principles of Equitable and Effective Tax Systems														
		Stability	Simplicity	Vertical Equity	Horiz. Equity	Compliance	Administration	Transparency	Sufficiency	Predictability	Uniformity	Competitive	Neutrality	Exportability	Integration	Flexibility
Property	Abatements															
	Depreciation															
	Market Value															
	Sale Reset															
	Income Reset															
Sales & Use	Service Tax															
	Digital Goods															
	Explicit Exemptions															
Gaming/Tourism	Restricted/ Nonrestricted Equity															
	Live Entertainment Exemptions															

Scoring: 1 = Low, 10 = High



Sales and Use Tax

Current Tax Base:	\$58.9 Billion
Current Tax Rate (Statewide):	6.85 Percent
Current Tax Yield:	\$4.8 Billion

Yield Potential:	
0.25% Rate Increase	\$147.3 Million
\$1 Billion Base Expansion	\$82.2 Million

Reform Potential:	Expand Base to Include Services Include Digital Goods Revisit Explicit Exemptions
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Challenges:	Sales Tax Tends to Be Regressive Current Sales Tax Rate is High Identification of Services to Include Local-State-Education Split
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Reform Areas		Principles of Equitable and Effective Tax Systems														
		Stability	Simplicity	Vertical Equity	Horiz. Equity	Compliance	Administration	Transparency	Sufficiency	Predictability	Uniformity	Competitive	Neutrality	Exportability	Integration	Flexibility
Property	Abatements															
	Depreciation															
	Market Value															
	Sale Reset															
	Income Reset															
Sales & Use	Service Tax															
	Digital Goods															
	Explicit Exemptions															
Gaming/Tourism	Restricted/ Nonrestricted Equity															
	Live Entertainment Exemptions															

Scoring: 1 = Low, 10 = High



Gaming/ Tourism Taxes

(Gaming, Rooms, LET)

Current Tax Base:	\$10.7 Billion
Current Tax Rate (Weighted Avg.):	8.1 Percent
Current Tax Yield:	\$863.1 Million

Yield Potential:	
0.25% Rate Increase Gaming Fee	\$21.0 Million
0.25% Rate Increase Rooms	\$5.7 Million
0.25% Rate Increase LET	\$2.0 Million

Reform Potential: Create Equity Between Restricted and Non-Restricted Gaming Licensees
Address Exemptions in Live Entertainment Tax

Challenges: Tourism Already Bears a Disproportionate Share of the Total State Funding Sector in Historic Recession

Reform Areas		Principles of Equitable and Effective Tax Systems														
		Stability	Simplicity	Vertical Equity	Horiz. Equity	Compliance	Administration	Transparency	Sufficiency	Predictability	Uniformity	Competitive	Neutrality	Exportability	Integration	Flexibility
Property	Abatements															
	Depreciation															
	Market Value															
	Sale Reset															
Sales & Use	Income Reset															
	Service Tax															
	Digital Goods															
	Explicit Exemptions															
Gaming/Tourism	Restricted/ Nonrestricted Equity															
	Live Entertainment Exemptions															

Scoring: 1 = Low, 10 = High



Business Taxes

Current Tax Base:	\$166.2 Billion
Current Tax Rate (Statewide):	0.5 Percent
Current Tax Yield:	\$813.4 Million

Yield Potential:	
0.01% Increase in MBT	\$4.1 Million
0.01% Increase in Commerce Tax	\$14.8 Million

Reform Potential:	Greater Alignment Between Labor-Intensive and Capital-Intensive Businesses
	Decrease Standard Deductions to Capture More Business Activity

Challenges:	Combined Tax Rates Relatively High
	Base Expansion Will Impact Smaller Businesses

Reform Areas		Principles of Equitable and Effective Tax Systems														
		Stability	Simplicity	Vertical Equity	Horiz. Equity	Compliance	Administration	Transparency	Sufficiency	Predictability	Uniformity	Competitive	Neutrality	Exportability	Integration	Flexibility
Business	Labor/Capital Intensive Business Alignment															
	Decrease Standard Deductions															
Mining	SJR1															
	AJR1															
	AJR2															
	Adjust Allowable Deductions															

Scoring: 1 = Low, 10 = High



Mining Taxes

Current Tax Base:	\$8.2 Billion
Current Tax Rate (Statewide):	5.0 Percent
Current Tax Yield:	\$156.0 Million

Yield Potential:	
0.01% Increase on Net Proceeds	\$311,991
0.01% Increase on Gross Proceeds	\$818,457

Reform Potential:	Senate Joint Resolution 1
	Assembly Joint Resolution 1
	Assembly Joint Resolution 2
	Adjustment to Allowable Deductions

Challenges:	Constitutional Changes
	Potential Economic Instability in Rural Nevada

Reform Areas		Principles of Equitable and Effective Tax Systems														
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Business	Labor/Capital Intensive Business Alignment															
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