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*Parties avoid taxes as solution*  
By Anjeanette Damon

In the six months since it's become clear Nevada is sinking into a budget hole unlike any seen in 30 years, legislative Democrats have decried each of the cuts needed to keep the state afloat — even those they were responsible for making.

They've called the cuts "pathetic." They've lashed out at Gov. Jim Gibbons for a refusal to consider new or increased taxes. And they've worked long hours combing the budget for unused dollars and ways to cut without exacting severe damage.

But in a one-day special session to find the final cuts for a \$1.16 billion hole, only one Democrat even broached the alternative: raising taxes.

"Why not talk about that kind of thing?" state Sen. Bob Coffin, D-Las

Vegas, asked in a committee hearing. "We are so short here. And there are people who can kick in and who have volunteered to kick in.

"The governor said to balance the budget any way we could. Do we take it to mean that for sure, despite the fact he's losing \$50 million in textbooks, that he wouldn't possibly consider asking casinos to give up 1 percent on their room tax?"

The answer from Gibbons' budget director Andrew Clinger: "No."

Few agree a one-day special session called on a week's notice less than two months before a primary election was the place to propose a new tax structure. The last time the state's leaders did, it took a six-month battle to accomplish.

But Gibbons' allies, tired of seeing unanswered attacks from Democrats, don't see that as an excuse.

"Every single day that goes by provides a new opportunity for the governor's opponents to introduce an alternative to budget cuts," said Robert Uithoven, a Republican consultant and Gibbons' former campaign manager. "Yet, a lot of these people choose to just criticize the governor and then hide under a rock. And they get away with it, and they shouldn't.

"The governor is sitting at a 20 percent approval rating, and they are unwilling to offer an alternative plan."

Uithoven argued that Gibbons is an easy target because of his unpopularity.

"But it's his policy carrying the day," Uithoven said.

Others in Nevada are advocating some kind of a tax increase.

Terry Lanni, chief executive officer of MGM Mirage, wants the state to double the payroll tax, so the state can rely less heavily on the gaming industry.

A separate coalition of Las Vegas casinos has proposed increasing room taxes.

And Chancellor Jim Rogers has repeatedly called for a tax increase to save what he sees as the state's quickly deteriorating education system.

Rogers has aimed his sharpest criticism at Gibbons for his no-new-taxes pledge, not at Democrats who haven't made any attempt to build a two-thirds majority to pass a tax. That same two-thirds majority would be needed to override a veto.

But in a brief interview Thursday, Rogers agreed it's not simply the governor standing in the way of a well-funded education system.

"I don't think it's a Democrat or Republican issue," he said. "I think it's an issue of being responsi-

ble enough to make sure the people of the state have at least an adequate education system,” Rogers said. “I haven’t seen anybody stand up and say, ‘How are we going to fund the education system?’”

When lawmakers gathered in Carson City last week, they had an immediate task before them: “balancing the budget without causing irreparable harm to our state,” said Assembly Speaker Barbara Buckley, D-Las Vegas. They quickly passed a package of \$275 million cuts.

Buckley, the Legislature’s leading Democrat, also vowed to reform the state’s revenue system in the next session. The reform must focus on stabilizing a volatile tax structure. That could include reallocating existing taxes shared among state and local governments and endowing a stronger Rainy Day Fund.

But Buckley isn’t ruling out new or increased taxes.

“I believe that discussion should be part of a broader look at all of the state’s revenue,” she said. “It has to be addressed as a package.”

In Nevada, 60 percent of the state budget is funded by sales and gaming taxes, leaving it vulnerable to economic downturns. While most states are going through a budget shortfall, Nevada’s is the third worst in the nation, according to the Center on Budget and Policy Priorities. Only California and Arizona have larger deficits.

Tax experts agree there is no “recession-proof” tax system.

States traditionally rely on some combination of three major sources of tax revenue: personal income, corporate income and sales taxes. Each is vulnerable to economic swings.

**According to a study by the Rockefeller Institute of Government, personal income tax tends to**

**take a hit when the stock market is down. Corporate income tax revenue can swing wildly regardless of economic conditions. Sales tax responds to the economy, but at a slower rate than other taxes.**

**But the fact that each tax is vulnerable to different types of economic swings leads some experts to advocate the “three-legged stool” approach. States with income from all three major sources are sometimes better able to withstand economic downturns.**

**“A tax system that relies on several different taxes, even if every one is cyclical, if you balance across many different types of taxes it will even out,” said Donald Boyd, a senior fellow at the Rockefeller Institute of Government in Albany, N.Y.**

**States also can stabilize individual taxes. For example, applying the sales tax to food, a staple people buy even when the economy turns sour, can lessen the volatility.**

But there’s tax policy, and then, there’s politics.

Nevada’s constitution prohibits a personal income tax. It would require two public votes to overturn.

Such efforts in other states have not gone smoothly. In Tennessee, which relies heavily on a sales tax, lawmakers were subjected to threats, electoral losses and angry mobs storming the Legislative building when they brought the subject up, said Neal Osten, federal affairs counsel for the National Conference of State Legislatures.

“It’s not been a very pleasant situation,” Osten said. “Legislators were verbally abused, physically abused. Anti-taxers surrounded the Capitol, invaded the Capitol. If you don’t have a personal income tax now, it would be very difficult politically.”