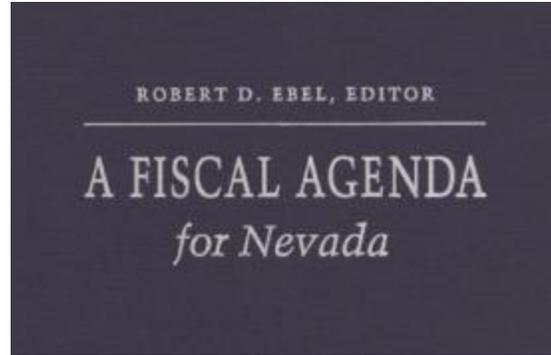


While the State of Nevada has authorized a number of impressive tax studies since World War II, the legislature essentially ignored the recommendations of the last one in November 1988. The study cost almost \$400,000.



The Price Waterhouse/Urban Institute report had been authorized by the 1987 legislature at the urging of Clark County Assemblyman Marvin Sedway and Washoe County Senator William Raggio to assess the impact of the tax shift six years earlier. In 1981, acting on Governor Robert List's recommendation, the legislature shifted from principal state reliance on the relatively stable property tax to the less stable (and regressive) state sales tax. At the same time the state sales tax was nearly doubled. The volatility of the new tax structure was evident in a sixteen-month recession beginning later in 1981. Nevada was clearly no longer "recession-proof" and Governor List lost his reelection bid.

There were many compelling findings about the tax shift in the comprehensive 1988 study. Arguably among the most important finding described the future of Nevada's state and local fiscal affairs under the new tax structure.

"The state tax system produces revenues that are narrowly in balance with the present expenditure requirements of the state's General Fund as defined by current policy. However, beginning in the mid-1990s an adjustment of revenues and/or expenditures on the order of 5 to 10 percent of General Fund revenues will be required just to finance the current scope and quality of services."

The study warned that "The projected fiscal imbalance will occur earlier if a serious recession occurs in the next few years."

The legislature received the report on February 1989. The special Governor's Commission to Study the Fiscal Affairs of State and Local Governments in Nevada, created by the 1987 legislature to review the report, noted that "The study provided the tools whereby the Governor and the Legislature with the support of the people of Nevada can construct a fair and adequate tax structure for the future."

In 1990, the University of Nevada Press published the report as a book entitled *A Fiscal Agenda for Nevada*. Later that year, Nevada voters overwhelmingly supported an initiative effort to constitutionally prohibit a state income tax, although the study had cautioned that "The option to enact a personal income tax should not be foreclosed by constitutional prohibitions."

With the state enjoying a robust economy, the 1989 and 1991 legislative sessions felt no immediacy to set a new fiscal agenda, although the Legislative Commission had issued a Study of Taxation in Nevada (December 1990) which included recommended changes to the tax laws. Not long after the 1991 legislature adjourned, however Nevada entered another serious recession. The projected fiscal imbalance that the Price Waterhouse/Urban Institute report warned about had come to pass. Program enhancements approved by the recent legislature were withdrawn and, in addition, base state budgets were slashed by more than 10 percent.

When it came time to address revenues and the tax system in 1993 in the midst of a recovering economy, the State of Nevada conducted its business as if the Price Waterhouse/Urban Institute report did not exist and the recession was no longer an issue.

Significantly, during the time the study was conducted in 1988, the only serious competition to Nevada's gambling industry was gambling in Atlantic City. Clearly, the spread of casino gambling throughout the nation in the last twenty years, and particularly the proliferation of tribal casinos in California and

## Myth #146: Another Tax Study? by Guy Rocha, Former Nevada State Archivist

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surrounding states raises fundamental questions about Nevada's long-standing dependence on tourism to sustain its economy and provide essential tax revenues.

As journalist Dennis Myers observed in his November 5, 2008 *Pahrump Valley Times* column about a new tax study recently proposed by Senator Raggio, ". . . no study will be of much value if its fate is that of the 1988 study and it is simply ignored to death."

Photo credit: Cover of the book *A Fiscal Agenda for Nevada* (1990: University of Nevada Press) based on the 1988 Price Waterhouse/Urban Institute report.

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