

# Information about the Margin Tax Initiative

NEVADA  
2014  
STATEWIDE  
BALLOT INITIATIVE

The Margin Tax Initiative is a complex tax increase proposal that will appear on Nevada's 2014 statewide general election ballot.

The proposed initiative would impose a huge new tax on both Nevada's major employers and on thousands of small business owners throughout Nevada.

It's so poorly written that it would force many small businesses that are losing money to pay higher taxes, and it does nothing to guarantee that the Margin Tax revenues would actually be used to improve Nevada's educational system.

As a result, the Margin Tax Initiative would cause our state to lose many existing businesses and jobs, and make it harder to attract new ones – without ensuring better schools for our children.



*“This tax is not based on the ability to pay. As a result many small businesses will find their profits wiped out. For any businesses hurt by this economy that have been struggling to keep their doors open, this tax may prove to be the proverbial straw that broke the camel’s back.”*

— Nevada Taxpayers Association

## The Margin Tax Initiative is a giant tax increase that would hurt Nevada employers, including thousands of small businesses

### Would apply to both major employers and small businesses.

Under the Margin Tax Initiative, every business with total GROSS revenues exceeding \$1 million per year – regardless of whether any of that revenue is actual profit – would be subject to a new 2% tax on these gross revenues.

Proponents claim that the \$1 million gross revenues threshold protects small businesses. But in reality, the Margin Tax Initiative would hurt thousands of small businesses in Nevada that have total annual gross revenues of over \$1 million but also have very small profit margins – such as family-owned restaurants, medical clinics, daycare centers, repair shops, veterinarians, janitorial services, ranches, and farms.

These small businesses would even have to pay the tax in years they make NO profit. The extra burden of the proposed Margin Tax would force these companies

to cut jobs, and could even put many of them out of business.

### Costly red tape and compliance requirements.

The Margin Tax Initiative contains 84 sections of complicated legal and technical language that would create a logistical and legal nightmare for businesses to navigate.

The initiative language doesn't even match federal tax compliance definitions, so businesses would now be required to maintain two sets of books, one for federal law and one for the new Margin Tax.

It would cost millions of taxpayer dollars for the state government to interpret and implement the Margin Tax Initiative, and it could take years before the legal complications of this initiative are resolved and the unintended consequences are understood.

# The Margin Tax Initiative: Deeply flawed and very costly



## Margin Tax Initiative is significantly different and far more costly than the Texas “Franchise Tax.”

Promoters of the Margin Tax Initiative claim that it’s similar to the Franchise Tax in Texas – the only other state to experiment with this type of Margin Tax. But in fact, the Nevada Margin Tax Initiative is significantly different and would be far more costly.

The proposed Nevada Margin Tax Initiative would increase the tax burden on businesses and change Nevada from having one of the lowest tax burdens for businesses in the country to one of the highest.

The Texas version of the Margin Tax was implemented to simplify and update taxes on businesses, and was

would be forced to pay the tax not only on the one cent, but on the entire million, creating an absurd and unfair situation where a business could be penalized thousands of dollars just for making one additional cent.

## The Margin Tax Initiative has **NO** accountability or oversight provisions to make sure money goes to the classroom

### No guarantee of more money for education.

We all want to help our schools, but the Margin Tax Initiative does nothing to guarantee more money for education.

Technically, the dollars generated from the measure would be put into the “Distributive School Account,” which is

provides no plans or requirements to ensure that its revenues go to the classroom instead of into the hands of bureaucrats. How and where the new tax money is spent would be left up to elected officials and school administrators, without any oversight, reviews, or accountability.

## State government could increase the tax rate – without a vote of the people.

There are no checks and balances in the Margin Tax Initiative. Although the initiative sets the initial tax rate at 2% and sets the threshold for liability at \$1 million in gross revenue per year, the legislature would have unlimited authority, after three years, to: increase the tax rate, lower the revenue threshold at which it must be paid, or broaden the tax to apply to even more businesses – without any further vote of the people.

## The Margin Tax Initiative would damage our economy and job market, without guaranteeing any improvements to our schools

### Threatens jobs.

Nevada’s unemployment rate is still one of the highest in the nation and the Margin Tax Initiative would only make it worse. Large employers like gaming companies, banks, hospitals, and manufacturing companies would be forced to lay off workers, and many small businesses would be forced to downsize or close altogether. This would damage Nevada’s economy and drive unemployment even higher.

*“The [Margin Tax] would wipe out the profits of some companies, and even struggling, money-losing businesses would have to pay the tax. To inflict such punishment on companies after five years of economic weakness and nation-leading unemployment would be unconscionable.”*

— Las Vegas Review - Journal Editorial, June 2013

done in conjunction with a property tax reduction, so that overall taxes on businesses would remain low.

However, under this initiative, the rate of the Margin Tax in Nevada would be up to four times higher for Nevada businesses than the rate in Texas, and it would be paid in addition to all other taxes, including the existing payroll tax.

Also, unlike the Texas Franchise Tax, the Nevada Margin Tax Initiative is so poorly designed that a Nevada business that makes just one cent over \$1 million

used to fund K-12 education. However, under the initiative, the state legislature could simultaneously take money from the regular budget away from education to fund other things. The District Court held in October 2012 that “the initiative does not prevent the Legislature from supplanting existing educational funds with the margin tax.”

### No plan of action or accountability.

Even if the legislature decides that education should get more money through the Margin Tax, the initiative

## Join the campaign to defeat the Margin Tax Initiative.

The Coalition to Defeat the Margin Tax Initiative is a citizens’ committee formed to oppose the Margin Tax Initiative.

To join our coalition or to get more information about the Margin Tax Initiative, please call: (877) 359-5099 or email: [StopMarginTaxInit@gmail.com](mailto:StopMarginTaxInit@gmail.com)