



Dear Chairmember Backus and Committee members,

My name is Ronnie Najarro and I am the State Director for Americans for Prosperity-Nevada. Americans for Prosperity strives to create an economy that works for all – empowering people and businesses to earn success and realize their potential. Nevada’s commerce tax does not help people and businesses thrive – in fact, the tax only imposes higher costs and prices on Nevada companies and consumers.

A.B. 276 would index the revenue threshold for the state commerce tax to inflation, likely annually increasing the current threshold of \$4 million. But this bill does not address the core reason why costs and prices are so high for Nevadans: the commerce tax itself.

Nevada’s commerce tax is a form of gross receipts tax – a tax that is levied on a business’ total revenue, regardless of how profitable the business actually is. In fact, a gross receipts tax is even more harmful to businesses than an ordinary corporate income tax, which is only assessed on net income (essentially, profit). As a result, Nevada’s commerce tax reduces incentives to increase investment in a business, since the tax will be levied regardless of net income. And this tax is levied at every stage of production, further increasing costs for businesses that are ultimately passed on to consumers in the form of higher prices.

Even if the threshold for the tax were to be increased, smaller businesses would still be impacted by the tax. This is because many small and medium-sized businesses buy equipment, materials, or other goods and services from larger companies that would still be subject to the commerce tax, who would then pass the costs on to other companies, and ultimately, to consumers. Additionally, since Nevada’s commerce tax has different tax rates for businesses in different industries, some companies pay substantially higher taxes than others, even if revenue is similar. This is not impartial and neutral tax policy and increases the costs and prices of some goods much more than others.

Instead of indexing the threshold to inflation, Nevada should work to eliminate the commerce tax. This should ideally be achieved through corresponding spending cuts to reduce the overall size of government. Yet, the commerce tax is so distortionary that even eliminating the commerce tax by increasing the sales tax rate or base would be preferable to the status quo. Nevada’s sales tax is only assessed at the point of final sale, while the commerce tax is assessed at every stage of production and leads to even higher prices.

A.B. 276 correctly identifies the commerce tax as a harmful tax on businesses and ultimately, consumers. But, the commerce tax is harmful to all businesses, not just those with receipts below a certain threshold.

Sincerely,

Ronnie Najarro- State Director