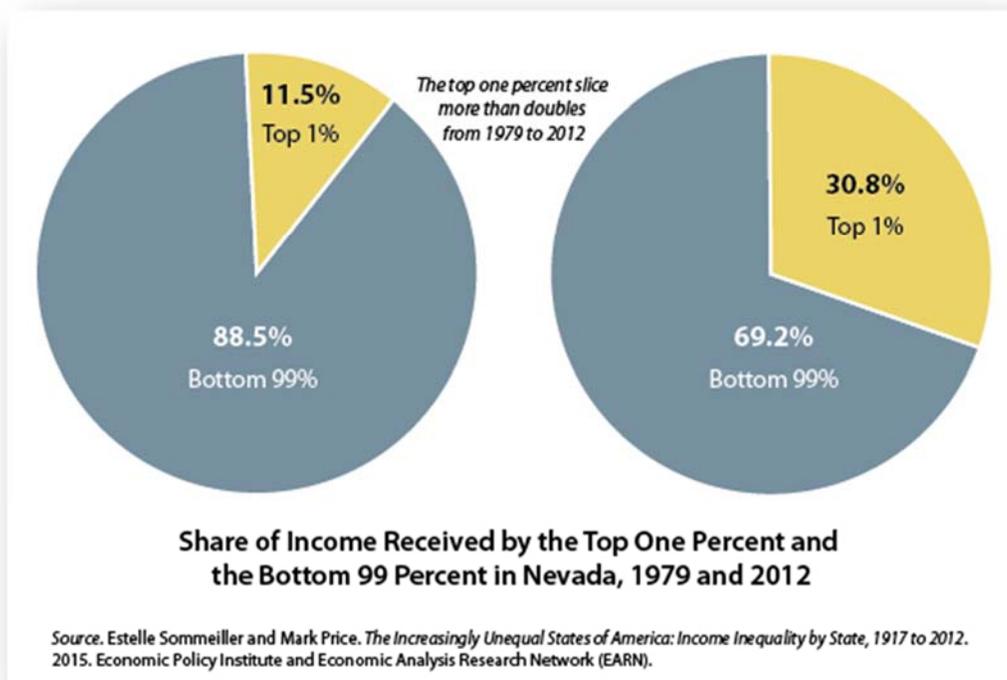


Tax Fairness: An Answer to Nevada's Budget Problems

In Nevada, the very highest-income residents are getting richer: the top one percent of taxpayers—those who earned average income of \$1.5 billion in 2012—now get nearly *a third* of all the state's income. They also pay a tiny fraction of their income in taxes—only about *one fifth* the rate of the middle class. If these high income earners paid taxes at the same rate as the middle-class, Nevada could solve many of its budget problems—raising \$857 million per year for education, infrastructure, health care, pensions and job creation.

The Rich Are Getting More Income than Ever

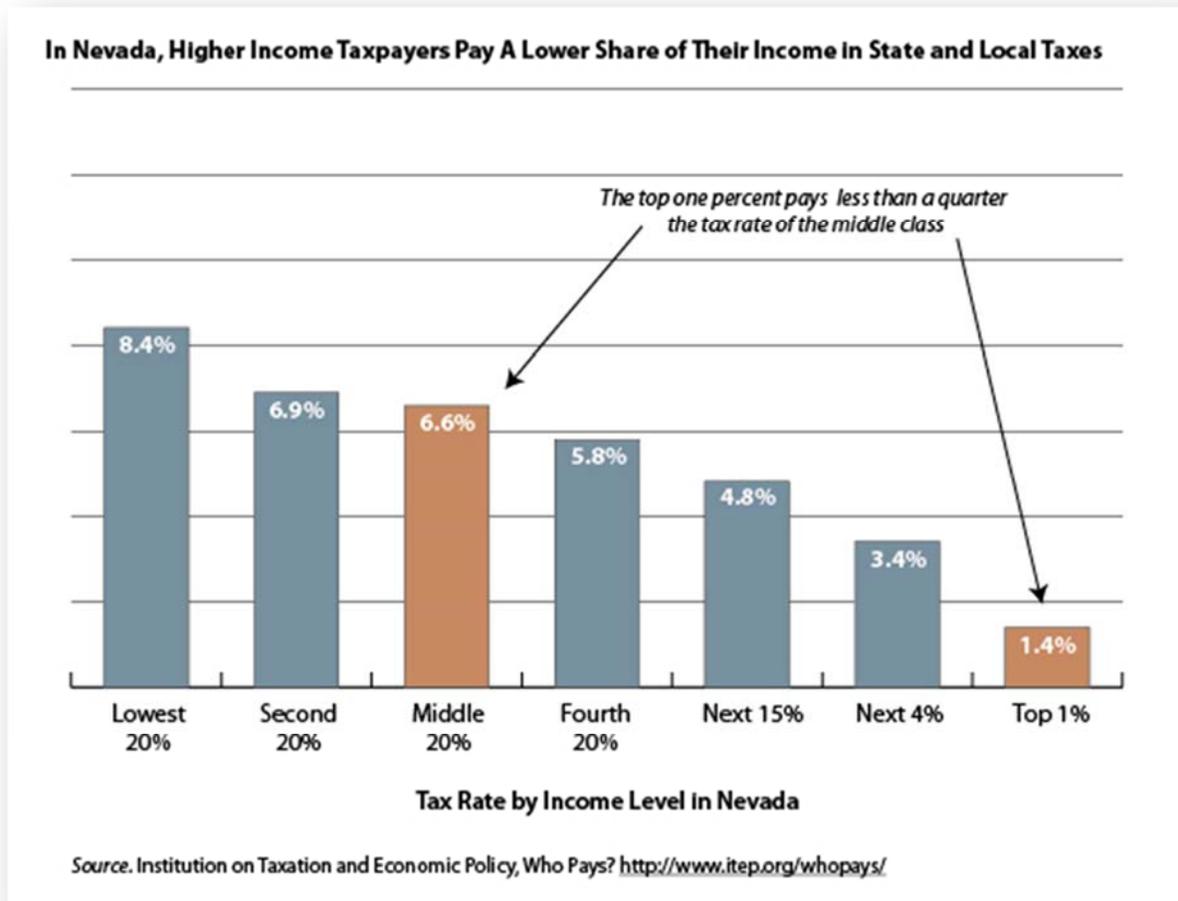


In the 1970s, the top one percent of taxpayers received about one of every nine dollars of income in Nevada. By 2012, their share of Nevada's total income had risen to 30.8 percent—nearly one in every three dollars and the third-highest one percent share in the nation. This shift equals means that, every year, \$21.7 billion in income now goes to just one percent of Nevadans.

For context: \$21.7 billion is more than six-and-a-half times the Nevada state (General Fund) budget and 58 times the annual cost of paying down the state's pension debt.¹

High-Income People Pay Far Less of Their Income in Taxes than the Rest of Us

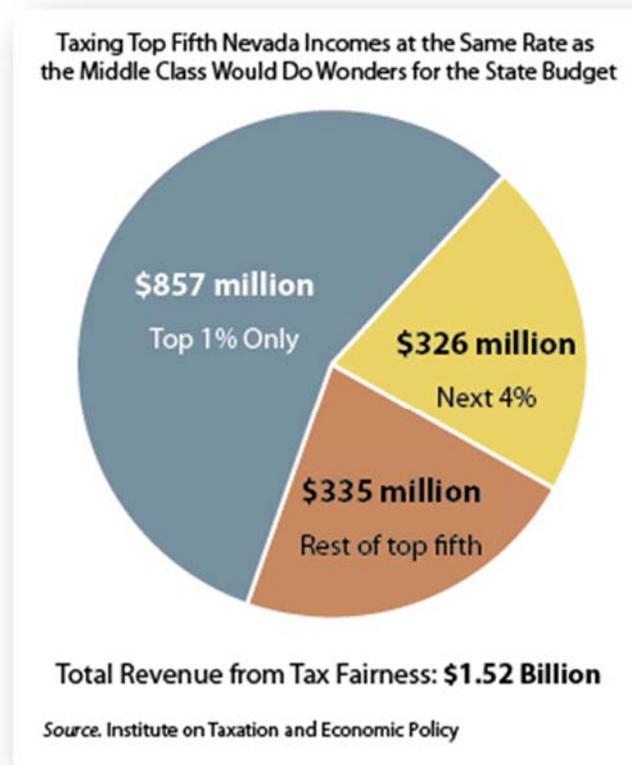
The Institute on Taxation and Economic Policy ranks Nevada as the 13th most regressive tax system out of the 50 states. High-income residents pay a far smaller share of their income in state and local taxes than middle class residents. The high-income one percent of Nevadans pay just 1.4 percent of their income in taxes, while the middle fifth pay nearly five times that rate: 6.6 percent. Nevada's lowest income families pay even more: 8.4 percent.



There are a few basic reasons Nevada's tax system is so inequitable, and the solutions are simple.

- The state has no personal income tax.
- Nevada relies more than most states on sales and excise taxes.
- Nevada businesses pay taxes based on the size of their payroll not their corporate profits.

Taxing the Rich at Middle-Class Rates Would Do Wonders for the Budget



Taxing upper income groups at the same overall tax rate as middle-class Nevadans would relieve enormous pressure on the state's budget. Taxing just the highest one percent at the rate that the middle fifth pays would raise \$857 million in new revenue each year. With only about 60 percent of this amount, Nevada could restore state cuts in higher education funding since 2007-08 and pay down its pension debt.

Extending tax fairness to the top 20 percent would generate an estimated *\$1.52 billion* in additional revenue each year, nearly half the Nevada General Fund budget.

Tax Fairness is Not Rocket Science

There are many ways that Nevada could embrace tax fairness. It could emulate other states by establishing a progressive income tax. It could also replace its business payroll tax with a profits tax.

After 30 years of a middle-class squeeze, it's time to restore balance. One percent of Nevadans get nearly three times the share of income they got 30 years ago—taxing them at nearly one fifth the middle-class rate is the wrong direction. Solving the budget deficit through tax fairness while restoring education and infrastructure will help revitalize Nevada's economy.

END NOTES

ⁱ This assumes that Nevada's \$11.2 billion unfunded pension liability is paid off in equal installments over 30 years. Estimate of unfunded pension liabilities from Pew Charitable Trusts, *The Fiscal Health of State Pension Plans*, March 2014, online at <http://www.pewtrusts.org/~media/Assets/2014/03/31/PewStatesWideningGapFactsheet2.pdf>