



State Should Not Play Favorites With Tax Breaks

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Nevada's Governor's Office of Economic Development (GOED) has doled out billions of dollars worth of tax breaks to select companies over the past decade in order to entice them to make capital investments and create jobs, yet the state is one of 17 that has failed to create a systematic program for evaluating the effectiveness of those handouts, according to a recent article in Las Vegas Weekly, citing data compiled by Pew Charitable Trusts.

Companies getting the tax breaks include giants such as Tesla Motors, Apple, Amazon, eBay and Switch.

According to Pew, without strict evaluation the cost, such tax incentives can easily exceed the benefits to the local economy.

The 2019 Legislature passed Assembly Bill 444, which would have created a legislative committee to study GOED tax incentives and make recommendations, but Gov. Steve Sisolak vetoed it, saying it duplicated existing efforts. In October Sisolak appointed former Barrick Gold USA president Michael Brown to head the GOED.

"Michael's decades-long career at the highest levels in business, coupled with his extensive experience in state and federal government, gives him an unparalleled perspective and expertise on what it takes to further GOED's mission of promoting a robust, diversified, and prosperous economy for all Nevadans," Sisolak said at the time."

The Weekly quoted Brown as saying he plans to review some of the state's incentive programs. "The governor has asked me to do a big think on this, to go back to the framework on this and design something that matches Nevada and [the governor's] goals to help working class families," Brown was quoted as saying.

The Nevada Independent recently quoted Sisolak as saying, "My vision of GOED is different than the previous administration. I'm not interested in quantity, I'm interested in quality. I'm interested in careers, not in minimum wage jobs that don't have any room for advancement."

A stricter evaluation of the handout program would be a welcome change, but perhaps the entire program should be reconsidered.

In a Washington Post article in 2014 Nathan Jensen, a political science professor at George Washington University, described tax incentives as bidding wars between states that amounted to a zero-sum game.

“Simply shifting companies from one state to the next does nothing, at least not right away, to create new openings for the millions of still unemployed Americans, Jensen added while presenting some of his latest economic development research,” the Post reported. “Nevertheless, nearly every municipality across the country offers some type of tax incentives to encourage existing companies to relocate, costing taxpayers around \$70 billion annually.”

Jensen has compared job creation by companies in Kansas that were attracted to open there with huge tax incentives to similar firms that got no handouts. He found that six years after incentives were awarded, “the firms who received incentives actually generated slightly fewer jobs than those that didn’t receive incentives.”

It should also be noted that such handouts are constitutionally suspect. The Nevada Constitution declares, “The Legislature shall provide by law for a uniform and equal rate of assessment and taxation ...” It’s not uniform or equal if a select few get breaks while others don’t.

A 2018 report from the Cato Institute noted, “Politicians will tend to overuse targeted tax incentives because they create a clientele of voters (the ‘ribbon-cutting’ phenomenon). Broad-based low tax rates do not a committed political constituency in the same way. But a state-by-state comparison shows that low taxes and other pro-market policies are the best way to grow jobs and economies.”

No matter how benign, the heavy hand of government seldom makes better choices than the invisible hand of the free market..

The next Legislature should at least consider evaluating the effectiveness of tax incentives, but, better yet, lawmakers should consider eliminating the GOED and treat all businesses equally as the Constitution dictates.