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My name is Terry Graves, representing BMI industries and Pioneer Americas, in Henderson Nevada.

I am testifying in **opposition** to SB121.

SB121 finds its origins in the Universal Energy Charge (UEC) legislation that was processed in the 2001 Legislative Session. When the UEC bill failed on its own merits it was amended into AB661, which also, allowed the large electric customers to leave the local utility. During the last session, my clients successfully argued that basic manufacturing processes utilizing energy, as a raw material, should be exempted from the UEC. Those arguments have not changed. Briefly;

1. The UEC is a form of the energy tax that was considered nationally during the early 1990's, then known as the BTU Tax. After some initial enthusiasm, much discussion and study, and several tries at alternative proposals this whole tax concept was scrapped as a bad idea. Some have criticized the tax on energy as one of the most regressive taxes ever created. It is especially regressive when applied at the front end of manufacturing processes.
2. As we all are now getting an education in taxation issues, one of the new buzzwords is pyramiding. It is a term being applied to the Gross Receipts Tax, wherein a service or product may be subjected to the GRT multiple times before it reaches the consumer. I would suggest that the application of the UEC to manufacturing is the epitome of Pyramiding. Products from my client's operations may pass through several other manufacturing processes and companies before they reach the consumer market. In each step the tax gets ratcheted-up, creating an array of products, all at a higher cost for the very people the tax was created to help. The consumer pays. In those industries where the cost of the tax may not be able to be passed on, that industry becomes less competitive and less viable, resulting in other social costs.
3. In the few states that have implemented some form of an energy tax, manufacturing has been generally excluded.

Today, with the experience of two years since the UEC was imposed, it has probably demonstrated itself to be one of the least accepted and most protested taxes enacted in recent Nevada history. Any public meeting or hearing, in which the UEC is discussed, still draws a rancorous crowd. Beyond being in opposition to SB121, the proper thing to do, as I recommended during the last session, is to exclude all basic manufacturing processes from the UEC. Basic manufacturing is the economic engine of this country. Imposition of these types of tax burdens is, indeed, shortsighted policy.

I urge you to consider this testimony, and reject SB121. I thank you for the opportunity to address the committee, today.