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By Terry K. Graves

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

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

Attached is a copy of the testimony I gave on Feb 19th, during the first hearing of this bill. I would like to respond to some of the questions and comments from the first hearing. I would again assert that including any manufacturing operations in this type of tax is very short-sighted economic policy. The pyramiding effect of taxing raw materials can induce tremendous inflationary forces. As these produces move through a series of manufacturing steps, this hidden tax is inflated in each step of the process. Take the case of my client, who manufactures chlorine. Chlorine is an essential manufacturing ingredient in nearly half of all produces produced. Without chlorine virtually every hard good in this room would either disappear or be of some inferior quality material. 85% of all pharmaceutical drugs incorporate or require the use of chlorine to make them. While I do not have a list of the these drugs today, if I did, many would be recognized, some as modern miracle drugs that are giving extended quality life to conditions hereto fore that were untreatable, to medications that have given simple relief and comfort and have been with us for many years. Almost all plastic products require the use of chlorine related materials. Furnishings, fabrics, many of modern manufacture wood products require chlorine. All these tech products from the speaker system to the PDA's and laptops, without chlorine, are not possible. The point? This committee heard testimony yesterday on SB4, by a senior citizen, that this tax is so small that they only paid 27 cents a month. The point is that they really have no idea what they are paying for the tax, because they are paying a component of the tax on every product and food item they purchase. The reason that witness thinks they are only paying 27 cents a month is because there are businesses paying thousands of dollars per month. I am not going to go into the social issue of whether or not the low income assistance program has merit. I am just saying this is a inappropriate way to fund these programs.

The program and the tax is now installed. The sponsor and the proponents of the bill raise the issue of fairness, having these industries exempted. It is not a fairness issue. However, this committee should understand that given the way this tax was implemented, my client nor any of the other BMI industries are completely exempted. Only the electrolytic power use is exempted.

In the 16 to 18 months since this tax has been implemented my client has paid nearly \$40,000 on non-electrolytic power usage, another of the industries has paid over \$60,000, and third, the smallest has paid \$10,000 during the past year. Given the size of these businesses compared to the large mining and gaming entities that supported AB661 and this tax, I would submit they are already paying more than a fair share. SB121 would make it very unfair for these industries.

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.