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Nevada lawmakers at odds over efforts to change how mining is taxed

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CARSON CITY — The Nevada Legislature is expected to continue exploring a tax increase on mining during the ongoing session, looking at the lucrative industry to help supplement the state budget that's been decimated by the economic crisis caused by the pandemic.

Those efforts will continue to split lawmakers.

Democrats, who hold the majority in both houses, view potential increases as a way to limit budget cuts and help bring much-needed funding to education. But Republicans, many of whom represent rural towns where the mines are located, say the cuts will lead to fewer jobs and take money out of those communities.

And the Nevada Mining Association puts it bluntly in a message on its website, "We're under attack."

Significant monies are at stake: The taxes in 2019 brought \$122 million to the state.

While a two-thirds vote in both chambers would increase most taxes in the state, Nevada's mining tax is set in the state constitution at a 5% cap on net proceeds. And a change in the constitution requires a proposed amendment to pass through consecutive legislative sessions and then be approved by voters as a ballot measure.

Lawmakers took a first step to amend the constitution during a special session last summer when they passed three resolutions to increase taxes. Another approval this session means the amendment will be added to the ballot in 2022.

Mining is big business

Nevada accounted for 76.8% of the gold mined in the U.S. in 2018, according to the Nevada Mining Association. The state also produced 27.7% of the country's silver in 2018.

In total, the industry's gross domestic product was \$3.3 billion in 2019.

Nevada ranks first in non-fossil fuel mineral production at 11.1% of the country's total with a value of \$9.14 billion in 2020, according to the United States Geological Survey.

There are 31 active mines in Nevada employing almost 15,000 people with an average annual salary of almost \$106,000.

What are the options?

The first measure, AJR 1, would change the taxation rate to 7.75% of the gross proceeds of extracted minerals. It would also allow lawmakers to change the mining tax rate without another constitutional amendment, while requiring a two-thirds vote to reduce mining taxes.

If the rate was at 7.75% in 2019, and not the current standard at 5%, the state would have brought in about \$541 million — more than four times the \$122 million that was collected.

Under this measure, 25% of mining tax revenue would be required to be used for education, health care or economic assistance. Students last week demonstrated in front of the Statehouse in favor of the measure.

The remaining 75% would not have any restricted uses.

The second measure, AJR 2, would increase the cap in the constitution on net proceeds of extracted minerals from 5% to 12%. It would also set the minimum net proceeds tax rate as the property tax rate in the taxing district the mining operation is located in.

The third measure, SJR 1, is a unique option. Like AJR 1, it would change the taxation rate to 7.75% of the gross proceeds of extracted minerals. However, 50% of the proceeds from the tax would be paid directly to “eligible persons,” the definition of which would be decided on by the Legislature.

The measure has received some comparison to the Alaska Permanent Fund, which invests some revenue from the oil and gas industry and pays dividends to eligible Alaskans.

The Alaska fund is paid out annually to full-time residents — except those sentenced for a felony. The fund is valued at \$64 billion and pays out approximately \$1,600 annually per resident.

Who has opposed these measures?

Four counties — Lander, Pershing, White Pine and Elko, plus the elected Elko County Commission — sued the state and Secretary of State Barbara Cegavske last month to block the three measures passed in August, arguing they would suffer economic harm.

But Judge James Wilson in Carson City rejected the lawsuit, saying it’s up to the Legislature to decide legislative matters.

The small counties aren’t the only ones who say they’d suffer.

Randi Thompson, the Nevada state director for the National Federation of Independent Businesses, said increasing mining taxes would also hurt other Nevada industries.

“Testing labs, geology consultants, metal manufacturers and trucking companies are just a few of the small businesses that rely on mining,” Thompson said.

Who supports these measures?

Many environmentalists and progressive activists are in favor of the resolutions. Patrick Donnelly, the Nevada state director at the Center for Biological Diversity, said AJR 1 is the “only acceptable answer.”

“AJR 1 is a reasonable approach that generates a reasonable sum of money for the state,” he said.

The Nevada Conservation League said the Legislature should pass whichever measure would create revenue to “directly address the issue of Nevada’s underfunded essential services.”

Ian Bigly, the mining justice organizer at the Progressive Leadership Alliance of Nevada, hopes whichever option is picked includes compensation for communities where the mines are located.

“I feel for these people and these friends that I have in these communities, because they’re already in crisis,” Bigley said. “When you drive through these communities, you would never guess that billions of dollars of wealth are passing through these Nevada towns every day.”

What’s next?

For now, waiting.

Lawmakers have not brought any of the measures up for a vote during the current legislative session, and in order for any of them to survive they must pass before the Legislature adjourns at the end of May. The resolutions have all been sent to committee, a technical step that doesn’t shed much light on which may pass.

The Associated Press contributed to this report.