Due in large part to the significantly-higher-than-average wage reported in the natural resources and mining industry, the rural-based sector reports the highest amount of taxes paid per employee when considering the three major statewide taxes: sales and use tax; property tax; and gross gaming percentage fees.

Including the quarter-billion-dollar net proceeds of minerals tax, estimated taxes paid per each of the approximately 15,000 natural resources and mining employees jumps to more than 4 times the average for all Nevada industries. Although there are other minor taxes being collected in Nevada, the four major taxes included in this analysis (sales and use tax, property tax, gross gaming percentage fee, and net proceeds of minerals tax) represent more than 80 percent of all taxes paid statewide.

Focusing only on the metal ore mining segment of the natural resources industry, major taxes paid per employee increases to approximately $33,000, more than 5 times the average for all industries in Nevada.
METHODOLOGY

This research brief utilized the best available data to summarize major taxes paid per employee by industry in Nevada. Data generally covers fiscal year 2011. It relies heavily on data reported by third-party data providers; and, although we have no reason to doubt the accuracy of these data, they have not been subjected to any auditing or review procedures by AA. Data was obtained from the Nevada Department of Taxation, Nevada Taxpayers Association, Nevada Red Book, Nevada Legislative Counsel Bureau, Nevada Gaming Control Board and the Nevada Division of Minerals.

Analysis of tax burdens is sometimes challenged by the fundamental question: who pays a tax? In a retail transaction, is it the customer who purchases the items that pays the tax at the point of sale, or is it the retail business responsible for remitting the tax to the state? Does a land and property-owning business pay ad valorem tax, or does it pass down all taxes to its customers? Because a tax wouldn’t be collected if the business didn’t exist, this debate, which tends to elevate form over substance, is concluded with the assertion that regardless of whether the patron or the business is paying the levy, tax generation can be analyzed at the industry level, allocating major collections to businesses, their employees, and their patrons.

The analysis included herein estimates total major tax payments by industry attributable to businesses in that sector, their employees and patrons. It allocates expenditures to the person or entity spending the money as opposed to the business collecting the tax. For example, gaming taxes are assumed to be generated by all industries when a teacher, doctor, auto mechanic or government employee spends a share of his or her annual income on gaming activities. Gaming and retail spending by visitors, however, is attributed to the leisure and hospitality industry, as the visitor would not have spent money in the state but for the existence of the industry. In a similar fashion, business-to-business transactions are allocated to the business making the purchase as opposed to the business making the sale. Taxable inputs subject to sales and use tax, such as equipment purchases for a manufacturing plant, are assumed to be paid by the manufacturing company as this tax is generated by a separate transaction independent of whether the end product being manufactured is sold.

The net proceeds of minerals tax is a tax unique to the industry that would not exist but for the investments made in exploration, extraction, and refining of minerals by operators; as such, this tax is attributed to the industry that bears the burden of paying the tax: the minerals industry. Note that this analysis excludes smaller taxes paid by the industry, including royalty payments.

While an inexact science, this method provides a reasonable estimate of the major tax collections per employee per industry on a statewide basis.

Focus on Major Industry-Specific Taxes

In Nevada, both the gaming and mining industries are required to pay substantial, unique industry-specific taxes; for the gaming industry, these major taxes include the gaming percentage fee and the lodging tax. There is no question that in terms of dollar value, the gaming industry pays more in taxes than any other single industry in Nevada. However, the net proceeds of minerals tax likely represents the most significant industry-specific tax in the state when considered on a per-employee basis. Though a much smaller employment pool, the natural resources industry generates a significantly higher-than-average tax revenue amount per capita than any other industry in Nevada. When including only the metal ore mining segment of the industry, the amount of taxes paid per employee rises even higher.