



Nevada Mining Industry **Economic Contributions**

Mining is a key component of Nevada's economy. In 2009, the industry generated \$9.5 billion in economic activity in Nevada and employed nearly 50,000 Nevadans, as well as paying over \$200 million in state and local taxes. The industry's support for economic development and the state's economy are key elements of the industry's corporate responsibility, and are particularly important in the current economic climate. The cyclical nature of commodity prices and finite nature of the minerals we extract also require that we work closely with our stakeholders to take advantage of the opportunities mining provides to create long-term, sustainable economic value.

Direct Contributions

The mining industry contributes directly to Nevada's economy in a variety of ways: by providing jobs, paying state and local taxes, and purchasing goods and services from local suppliers and contractors. In particular:

- Mining creates high-paying jobs. The average annual earnings for the mining employees in the state was \$78,700 in 2009 (\$81,800 in metal mining), as compared to statewide average earnings of a little less than \$43,000.
- Mining pays more taxes per employee than most other industries. On average, the industry pays more than \$14,000 more in state and local taxes per employee than other industries. In 2009, mine operators paid approximately \$204 million in total taxes (not including personal or corporate taxes paid by industry employees or suppliers).

Indirect Contributions

Mining operations in Nevada also generate significant indirect economic impact, creating economic growth in businesses outside of the industry's direct supply chain, and developing infrastructure and services in communities around the state.

- Mining companies make investments in infrastructure and services that also benefit their host communities to develop or expand mines. Examples include road construction and improvements to utility services such as water and power supply. Mines often bring enhanced telecommunications infrastructure, particularly to rural areas that might otherwise lack it.
- Through the influx of workers associated with new and expanding mines, mining also stimulates the growth of the housing industry and related trades in rural towns where employees live. In many cases mining companies

have provided assistance to employees for home purchases, and some have pursued innovative initiatives to ensure adequate housing for employees.

- The presence of mining operations stimulates growth of local businesses, even those outside mining's direct supply chain. As workers relocate to take jobs, they generate demand for goods and services such as retail, service providers, entertainment, and recreation. This business growth creates additional jobs and can attract other long-term industries.
- Mining companies also make substantial contributions to community services such as education and health care.

Navigating the Financial Crisis

The financial crisis of the past few years has created economic uncertainty around the globe, as well as for Nevada and the mining industry in the state. State revenues have fallen substantially, resulting in a significant shortfall in the 2009-2010 budget that was addressed through deep cuts and significant fee increases. The mining industry contributed to these solutions through increased filing claim fees of approximately \$25 million, and by pre-paying approximately \$123 million in anticipated taxes from the four largest mining companies in the state. Continued increases in the price of gold, which represents nearly 88 percent of Nevada's mineral production by value, also enabled the industry to make significant contributions to the state budget through the Net Proceeds of Mines tax.

At the same time, the financial crisis has also created difficulties for the mining industry. The recession deepened ongoing shortages of equipment and materials, and the prices of many industrial minerals from Nevada mines slumped. This decline in industrial minerals and mining services reduced economic output in the mining sector from \$10 billion in 2008 to \$9.5 billion in 2009, and employment in the industry also declined between 2008 and 2009.

Mining and Taxation

Mining companies pay all conventional local, state, and federal taxes as well as a mining specific tax. These include:

- The Net Proceeds of Mines (NPOM) Tax, which has existed since the founding of the state and was increased from 3.65 percent to 5 percent in 1989. Mining is one of only four industries in Nevada with an industry-specific tax that must be paid in addition to conventional business taxes. More than half of NPOM tax revenue goes to the Nevada General Fund and is distributed on a per capita basis throughout the state. The remainder goes to the county in which the minerals were produced. This tax totaled \$97.6 million in 2009, up from \$91.9 million in 2008 and \$75.7 million in 2007.
- Property taxes, which are paid on property, plants, and facilities, stay almost exclusively in the counties and special tax districts where mines are located. Property taxes from the mining industry totaled \$33 million in 2009.
- Sales and use taxes are primarily distributed throughout the state on a per capita basis, while a small amount goes to the state's General Fund and to school districts statewide on a per pupil basis. Because modern mining is a capital intensive business that spends significant amounts on sophisticated equipment and supplies, sales taxes are the largest tax obligation for the industry. These taxes totaled \$69.4 million in 2009, down from \$95.8 million in 2008 as a result of the completion of several major mine development projects.
- Payroll taxes, called Modified Business taxes, are assessed on businesses overall payroll. Mining contributes roughly \$4 million/year in payroll taxes.

The global financial crisis and resulting state budget gap have made taxation policy in Nevada a high-profile issue. To make up for the budget shortfall and continue to provide necessary services to the state's growing population, some interest groups and individuals have proposed an increase in taxes on business, and specifically an increase in taxes on mining.

Such proposals are based in part on the perception that Nevada's mining taxes are significantly below those of other states. Taxes vary significantly state-by-state based on the mix of minerals present and relative weighting of the taxes, making it difficult to draw comparisons. However, the Natural Resources Industry Institute, in its Economic Overview of Nevada's Minerals Industry 2009, conducted a review of tax rates in Western states that compared mining taxes and total taxes paid on a typical gold mine. The results demonstrated that Nevada's tax rates fall in the middle of other Western states, which range from a total tax low in Idaho to a high in Colorado. Gold mines in Nevada pay more than those in Wyoming and Alaska, when total tax obligations are considered.

The NvMA believes that public needs should be sufficiently funded through a broad-based business tax, and has consistently supported adequate funding for education, social services, and public safety programs. Currently, Nevada mines pay all the state taxes that most other businesses in Nevada pay plus the industry-specific NPOM Tax. The mining industry's support for broad-based taxes has existed since 2002 when it adopted the following tax policy, which the Nevada Mining Association stands behind today:

- The Nevada Mining Association recognizes that Nevada's state government faces future funding challenges because of its narrow tax base and increasing demands on state services caused by significant population growth. Under existing structures, the state's general fund will not keep pace with these new demands for state services.
- The association strongly believes that any new taxes must be broad-based, include all sectors of the Nevada economy, and apportioned according to the taxpayer's ability to pay.
- The state must not seek any new single-source taxes, such as new or increased taxes solely on the gaming, mining, or insurance industries.
- The mining industry will pay its fair share of any new taxes in the same manner, and to the same extent, as any other Nevada business.
- Finally, these new taxes should not be aimed at any individual citizens or companies, and appropriate safeguards or exemptions should be put in place to help Nevada's small business owners.

The Nevada Mining Association is committed to working with legislators to address budget shortfalls and improve the state's tax policy.

Performance

In 2009, the Nevada mining industry:

- Directly employed 11,600 people
- Paid \$913 million in employee compensation
- Generated more than 49,000 total jobs in Nevada in mining and industries supplying goods and services to the industry
- Generated \$9.5 billion in total economic activity, including both direct and indirect effects
- Paid \$204 million in state and local taxes

Source: John Dobra, University of Nevada at Reno
Economic Overview of Nevada's Minerals Industry, 2009

Long-Term Economic Sustainability

While mining has played, and will continue to play, a significant role in Nevada's economy, we share our stakeholders' concerns about economic dependence on the industry. Mining is a particularly cyclical industry, creating significant growth when mineral prices are high, but also periodically undergoing significant downturns resulting in elevated unemployment, lower tax revenues, and economic contraction. These impacts are felt strongly in rural communities where mining is a significant economic engine. We believe that the solution is in diversification through the attraction and growth of other industries that require similar skill sets. These complementary industries, such as manufacturing, construction, and renewable energy, can absorb excess workforce capacity and create diversified economic growth in Nevada. Our industry is actively working with our host communities, business partners, and other stakeholders to address these concerns and look for opportunities to stimulate long-term, sustainable growth during downturns and beyond mine closure.

For more information about the mining industry's sustainability efforts and contributions to Nevada, please visit the NvMA website at www.nevadaming.org.