Nevada Mining: Facts Versus Fiction

Misinformation Thwarts Constructive Dialogue About Mining's Important Contributions to the State and Impedes Development of Sound Mining Taxation Policies

Fiction: Nevada mines don't pay their fair share.

Fact: Like other Nevada businesses, mines pay sales and use, property, and payroll taxes *plus* a special mining-specific tax called the Net Proceeds of Minerals (NPOM) tax. In 2019, Nevada mines paid almost $276 million in Nevada state taxes, including about $123 million in NPOM taxes.

Fiction: Nevada's Constitution protects the mining industry from taxation.

Fact: To the contrary, the mining taxation provision in Nevada's Constitution *requires* mines to pay a special, mining-specific tax on the net proceeds of minerals production. Rather than protecting the industry from taxation, the Constitution singles out Nevada mines as having to pay this industry-specific tax and does not exempt mines from having to pay the same taxes that other businesses must pay including the sales and use, property, and payroll taxes.

Fiction: Today's high gold prices means mines are not paying enough in NPOM taxes.

Fact: NPOM tax payments usually increase when the price of gold is high. Thus, the NPOM tax program is already designed to benefit the state during high commodity prices, allowing the Nevada mining industry and the State to "go to the bank together" to capitalize upon periods of higher gold and other metals prices.

Fiction: Foreign-based mining companies are bad for Nevada.

Fact: Regardless of where their corporate headquarters are located, mining companies have Nevada-based operations that directly employ over 11,000 people and create another 18,000 indirect and induced jobs at companies located throughout Nevada. Moreover, both U.S. and foreign mining companies invest many billions of dollars exploring for and developing minerals. Nevada greatly benefits from these significant investments, which pay taxes throughout the exploration, discovery, development, and construction phases of mining, and ultimately pay NPOM taxes during mining.

Nevadans should welcome this enormous level of outside investment, which functions as a significant economic development engine. Unlike many other businesses that the State and local governments are trying to persuade to locate to Nevada with significant tax abatements, mining companies do not typically request tax incentives or other inducements from state or local governments as a condition of investing in Nevada.

Fiction: Mining will not relocate to other states or countries if the NPOM tax is increased because Nevada is where the gold and other minerals are located.

Fact: Although mining *operations* are fixed assets that cannot be relocated, mining *companies* most certainly can relocate the focus of their future mineral exploration and development efforts. If the NPOM tax is significantly increased, as proposed in the three NPOM resolutions, Nevada mining operators will have to adjust their business models and mine plans in response to the higher tax. A few mines may be able to accommodate the higher tax, but many will have to modify their operations or even prematurely shut down, which will lower NPOM tax revenues and sacrifice well-paying mining jobs and put a financial strain on the rural counties where mines are located.

Nevada competes for mining investment with other states and countries that have significant mineral resources and favorable regulatory and taxation policies. According to the Fraser Institute's[i] annual survey, in 2020 the top five places for mineral investment were: Nevada, Arizona, Saskatchewan, Western Australia, and Alaska. It is highly unlikely Nevada will retain its first-place ranking as the best place for mineral investment if Nevada legislators approve any of the NPOM tax resolutions for a second time.

In response to the threat of a future significant increase in the NPOM tax, mining companies and investors will shift their investment dollars away from Nevada and start investing in other states and foreign countries with mineral potential and more favorable and stable taxation policies. This will reduce the level of exploration in Nevada, which means there will be fewer mineral discoveries that can be developed into mines that pay the NPOM tax and fewer direct, indirect, and induced jobs. Ultimately the NPOM tax revenue stream will shrink, harming the State and rural communities that rely on NPOM taxes to provide essential public services.

Fiction: Clark and Washoe Counties do not get their fair share of NPOM taxes or benefit from mining.

Fact: All Nevada counties benefit from the NPOM tax because roughly one-half of the tax goes to the State's General Fund and to the State's debt fund, which indirectly benefits all counties. Moreover, mining creates 18,000 indirect and induced jobs in 13 Nevada counties. Washoe County is the State's mining-service sector hub with over 100 companies and 300 geological consultants headquartered in the Truckee Meadows. Clark and Elko Counties are secondary hubs.

Fiction: Other western mining states charge a gross royalty on mineral production – Nevada's mineral tax should similarly be based on gross proceeds rather than on net proceeds.

Fact: Comparing Nevada's net proceeds tax to a gross royalty or tax in other western mining states is not an apples-to-apples analysis. The modest (2 to 3 percent) gross revenue tax for hardrock mineral production in several states applies to production from state-owned lands. Nevada does not have any mineral production from our very limited acres of state-owned lands. Six states, including Nevada, have a net proceeds tax on mineral production from private and public lands.

Fiction: Mining creates environmental problems like Anaconda Yerington.

Fact: Nevada has some of the most stringent, comprehensive, and effective environmental protection and financial assurance regulations in the world. In fact, many other states and countries have modeled their regulatory and reclamation bonding requirements after Nevada's world-class program. Nevada State and federal regulators jointly manage over $3.2 billion in reclamation bonds that guarantee today's mines will be fully reclaimed and will not become tomorrow's environmental problems.

Mining critics often point to environmental problems at old mines developed prior to 1989 when Nevada's modern environmental protection laws and regulations were enacted. However, looking in the rearview mirror at environmental problems at old, pre-regulations mines, like the Anaconda Yerington copper mine where mining began in the 1950s, provides no meaningful information about today's highly regulated mines that are designed, built, operated, closed, and reclaimed to protect the environment. As an extra safeguard, modern mines must provide regulators with substantial reclamation bonds so the state and federal governments will have the financial resources to hire third-party contractors to reclaim a mine in the event an operator defaults on its reclamation obligations. Nevada mines have a proven track record of successful reclamation. Since 1991, nearly 100 mines have received Nevada Excellence in Mining Reclamation Awards from the Nevada Division of Minerals that recognize outstanding conservation, historic preservation, wildlife enhancement and other mine land reclamation and restoration accomplishments.

Fiction: Mining is a boom and bust industry leaving ghost towns in its wake when metal prices plummet.

Fact: Nevada mining companies make substantial community investments that will help rural economies diversify before the minerals are depleted and the mines close. Mining communities throughout Nevada are actively using the economic benefits from mining to attract other types of businesses and industries. These investments include constructing hard-asset infrastructure like roads, transmission lines, and pipelines that may be redeveloped for other industrial purposes following mining. Partnering with The Nature Conservancy, Nevada's mining industry is evaluating how mining facilities could be repurposed into renewable energy sites – especially for solar energy – when mining is completed. Additionally, the significant investments that Nevada mining companies make in vocational training and educational programs for its workforce will create enduring benefits for these communities and the employees who receive this training.

Fiction: Nevada's minerals belong to the public.

Fact: Nevada's mineral resources occur on both private and public lands. On private lands, the minerals are owned by individuals, including many Nevadans, and by companies. On public lands administered by either the U.S. Bureau of Land Management (BLM) or the U.S. Forest Service, U.S. citizens and companies can locate unpatented mining claims. Claim owners on public lands own the mineral estate and seek permits from BLM or the Forest Service to use the surface for mineral exploration and development purposes. Because the NPOM tax applies to minerals extracted from both private and public lands, Nevadans benefit from all mineral production regardless of whether mining occurs on private or public land.

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[i] The Fraser Institute, Annual Survey of Mining Companies, Investment Attractiveness Index, February 2021. https://www.fraserinstitute.org/sites/default/files/annual-survey-of-mining-companies-2020-execsum.pdf