

A Positive Outlook

MORE THAN LOW TAXES



Jeremy Aguero, Consultant



Nevada has a reputation as a pro-business state. Too often, however, the term “pro-business” is thought to be little more than a politically correct way of saying “low tax.” While Nevada does have some of the lowest general business taxes in the nation—as well as no personal income tax—low taxes are far from the only reason that businesses are relocating to or expanding in the state. This was clearly evidenced in the November 2014 board meeting of the Governor’s Office of Economic Development.

Consider the comments from Don Ritzman, CEO of Ghost Systems, a leader in cybersecurity, which recently announced it would be developing its SafePlace ecosystem in northern Nevada. Noting that Ghost Systems evaluated a number of domestic and foreign markets for the location of its “key resources,” the company chose Nevada because it had the “ideal geographic location.” Mr. Ritzman also noted, “The kinds of products and services that [Ghost Systems delivers] to the marketplace require a very, very talented workforce” and the company was looking to leverage the state’s existing workforce and training capabilities. This is not to say that state incentives

and a low-tax environment were not also important. Lower operating costs were expected to allow Ghost Systems to hire additional Nevada-based employees and roll out its SafePlace ecosystem 20 percent faster than would have been possible elsewhere.

Consider also comments from Johnnie Stoker, founder of K2 energy, an advanced lithium battery manufacturer founded in the City of Henderson in 2006. Internationally competitive and the sole supplier for the electromagnetic railgun program, K2 turned down \$600,000 of incentives offered by the state of Texas because the company wanted to stay in Nevada. Mr. Stoker reaffirmed K2’s commitment to the state, noting that the company is actively working with UNLV as well as ITT Technical College on curriculum and technical projects because, as Mr. Stoker put it, “when you look at the next two to five years we’ve talked about hundreds of jobs and much more investment.”

Perhaps most notable are the comments made by Rob Roy, founder of Switch, arguably the most important technology startup in Nevada’s history. Governor Brian Sandoval asked Switch representatives about their experience with “getting local talent.” Mr. Roy, who recently announced a \$2-billion expansion in both southern and northern Nevada, responded by saying that 85 percent of Switch’s employees are from the Silver State. He went on to say that the common perception that the education system and workforce in Nevada are not up to par is something they would tend to disagree with, as they have “grown one of the largest technology companies in the world” with 85 percent of their talent sourced to Nevada.

I doubt very much that Messrs. Ritzman, Stoker or Roy would disagree that Nevada needs to improve its K-12 education system or the technology programs in our colleges and universities. In fact, their investments and other actions would suggest just the opposite. Nevada’s economic development prowess, however, is more a function of the state’s strengths than its weaknesses and extend well beyond a low-tax operating environment. Building on those strengths, as opposed to resting upon them, will be the key to Nevada’s economic future.