

Open Up the Textbook (OUT)

Enlarge

Complicate

Contest

Vivify

Title: Mining Taxation

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In this OUT analysis, grade 4 students will study taxation of mining in Nevada to better understand how Nevada's economy is impacted by modern mining. This OUT analysis provides students with documents that are meant to deliberately enlarge and complicate the textbook.

This strategy is implemented most effectively when students collaborate to analyze the texts in small, heterogeneous groups. The texts that accompany the textbook are complex and often include difficult vocabulary and syntax. (For a few words that are likely unknown to students and unidentifiable based upon context clues, helpful synonyms are provided in the footnotes.) Students should first annotate each text and then collaborate to answer the text dependent and specific questions that follow. Questions will highlight sourcing and perspective of the author, close reading of key details from the document that enlarge, complicate, contest, or vivify the textbook, as well as questions that help students corroborate (or not) the accuracy of individual documents. The writing task that follows is an independent activity wherein students will employ evidence from multiple sources to justify their analysis, synthesis, and evaluation.

Source A: The Textbook *Nevada: Our Home*, G.P. BeDunnah et al., page 246

Modern Mining

Mining in Nevada is very different today than it was when prospectors first came. New inventions have made it much easier to separate the minerals in our soil from the dirt and sand.

After scientists locate minerals in the ground, they send engineers to the area to build mills. Large trucks and diggers are used to scoop up the ore and transport it to the mills.

Mining is still a very important part of Nevada's economy. Minerals found in our state, have made a difference in transportation, communication, electronics, engineering, and medicine. Copper, molybdenum, barite, mercury, diatomite, magnesia, perlite, gypsum, and fluorspar are some of the minerals found in our soil.

For almost 30 years, Nevada has been the largest gold-producing state in the nation. We also lead the nation in the production of silver. Because mining companies make so much money from our minerals, the government has asked them to pay higher taxes. Citizens have also demanded that mining companies restore the land they mine. Now, when a mine closes, mining companies level the land and plant native grasses and trees. Many companies also try to improve the communities where their workers live. Some build schools and places for recreation. In their towns.

Source A: Questions for Consideration

1. How many years have passed since your text book was published?

2. Paragraph one states that mining “is very different today than it was when prospectors first came.” What examples are provided to support this claim?

3. The author states: “Mining is still a very important part of Nevada’s economy. Find three pieces of evidence that supports this claim.

4. What inference can be made about what closed mines looked like before citizens demanded change?

5. What specifically does this passage say about mining taxation? Would you describe the passage as informative, vague, or unfinished? Explain your answer.

Source B: Secondary Source – Summary of the General Mining Law of 1872: Retrieved from Earthworks¹. www.earthworksaction.org

The 1872 Mining Law was signed into law by President Ulysses S. Grant. It was passed to promote the development and settlement of publicly-owned lands in the United States. The Mining Law promotes development by allowing mining interests to:

- Take valuable hard rock minerals including gold, silver, and uranium from public lands without royalty payment to the taxpayer—unlike other mining industries that extract coal, oil, or natural gas
- Buy valuable mineral bearing² public lands for no more than \$5 per acre-1872 prices

19th century America wasn't concerned with environmental protection. So the mining law doesn't contain environmental protection provisions. Communities and environments have paid the price.

According to Earthworks', estimates will cost taxpayers between \$32-72 billion to clean up these mines. And taxpayers are potentially liable³ for billions more in cleanup costs at currently operating mines.

Source B Questions for Consideration

1. What is the name and type of organization that produced this document? What kind of opinion will it have about mining?
2. Cite evidence from the text that explains why the General Mining Law of 1872 was passed?
3. A mining royalty is the payment of a percentage of the profits to state where the ore was mined. According to the law, what kind of royalties does a state receive for:
 - A. Gold silver, and uranium mining?
 - B. Coal, oil, and natural gas?
4. How does this source expand your understanding of the sentence from Source A, "Mining in Nevada is very different today than it was when prospectors first came."?
5. According to Earthworks, who pays the price for irresponsible mining companies?

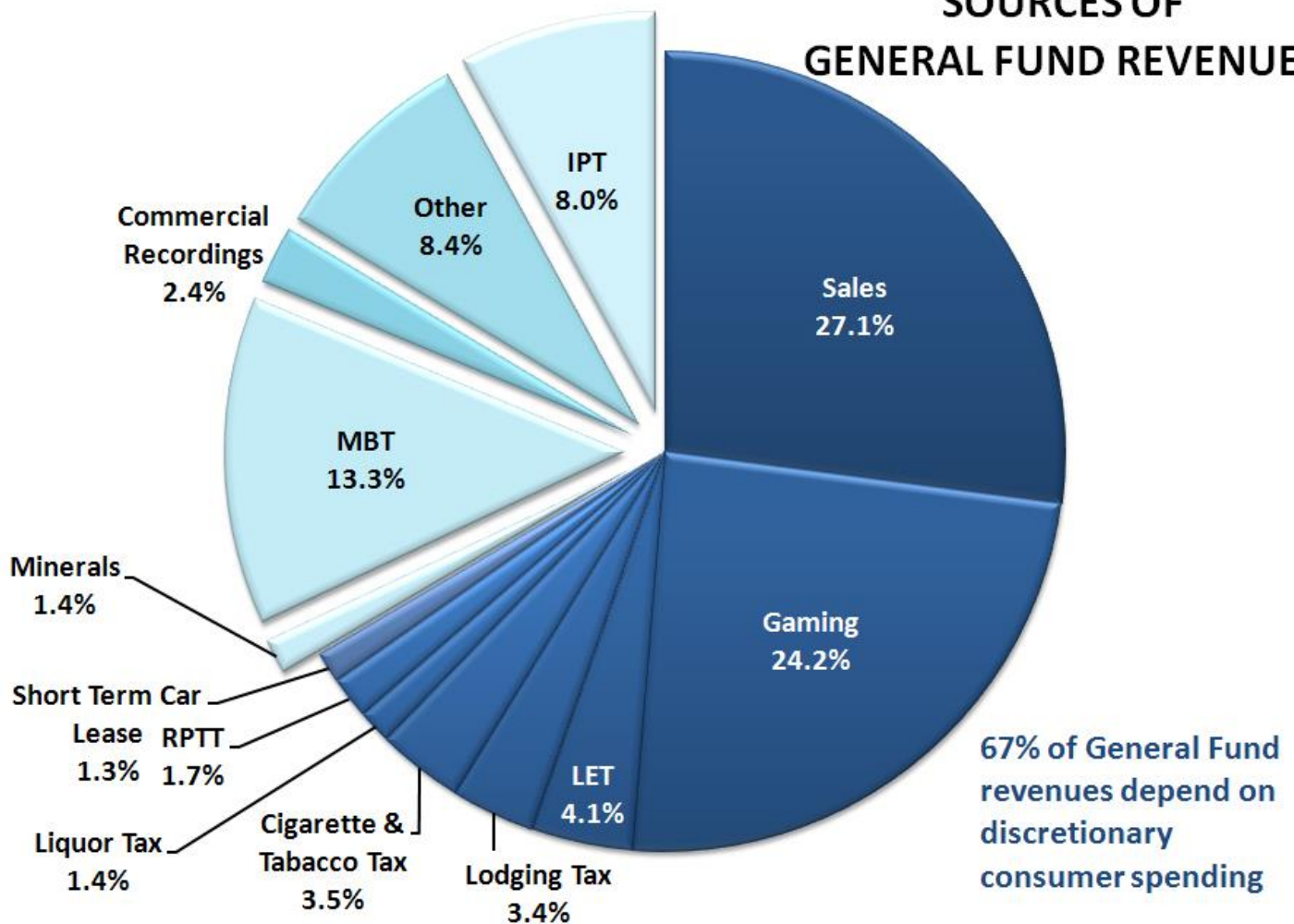
¹ A non-profit dedicated to protecting communities and the environment from the adverse effects of mining.

² Bearing: product eg: gold

³ Liable: held responsible by law

Source C: (Primary source) – Sources of [Nevada] General Fund Revenues. Retrieved from The Nevada View. www.nevadaview.com

SOURCES OF GENERAL FUND REVENUES



Source C Questions for Consideration

1. The general fund refers to the money a state collects to fund all aspects of the government. According to the chart, where are the most funds collected from? The least?
2. Based on this graph, what do we know about the revenue⁴ made from minerals?
3. How does this source help support the information provided in paragraphs 3 and 4 of Source A?

⁴ Revenue : the money a government makes from taxation

Source D1: Primary- Nevada State Constitution Section 5 of Article, added in 1989

Section 5.1 - The legislature shall provide by law for a tax upon the net proceeds⁵ of all minerals, including oil, gas and other hydrocarbons, extracted in this state, at a rate not to exceed⁶ [5 percent] of the net proceeds. No other tax may be imposed⁷ upon a mineral or its proceeds...

Source: D2: Ballot Question and Arguments for against passage: Proposed Amendment to the Nevada Constitution, 2014

Shall the Nevada Constitution be amended⁸ to remove the cap on the taxation of minerals and other requirements and restrictions relating to the taxation of mines, mining claims, and minerals and the distribution of money collected from such taxation?

Yes No

ARGUMENTS FOR PASSAGE

The time has come to remove provisions in the Nevada Constitution that grant the mining industry special tax treatment. Mining has enjoyed constitutional protection from various taxes since Nevada became a state in 1864. More recently, in the 1980s, the mining industry campaigned for the passage of a constitutional amendment preventing Nevada from taxing the industry in the same way as most other states and imposing a cap on the mining tax rate. While these protections may have made sense in the past, times have changed and the State must have the flexibility to adopt tax policies that better reflect current conditions and meet the needs of all Nevadans. Minerals, such as gold, silver, and lithium, are nonrenewable resources. When mineral resources are taken out of the ground, they are gone forever and the State is left with a scarred landscape. Given the eventual depletion of these resources, Nevada must be able to adjust its mining tax policies like other states do, and not be restricted by inflexible constitutional limits. Other states are able to tax mining in ways that better account for the industry's permanent removal of scarce and nonrenewable resources. Another factor to consider is that many of the major mines in the State are owned by companies headquartered outside of Nevada that are getting rich on our limited resources and taking the profits out of state. As currently written, the Nevada Constitution limits taxes on mineral extraction to 5 percent of the net proceeds, which allows the mining companies to deduct numerous operating costs before paying the tax. Because of these deductions, the mining industry ends up paying taxes on mineral extraction that represent a mere 2 to 2.5 percent of its gross revenues. The mining industry's constitutional protections are not fair to other businesses and industries in our State and should be removed. Nevada is rich in mineral resources—hence our nickname, the Silver State. We are the leading producer of gold in the United States and, in 2011, were the eighth largest producer in the world. Despite any claims to the contrary, mining companies will stay here as long as there are resources to mine. A “yes” vote will remove the special constitutional protections for mining and give our State the ability to update its tax policies to fund schools, roads, and essential services appropriately.

ARGUMENTS AGAINST PASSAGE

Since 1864, the Nevada Constitution has required taxation of the mineral proceeds generated by Nevada's important mining industry. In 1989, to ensure that the mining industry paid a greater share of taxes, voters approved a constitutional amendment that permitted an increase in the tax rate on the net proceeds of minerals. Today, the mining industry pays hundreds of millions of dollars in taxes, provides high-paying jobs, and supports our communities in countless other 4 ways. Now is not the time to change the Constitution and threaten this vital Nevada industry and the communities it supports. In addition to

⁵ amount of money made after the costs of mining are subtracted

⁶ go over or past

⁷ added

⁸ changed

paying the net proceeds tax, mining companies pay fees and taxes just like other Nevada businesses, such as license and permit fees, taxes on employee wages, and personal property and sales taxes on expensive equipment required for mining operations. This ballot question is unnecessary. The Legislature already has the power to raise revenues by increasing existing fees and taxes or creating new ones that would apply equally to mining and other Nevada businesses. Mining provides more than 12,000 jobs in Nevada, and it pays an annual average wage of over \$87,000, one of the highest averages in the State. By spending money in our communities, mining companies and their employees and families support our local businesses and help our economy thrive. Thousands of other jobs are created every year because the mining industry consumes goods and services provided by our local businesses. Without the mining industry's high-paying jobs, Nevada's economy would suffer and many of these jobs would be lost. Mining is an expensive and speculative business requiring significant capital investment for exploration, extraction, transportation, processing, and environmental restoration, with no guarantee of finding minerals or making a profit. Mineral prices are unpredictable and can change rapidly, which leads to even greater uncertainty for the industry. Keeping the net proceeds tax in the Nevada Constitution retains our predictable tax structure and promotes the industry's vital investment in Nevada's economy. A "no" vote will retain the constitutional provisions that help make Nevada a global leader in mining and ensure a strong mining industry which will continue to invest and create valuable jobs in our communities for many more years.

Source D Questions for Consideration

1. What two sources do these excerpts come from?

2. According to Section 5.1 of the Constitution, what percent of minerals may be taxed according to the law?

3. When was Section 5 Article 10 added to the Nevada Constitution? How many years passed between the General Mining Law of 1872 and the amendment? (Refer to Source B)

4. The proposed amendment (D.2) on the ballot in 2014 states, "Shall...remove the cap on the taxation of minerals." What does the term "remove the cap" mean?

5. Source D2 provides arguments for and against the ballot measure. Reread each argument. As you do, underline or highlight the evidence given for each side. Then, write your top three reasons for each in the table below.

| Arguments For Passage | Arguments Against Passage |
|-----------------------|---------------------------|
| | |
| | |
| | |

Source E: Secondary “State needs to extract more taxes from mining” Bob Fulkerson Las Vegas Review Journal October 12, 2014 (excerpted)

(1) On Nov. 4, Nevada voters will decide whether to remove mining’s unique, 150-year-old tax protections from the state constitution and allow the Legislature to update the mining tax system to reflect modern times.

(2) Passage of Question 2 won’t raise or lower the taxes that mining pays. But it will remove the special protection that no other industry in our state enjoys.

(3) Nevada’s mining taxes are nearly nonexistent compared with the rest of the world...Billions of dollars of mineral wealth has been extracted here; the vast majority has been exported. It’s been that way since statehood, when gold and silver from the Comstock built San Francisco and the Pacific Stock Exchange.

(4) Nevada is the No. 1 gold producer in the United States and one of the top five gold producers in the world. Mining corporations account for 98 percent of toxic chemicals released in Nevada, according to the Environmental Protection Agency, and a single gold ring leaves in its wake, on average, 20 tons of mine waste. The average gold mine uses enough water to provide the basic water needs for a population equivalent to that of a large American city for a year....

(5) Making mining pay what they pay in other states or countries would not cause them to suffer or abandon operations here. According to the Fraser Institute, Nevada is one of the most stable, mineral-rich, least-taxed places to mine on the planet. More than one-quarter of Newmont Mining Corp.’s and more than one-third of Barrick Gold Corp.’s reserves are in Nevada. If they move because voters pass Question 2, they’ll have to take the world-renowned Carlin Gold Trend with them.

(6) Many Nevadans are fond of saying “government mustn’t choose winners or losers.” Yet that’s exactly our state’s policy when it comes to mining’s loopholes. To remedy this, voters must pass Question 2. Then we can enact a reasonable severance tax on mineral production to provide funding for education, training and research that will create a bright and diverse future for Nevada, long after these foreign mining corporations have left.

Source E Questions for Consideration

1. Paragraphs 1 and 2 clarify what a YES Vote Question 2 will allow the state legislature to do. What will a Yes vote allow?
2. How does the author compare Nevada mining to the rest of the world in paragraphs 3 and 4?
3. Reread paragraph 3. How would you describe the author’s tone? Does he sound annoyed, pleased, or privileged to be a part of the history of California’s banking industry?

4. The article describes several negative impacts of mining in Nevada. List at least three.

5. How does the author propose that passing Question 2 will help Nevada and its Citizens?

Writing Task

This is an informational writing task based on NVACS standards CCSS ELA-Literacy W.4.2 Write explanatory text to examine and convey ideas and information clearly. CCSS ELA Literacy W42B Develop the topic with facts, definitions, concrete details, quotations, or other information and examples related to the topic. Students will demonstrate their understanding of the texts as well as the ways in which the textbook was enlarged and complicated.

In groups of three, write the script for a news show focused on the debate over the passage of Ballot Question 2. The script will feature a robust dialogue between

1. the moderator (who asks relevant questions and keeps the discussion moving),
2. a member of the business community that wants mines to pay more taxes, and
3. a member of the mining community that wants the Constitutional protections to stay the same.

The moderator must introduce each member and provide background on the debate. The moderator should ask three questions of each side. The other members of the group must answer using pieces of evidence from the texts plus any additional information you would like to add.

Additional Opportunities: film or act out a live production of your skit.

Moderator: The moderator's questions should demonstrate a clear understanding of the issues in the ballot measure. They should ask questions to each side that address sticky points in the arguments. Each question should address evidence presented in different sources within the OUT. Cite which source your question comes from at the end of each question. Example: (Source C).

Business Community Member: Answer each of the moderator's questions with reasoning (explaining why) mining taxes should be increased. You should support your explanation with at least three pieces of evidence from OUT sources. Cite your sources at the end of each answer Example: (Source B).

Mining Community Member: Answer each of the moderator's questions with reasoning (explaining why) mining taxes should not be increased. You should support your explanation with at least three pieces of evidence from OUT sources. Cite your sources at the end of each answer Example: (Source B).

Vocabulary terms:

- Development
- settlement,
- restore or restoration,
- communities,
- taxpayers,
- taxation
- revenue
- general fund
- cap
- amendment