

**Chapter 17**  
**Mining Taxes And Public Revenues:**  
**Vexing Question-Mining Taxes, 1871 Mining-Proceeds Tax Amendment, Measuring**  
**Tax Impact, Tax Rates, Adjustments & Revisions**

As a part of the western Great Basin Nevada was largely desert in topography and climate. Little naturally fertile land existed outside of the major river valleys, and over time ranching rather than farming would become the principal agricultural activity. What drove Nevada's economic engine in the early years was mining. Its great mineral wealth and the inflow of settlers that accompanied the ore discoveries justified, at least in the eyes of the Republican Party, who sought to solidify their congressional majorities, the admission of Nevada before it actually qualified on the basis of population. When A. F. White, Nevada's Mineralogist, wrote his report for the 4<sup>th</sup> Biennial Legislative session in 1869, he included a broad survey of the state's economic resources, and while mining had achieved dominance in a few short years, he noted other emerging economic activities. In describing Washoe County he wrote that Washoe Valley and Truckee Meadows "combine to make this one of the best agricultural counties in the state. Well-tilled farms, comfortable residences and accompanying improvements give it the appearance of an old settled country. Quantities of wheat, barley, rye, oats, corn, and hay and of all the hardier vegetables are produced annually." In addition the eastern slopes of the Sierras (on Washoe western boundary) boasted of "a forest of fine timber" But when he turned to Washoe County's neighbor, Story County, his description took on bleaker tones. Story County, he wrote, was "broken and barren." It had "scarcely any fertile land and but little timber. Were it not for the Truckee River forming part of the northern boundary, this county would be almost wholly destitute of living water."<sup>1</sup> Ironically what allowed Story County to emerge as the state's most dynamic economy was not what it lacked above ground but what was so bountiful below ground. Notwithstanding Nevada's other economic assets its economic health and future would become tied directly and inexorably to the resources of its subsoil well into the twentieth century. {See Survey Map in Special Appendix at end of chapter.]

Like every new state Nevada had to arrive at a formula for financing state services. After much wrangling and numerous lawsuits Nevada included in its tax code a provision for taxing minerals as well as plants. The mining boom attracted tens of thousands immigrants who required public services. Road, prisons and schools had to be built and judges, bureaucrats and legislators had to be paid. Despite objections from mining industry executives, who became a powerful constituency in state and national politics, a consensus existed that mining should pay an appropriate share of the cost of government at the local and state level. Although the mining industry was never taxed as heavily as some thought was justified (and never as much as the Spanish Crown taxed its colonial mining industry) the mining industry soon became the major revenue source. In good times government funding was adequate to meet the demand for minimal basic services, pay down the public debt and maintain a small surplus. (There may have been considerable debate about how to define minimal services.) Expectations were high that

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<sup>1</sup> "Biennial Report of the State Mineralogist of the State of Nevada for the Years of 1867 and 1868" in *Senate Journal and Appendix*, 4<sup>th</sup> Legislative Session (1869), 21-24.

such funding levels would and perhaps grow indefinitely. This was the view in large part because the mining experts often rendered such extraordinarily positive projections of how much profitable ore lay underground. Even the noted German expert Baron von Richthofen, while warning that the structure of the ore bodies could change at greater depths, also concluded that yields at current levels (1864) will not diminish with greater depths. Indeed he went so far as to predict that some mines currently unproductive would become productive again. In comparing the Comstock with Mexico's most famous mining district, he noted that at 1,200 feet Guanajuato encountered barrenness that continued at lower depths. That was not the case on the Comstock where even richer ore bodies were being exploited at several hundred feet below 1,200. Of course, experts can be misled by what they see or hear, and while von Richthofen's comparison of Comstock with Guanajuato (Mexico) was correct, his conclusion was not. When the miners reached 1,600 or 1,700 feet, they too found the ore boundary. The State Mineralogist summarized the Baron's Report and quoted from it in his 1875 Report to the Legislature at the outset of the greatest bonanza to underscore more or less the endless potential ore production as Comstock mines went ever deeper.<sup>2</sup> This was good news for the mining industry and for all the public treasuries. But eventually the mines turned barren, and so too did state and county treasuries. But the public infrastructure remained and more importantly had to be paid for. As mines were shuttered and camps abandoned, public expenditures had to be reduced, and where the public infrastructure had to be maintained, even though some depopulation had occurred, taxes had to be raised. The rate of taxation on property in Storey County in general and in Virginia City in particular was higher at the end of the great Comstock era than at any time during it.

Relations between government and the mining industry over taxation and other regulations involved mainly the state rather than the county or municipality. Certainly documentation on these relations is more ample with respect to the state than the county or municipality. In fact the legislation concerning the thorniest issue – taxation of the ore – was directly a state matter, not a local one, even though the county was charged with assessing the ore and collecting the tax. These relations were hardly ever amicable. That battle lines were drawn early, and as the industry's wealth and power grew, they proved difficult to smooth over. The mining companies' aim was to pay as little as possible in taxes to the state, whereas many officials and citizens believed that at the very least companies should be taxed to pay for the services that had to be extended to the mining camps. Some even believed that the companies should be required to share the great profits that they enjoyed from exploiting Nevada's natural patrimony. This was a state, of course, in which almost everyone was a newcomer. Although the hope was that no matter one's origins, once in Nevada one should change one's stripes and become a Nevadan. The truth was that only a small percentage of those who came during the Comstock bonanzas ever became the ideal Nevada citizen. What drew the investor, the worker or the vagabond was the chance to make money, and what drove them out was the collapse of chance (at least until the rise of the gambling business). Newcomers were itinerants. In the case of those who financed the mining industry they were not even itinerants, they were more often absentees. The ambivalence in the political rhetoric was how to build a

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<sup>2</sup> "Biennial Report of the State Mineralogist...1873 and 1874" in *Appendix to Journals of Senate and Assembly*, 7<sup>th</sup> Legislative Session (1875), 91-101.

civil society in the absence of control if not ownership of the state's precious resources. Increasingly over time, as the most powerful driver of the state's young economy – the Comstock – substituted *borrascas* for bonanzas, the rhetoric became harsher. The inflow of outside capital mainly from California was duly acknowledged, but the outflow of wealth also mainly to California was first resented and then condemned. Efforts to alter these dynamics, even on a modest scale, ran smack into a powerful alliance between the business of mining and the business of politics. Some of the new state's most influential politicians came out of the mining industry. They had little interest in accommodating the needs of the state except at some minimal level. Moreover, they were, in a form of perverse logic, prepared to allow the federal government, which held inherent powers of disposition of public lands and mineral rights to set the rules for western mining. Mining companies actually preferred federal regulation to state regulation because it was less intrusive and more protective with respect to their financial and property interests. Nevada's own congressional delegation was often composed of former mining entrepreneurs who looked after the business interests of the state as much as if not more than the citizen interests. Differing and sometimes opposing viewpoints during America's late nineteenth century economic expansion were not abnormal, as Americans tried to sort out how the principles of laissez-faire could co-exist with the public's need for protection and security in a time of a rapid economic transformation. In western mining where the institutional structure (for example, the legal system) was still evolving that struggle between the private and the public turned acrimonious and nasty. Nevadans found themselves in the difficult position of wanting both to promote and to control the business of mining, which all parties recognized as vital to the State's continuing economic growth and development. As more and more mines went out of business and output of ore fell correspondingly, the bullion tax as a source of revenue virtually evaporated with little hope that it could be revived. Needless-to-say as the public, in particular the state government, tried to assess what future mining had in the State's economy, the sentiment toward the mining industry turned increasingly hostile. For some the ambivalence was erased: Nevada had been robbed.

Official financial record reveals how the fortunes of the state and the county changed over time. In the Controller's Report of 1865, the first year after statehood, the receipts of the state treasury amounted to \$466,137.31 including a small balance of \$1,000 carried over from the territorial government. Proceeds from mining taxes contributed only about 3 percent (\$15,447.36) of the total. Poll taxes provided about the same percentage (\$17,069.24). Property taxes (current and in arrears) accounted for about 33 percent and the remaining 40 percent came from miscellaneous sources including licenses, fines, tolls and the sale of state bonds. It was not unusual for a newly admitted state to have to issue bonds in the first few years before the tax and revenue systems were in place to pay their bills. In the case of Nevada the issuance amounted to \$150,000, a third of all receipts and equal to revenues collected from property taxes.<sup>3</sup> More than a decade later in 1877 the state treasurer reported a balance at the start of the year of \$351,522.60, with receipts of \$699,244.71 for a total of \$1,050,767.30. Proceeds from mining taxes equaled \$240,558.31 or 23 percent of the total. Disbursements had also

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<sup>3</sup> "First Annual Report of the Controller of the State of Nevada for 1865" in *Senate Journal and Appendix*, 3<sup>rd</sup> Legislative Session (1867), 7.

reached \$605,800.86, but the treasury still reported a balance of \$444,966.44. As the mining boom unfolded mineral taxes allowed the state government to meet its obligations at a time when population growth demanded more services and simultaneously to show a surplus.<sup>4</sup> But when the boom faded the surpluses served to buoy up state finances for a year or two while adjustments were being made. In 1880 receipts totaled only \$151,245 with mining-tax proceeds contributing \$20,680 or 14 percent. In that year disbursements exceeded receipts by more than \$60,000 so that a surplus of nearly \$240,000 shrunk to \$179,000. The Governor, John Kinkead, reported in his message to the 10<sup>th</sup> Session of the Legislature (1881) that receipts from mining taxes for the current biennium (1879-1880) were \$436,000 less than the previous biennium (1877-1878). In addition property taxes had fallen as mining properties had been abandoned or closed, and the mining tax itself was reduced by nearly half by the Legislature in response to the deteriorating state of the mining industry. Disbursements had fallen by two-thirds since the 8<sup>th</sup> Session but they still exceeded receipts, and they were slowly eating away at the surplus.<sup>5</sup> But Kinkead was actually optimistic about the future of the state's economy (perhaps as governors must be) and in particular about the mining industry. He held that mining would remain the backbone of the economy, and that the recent rise in prospecting (outside the Comstock District) would help lead the mining industry back to good health. He wrote "[D]evelopment awaits upon discovery, and material wealth upon both."<sup>6</sup>

During the next biennium (1881-1882) Kinkead's optimism about mining was not borne out. Mining receipts came in slightly above \$20,000 in 1881 but still below the receipts for 1880, and they fell again in 1882 to less than \$16,000.<sup>7</sup> Total treasury receipts in both years were actually much higher - \$461,000 in 1881 and \$381,000 in 1882 - than the previous biennium. These increases resulted not from improvements in mining but rather from higher receipts in property taxes and from sales of bonds and assets. Total expenditures (although some were not for current outlays) exceeded receipts by \$25,000 in 1881 but came in under them by \$33,000 the following year. After certain receipts and expenses were excluded for accounting purposes the 1881-1883 biennium reported revenues of more than \$605,000 and expenditures of nearly \$634,000 for a deficit of just under \$30,000. Kinkead, however, continued to believe that mining would be the engine for economic growth, and to that end he proposed new legislation to encourage investment and development in mining. "Much of the [mineral wealth] lies dormant for lack of capital and transportation facilities. The decline in the production of the great Comstock Lode...has through unjust comparison greatly retarded the prosecution of the mining industry in other portions of the state." And he acknowledged openly that Nevada's financial future would be shaped in part by how the Legislature answered once

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<sup>4</sup> "Annual Report of the Controller...1877" in *Appendix to Journals of Senate and Assembly*, 9<sup>th</sup> Legislative Session (1879), 80-88; "Annual Report of the Treasurer of the State of Nevada [Jerry Schooling, Treasurer] Fiscal Year Ending 1877" in *Appendix to Journals of Senate and Assembly*, 9<sup>th</sup> Legislative Session (1879), 10-19, 60-72.

<sup>5</sup> "First Biennial Message of his Excellency Governor John H. Kinkead to the Legislature of the State of Nevada," in *Appendix to Journals of Senate and Assembly*, 10<sup>th</sup> Legislative Session (1881), 5-7.

<sup>6</sup> "First Biennial Message of...Kinkead to the Legislature...." in *Appendix to Journals of Senate and Assembly*, 10<sup>th</sup> Legislative Session (1881), 9.

<sup>7</sup> Figures cited by Kinkead differed from the actual treasury numbers because he added \$33,000 in penalties paid by The Bonanza Firm on taxes withheld in 1877.

again that “vexed question” of how much to tax the mining industry.<sup>8</sup> His sanguine outlook for Nevada mining (not necessarily Comstock mining) was apparently drawn from the Surveyor-General’s biennial report (once again responsible for mining surveys since the Office of the State Mineralogist had been abolished) in which he stated that despite the declining output at the Comstock other regions were taking up the slack. Every mountain range, he averred, had mines of gold and silver of “greater or less value” with the area around Eureka showing the most promise. But then the Surveyor-General had to admit, as did the Governor, that results had not yet matched up with prospects. Notwithstanding all the wealth extracted from the Comstock “the people of Nevada to day[sic] are poor.” The populist rhetoric that grew in intensity during the 1880s was immediately recognizable in his report:

Not a dollar of the net proceeds of our mines is invested in the State. The city of San Francisco has been the principal recipient of Nevada’s mineral wealth....Mining corporations leave no monument of their wealth with us, while railroad corporations, with gasping avarice, continue to exact their pound of flesh. No wonder the state is poor!...When taunted with being poor, as Nevada frequently is, it is well enough to let the world know the cause of her poverty.”<sup>9</sup>

It was hard to accept that Nevada’s unprecedented mining boom had run its course, at least given the prevailing state of knowledge about its mineral assets and the technology to recover them, and not to avoid the question of how so much wealth could have failed to lay the foundations for a more diverse and productive economy. In fact extractive industries, even as big as Nevada’s was for a quarter of a century, often left local economies in disarray. It happened repeatedly in western United States mining and throughout colonial Spanish America from Mexico to Peru. The economics of extractive industries can be fairly easily delineated and analyzed, but that does not make the results any less controversial or more acceptable. Gold and silver represented real wealth, almost none of which remained in Nevada or Story County as capital to invest. There was little interest in investing in anything but mining and its ancillary businesses (including railroads) and when mining collapsed, as happened on the Comstock and throughout much of Nevada after 1880, there was little else to show for how that great stockpile of gold and silver benefited Nevadans.

Indeed mineral taxes had “vexed” Nevadans from the outset. The first constitution, written in 1863, was rejected in part because the mining interests disliked the taxing provisions. In this constitution mining taxes were simply an extension of property taxes. In his history of Nevada taxation Romanzo Adams explained that since many early settlers, especially miners, came from California where mines were exempt

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<sup>8</sup> “Second Biennial Message of...Kinkead to the Legislature....” in *Appendix to Journals of Senate and Assembly*, 11<sup>th</sup> Legislative Session (1883): the summary of state finances included in the message covered pp. 4-10 with total revenues and expenditures for 1881 and 1882 cited on p. 10; the discussion of mining prospects appeared on pp. 23-24.

<sup>9</sup> “Biennial Report of the Surveyor-General...1881 and 1882” in *Appendix to Journals of Senate and Assembly*, 11<sup>th</sup> Legislative Session (1883), 10-11. See also “The Persistent Optimists” in Hulse, *The Silver State*, 144-145, for Nevadans’ attitudes a decade after the collapse of the Comstock.

from taxation (until 1872), they favored the same approach in Nevada. He pointed out that the amount of taxable property excluding mining properties was so small in Nevada that it could not have served as the sole financial support of the new state government. Mining was what put the state on the map, and irrespective of the Californian transplants' approach to taxation mining had to help pay for the cost of organizing and financing government. Taxes on mining were inevitable.<sup>10</sup>

“To escape taxation,” according to Adams, may have been the best description of how the mining industry approached the subject first in the territorial government and then in the state government. It did not totally escape taxes, but it succeeded in limiting or reducing taxes due. In the First Territorial Legislature (October-November, 1861) mining was exempted, but in the Second Territorial Legislature (November-December, 1862) a “gross proceeds” tax was enacted: 12 cents per \$100 of ore for the territorial government and 18 cents per \$100 for county governments. Gross proceeds were less than precisely defined to be “bullion recoverable from the ore”. In Story County where mineral mining was concentrated the District Attorney in the absence of a legislative mandate declared that the mines' proceeds were the untreated ores (and therefore assigned lower dollar values) whereas the mills' proceeds were the treated ore (and assigned much higher values). Adams estimated that under this interpretation 60 percent of the bullion escaped taxation.<sup>11</sup> Nevada's first constitution, written in November and December 1863, contained a provision that taxed the properties rather than the proceeds of mines, and in response the Third Territorial Legislature (January, 1864) abandoned the gross proceeds tax in favor of a property tax. The new constitution was rejected, however, in January 1864. Taxing mines as property went against the wishes of William Stewart, who was among the most prominent of Nevada's early mining entrepreneurs and was emerging as political leader (later elected U. S. Senator) and who preferred a tax on proceeds, and his opposition to the new charter helped to defeat it.<sup>12</sup> In the second constitution, written in July and approved in September 1864, Article X, Section 5 provided for a proceeds tax. Some miners preferred a total exemption, but inasmuch as Nevada already had a deficit of more than \$264,000 on which it was paying interest of between 10 and 18 percent there was little support to give special waivers to mining companies. The formula by which proceeds were taxed as defined by the first State Legislature was complex. Adams explained it this way:

The term “proceeds of mines” was interpreted to mean the value of the ore, not the value of the bullion, and the value of the ore was determined by subtracting twenty dollars a ton from the value of the bullion extracted by ordinary processes and by subtracting forty dollars a ton from the value of the bullion extracted by the Freiberg process, and then by taking three-fourths of the remainder as the value of the ore for taxation.<sup>13</sup>

The deductions were arbitrary numbers that were justified (at least by the mining interests) as reflecting the cost of extraction, reduction and transportation of the ore. Once

<sup>10</sup> Adams, *Taxation in Nevada*, 69, footnote 1.

<sup>11</sup> Adams, *Taxation in Nevada*, 71-72.

<sup>12</sup> See Hulse's discussion of Stewart's position and strategy in *The Silver State*, 81-83.

<sup>13</sup> Adams, *Taxation in Nevada*, 73.

the deductions were determined, however, everyone paid taxes on the remaining 75 percent of the ore. Obviously costs varied from company to company, but having taken that into account and also granting a 25 per cent general discount the legislation required all assessment be standardized at the 75-percent level. When the Nevada Supreme Court initially was asked to rule on the whether any deductions should be granted, it decided that while the deductions may be interpreted as too extreme, that in and of itself did not make the legislation unconstitutional. In 1867, however, in a ruling from the court the 75-percent assessment was found to be unconstitutional. In the aftermath of the decision the Legislature decreed that once the assessed value were determined, the rate for purposes of state and county taxes was fixed at \$1 per \$100 in ore, a figure that was below what other property owners paid. This too was declared unconstitutional. Also in the 1867 legislative session the \$20 deduction per ton was reduced to \$18.<sup>14</sup> Finding a workable solution was not easy. The growing fiscal crisis faced by state and local government necessitated some new approach to taxing mineral output, Nevada's most prosperous industry.

In 1871 the Legislature amended the statutes governing mining-proceeds taxes. In an earlier section I discussed the provisions of the amendment with respect to how assessment and tax records could be assembled to describe the structure of the industry. Herein I am interested in the 1871 law with respect to how the Legislature addressed the need for revenue and how its decision affected the tax burden of the mining industry. The justification for amending the original bullion tax was to assure a flow of revenue to state and local governments that lacked the financial resources to provide minimal basic public services, especially in Story County, where the expansion in mining itself required an extension in services. Mining interests still carried clout in these negotiations and debates, and although the amendments both modified and formalized the approach set out in earlier legislation, the mining companies prevented wholesale changes, which could have greatly increased their taxes, by accepting tax revisions that offered a measure of stability for financing public services. Perhaps the most important change was that mining taxes would be based on the value of the bullion instead of the value of the ore. In terms of enforcement this change meant that county assessors could rely on mint records to determine the dollar value of the gold and the silver extracted from a company's ore rather than on estimates of what the ore might yield. Companies could continue to deduct costs for extraction, transportation and reduction from the value of the bullion without the strict oversight by mining-company critics who feared that even under an amended law companies would practice deception and fraud in accounting. The amended law limited deductions based on expenditures by linking them to the ore yields: for yields of \$12 per ton or less, 90 percent of the costs could be deducted from the gross value to determine the assessed value (to be taxed); from \$12 to \$30, 80 percent could be deducted; from \$30 to \$100, 60 percent; and over \$100, 50 percent. If a company had yields in the \$30 to \$100 per ton range and its costs came in under 60 percent of the value of the bullion, then no deduction was granted and the assessment from which the tax was determined would be the "net" or the balance after costs had been subtracted from revenues (value of bullion). If the company's outlays exceeded the percentage for the yield, say, for ore yields between \$30 and \$100 the outlays equaled 70 percent of the value - then the formula would be applied so that the company could only deduct 60 percent and not 70

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<sup>14</sup> Adams, *Taxation in Nevada*, 73-81.

percent. That meant that even if a company spent \$10 more per ton to extract, transport and refine its ore, it received no exemption for the added cost. The legislation was clear that “in no case whatsoever shall the whole amount of deductions” be permitted when those deductions exceeded the threshold based on the yield per ton in bullion. This formula was a compromise that did not satisfy any of the parties in the dispute, but despite efforts to alter the percentages the formula remained intact until the end of the Comstock era and beyond. Finally, as required by the state constitution, the rate applied to the assessed value of the bullion could be no higher than the rate for other real and personal property.<sup>15</sup>

Romano Adams concluded that the 1871 legislation was still “favorable to the mine owners” but less so than past legislation. What concerned Adams on the basis of his review of assessments and taxes three decades after the collapse of the Comstock was that the percentages were simply too generous: “...it is probable that the statement of a maximum limit encouraged mining operators to return costs nearly up to the limit and without much reference to the actual costs.”<sup>16</sup> In brief, if a mining company declared ores with yields of \$30 to \$100 per ton that allowed for a 60 percent deduction against the total bullion value, it could try to push up the costs as high as possible so that the “net” (difference between bullion value and operational costs) upon which the tax was calculated was as small as possible. If the assessor was suspicious, he could order an audit, although to date no such audits can be documented as having taken place. The question remains: How inflated were the companies’ reported expenses? And the answer is no one knows. In making his assertion Adams relied on official commentary. In one instance he cited the comments of Governor L. R. Bradley in his biennial message to the 8<sup>th</sup> Legislative session. The Governor’s message was mainly concerned with fairness - did mining companies, often California corporations, pay less than their fair share in taxes when compared to other property holders? The governor did not address the question of fraud directly. His calculations showed that under the 1871 law companies paid taxes on assessments that were less than 50 percent of the actual bullion value. Was that fair in comparison to other companies and businesses that paid taxes on higher assessments because they were not granted generous deductions? That question was indirectly related to how expenses were reported, but more specifically it was related to the formula itself.<sup>17</sup> Adams also cited a report from the State Controller that exemptions allowed mining companies between 1875 and 1878 were “fifty per cent larger than was allowed under former law”. Unfortunately the footnote is incomplete, and I could not confirm the accuracy of the assertion.<sup>18</sup> That the procedure for assessing the value of the bullion, as established in the 1871 law, granted favorable tax advantages to mining companies that other businesses did not enjoy is hard to miss. But on the matter of how often and how

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<sup>15</sup> “An Act providing for the taxation of the net proceeds of mines” [Approved February 28, 1971, p. 87] in *The Compiled Laws of the State of Nevada*, 2:225-228; Adams, *Taxation in Nevada*, 82.

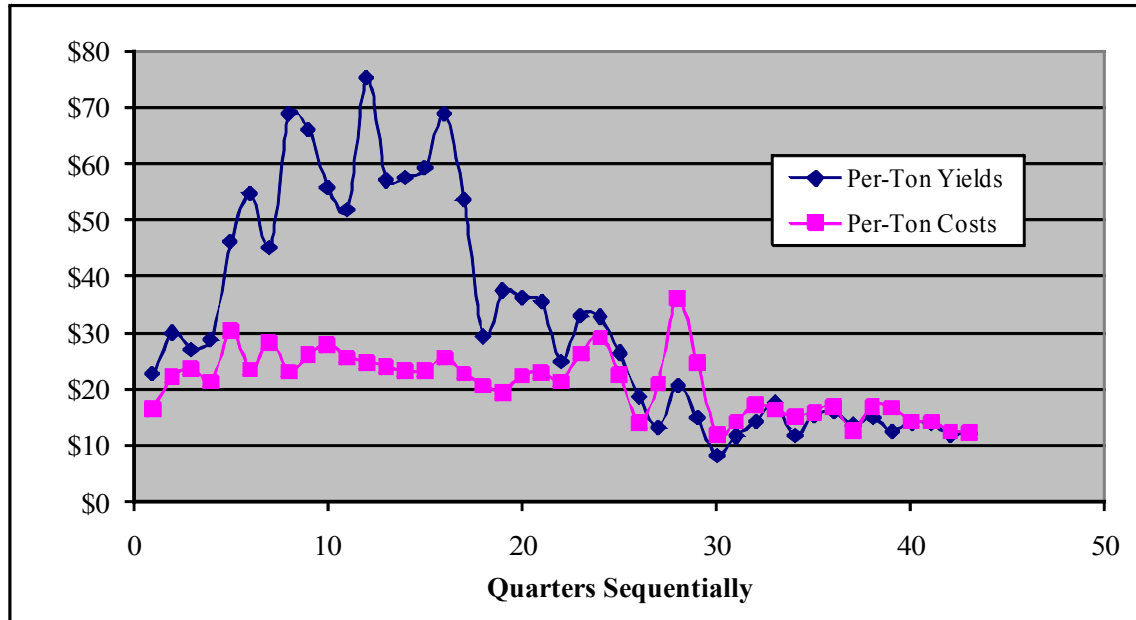
<sup>16</sup> Adams, *Taxation in Nevada*, 83.

<sup>17</sup> “Third Biennial Message of Governor L. R. Bradley of the State of Nevada” in *Appendix to Journals of Senate and Assembly*, 8<sup>th</sup> Legislative Session (1877), 7-8.

<sup>18</sup> Adams cited page 100 of the “Biennial Report of the Controller...1876”, *Appendix to Journals of Senate and Assembly*, 8<sup>th</sup> Legislative Session, 1877, and while that page contained fiscal data, it did not have anything to do with a comparison between the two laws nor could it have covered the period from 1875-1878.

much mining companies cheated in reporting their costs the evidence remains to be discovered.

**FIGURE 1**  
**COMPARISON OF PER-TON YIELDS AND COSTS FROM TOTALS AS**  
**RECORDED IN STORY COUNTY ASSESSMENT ROLLS BY QUARTER,**  
**1871-1885**



Notes: Reported totals for bullion and cost each quarter divided by reported total tonnage to achieve a per-ton figure. Total of 43 quarters between first quarter 1871 and fourth quarter 1884 with some quarters missing between 1871 and 1876.

Sources: See footnote 19.

Close scrutiny of Story County assessment records did not resolve the question of whether companies exploited the loopholes that Adams and other critics had highlighted. The key was how companies reported their costs. On the value of the bullion the assessor could check mint records and receipts; on the cost of extraction, transportation and reduction the assessor depended on honest company declarations. Audits were seldom if ever undertaken on a regular basis, and company accounts if they have survived at all provide partial but not definitive summaries of company outlays. Combing through company accounts is an arduous and not always a rewarding venture since accounting principles and practices were less than enthusiastically embraced. One modest approach is to examine the stated declarations of all companies appearing before the county assessor to see if any patterns emerge. Companies were permitted to make their declarations and payments in the quarter following the quarter that they were reporting. Figure 1 above is derived from dividing total tons by total bullion receipts and total operational costs as declared before the assessor each quarter (for which data exist). Between the first quarter of 1874 and the third quarter of 1879 total bullion receipts per ton were two to three times higher than total costs per ton. In the remaining quarters the differences were less obvious. For the period from the fourth quarter 1880 through the third quarter 1881 costs consistently exceeded receipts. The large differential between the

two variables in the middle 1870s can be explained, of course, as the result of extraordinarily rich ores and relatively moderate costs to extract and refine those ores at Consolidated Virginia and California. The reversal was the result of the deep contraction in output and not surprisingly the sharp rise in cost. Even after output began to grow ever so slightly after 1881 costs tended to exceed receipts. What, then, to make of this pattern? The median for bullion receipts was \$27 per ton versus \$22 per ton for operating costs. (The average was higher at \$32 for receipts and lower at \$21 for costs.) Receipts were more volatile than costs (coefficient of variation 61 percent versus 27 percent). Receipts had a wide range from \$10 per ton to \$80, but costs stayed within a much narrower range of \$10 to \$35. Over the period for which quarterly data exist operating costs as reported by companies were fairly predictable: during the 1870s \$20 to \$30 per ton and in the 1880s \$10 to \$20 per ton. If companies were cheating, they were all cheating to the same degree. Individual companies could exaggerate their costs, but as a group they reported figures that changed only slightly from year to year. These figures do not prove that cheating never took place. What they may best reveal is that a range of costs over periods of time came to be accepted as normal. As long as declared costs did not significantly disrupt that standard, they were not challenged.<sup>19</sup> Public officials (as evidenced in the governors' addresses) were always suspicious that companies were less than honest, but they, in particular local assessors, may have been unwilling to challenge company declarations so long as the range of costs was not seriously violated. That companies periodically reported far higher costs than revenues was not in itself a signal of deception because it was well known on the Comstock that massive expenditures were often needed to make a mine productive. Mines known to be profitable would certainly have a difficult time maintaining the charade of excessive costs in order to reduce taxes. Lacking large, professional auditing staff assessors had to depend on companies to make relatively honest declarations. Both sides were prepared, it would seem, to live with each other without demanding too much.

Bonanza mines might arouse immediate suspicions about "cooking the books" in order to qualify for deductions under the law. In the case of Consolidated Virginia and California the ratio between yields and costs do not appear to be greatly exaggerated. But some notable differences between what was declared before the assessor and what was reported in the accounts or to the stockholders do exist. In the end the 1871 amended law did not specify precisely what was to be included in costs for extraction, transportation and reduction. It would appear that instead of systematically fabricating figures (not an easy task) companies took advantage of the law by including as much as possible under costs of extraction, transportation and reduction. In this way costs could be inflated without necessarily directly violating the law. This may have raised official eyebrows, but was it serious enough to merit the kind of review that a full-blown audit would require/ Even with both company accounts and public records in front of me I cannot determine with certainty the accuracy of the accounting. What the surviving historical record provides is a glimpse from which we must make an educated guess. For example, at Consolidated Virginia in 1876 ore yielded nearly \$17 million in bullion, and, when

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<sup>19</sup> For the quarters from 1871 through 1874 data taken from surviving Abstracts of Story County Assessments in the Nevada State Archives; for the period from 1875 through 1884 data from microfilm copies in The County Records Microfilm Project, ST 67 Story County, Special Collections, Library, University of Nevada, Reno. The calculations are mine.

dividends, cash on hand etc. (totaling between \$12 and \$13 million) are stripped from general disbursements, the new total is a proxy for mining costs of between \$4 and \$5 million or 29 percent of the bullion value. Items under disbursements included actual operating operations – timber, lumber, hoisting, reduction, freight, supplies, wages, to name a few – plus other items such offices expenses, books and stationary, legal outlays, etc. The exact comparison would be the declared expenses for extraction, transportation and reduction before the assessor along side of the reported disbursements to the stockholders. Unfortunately because of the fire the former has not survived. But even if it had survived, the reported costs for tax purposes were general rather than itemized so that what the company included in extraction, transportation and reduction cannot be ascertained without more records. For the two quarters (third and fourth) in which assessments survived the average reported costs were \$1.5 million, which if projected backward would approach \$6 million, a figure somewhat higher than the general disbursement figure in the 1876 Annual Report (that covered 1875 business activities). The report to the stockholders was more discrete, although not perfect, than the declaration to the assessor, and yet the spread did not point to any massive cheating.<sup>20</sup>

A similar test can be run on Consolidated Virginia's accounting for 1878: the Annual Stockholders' Report (dated 1878) can be compared with declarations before assessor. Declarations of expenses were supposed to be by category: extraction, transportation and reduction. Some companies adhered to the procedure with regularity (although that did not mean what constituted these expenses was revealed) and other companies, in particular Consolidated Virginia and California, simply reported totals for all three categories. Since this happened with regularity, even though a technical violation of the law, the assessor apparently did not object.<sup>21</sup> In 1878, for example, Consolidated Virginia's declared costs before the assessor appeared as follows: \$1.3 million in the first quarter; \$900,000 in the second; \$500,000 in the third; and \$300,000 in the fourth. It should be noted that Consolidated Virginia's operations were curtailed during the year because of extensive repairs to the main shaft and other facilities. Of interest is how these costs were reported: the \$1.3 million was entirely assigned to reduction and the \$900,000 entirely to extraction; the remaining two entries were simply listed as totals.<sup>22</sup> It is dubious that these declarations can be trusted in terms of how they were assigned. When summed, however, the entries for all the quarters total slightly more than \$3 million. Checking these figures against the accounts in the Annual Report proves to be equally complicated because the Annual Report contained several different accounting documents (see footnote), each of which has to be examined.<sup>23</sup> In accounting for the

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<sup>20</sup> Relevant Annual Reports in NC99/1/5/1, Bx 2 and NC99/1/5/6, Bx 2, Special Collections, Library, University of Nevada, Reno.

<sup>21</sup> One possible reason is the bonanza mines seldom qualified for deductions in assessments. Their per-ton yields were so high that their costs never reached the threshold where those costs would change the assessments. Under these terms the assessor might have been willing to accept unitemized totals.

<sup>22</sup> The mill records for 1878 show that most but not all the ores were reduced during the first half of the year. The total value of the bullion from the reduced ores was between \$1.1 and \$1.2 million, slightly below what was reported to the assessor. See Bullion Records, 1878, Consolidated Virginia Mining Companies, NC99/1/3/5, Special Collections, Library, University of Nevada at Reno.

<sup>23</sup> Within what is titled the "Chief Clerk's Report" (pp. 38-44) are four accounting documents to be consulted: Consolidated Virginia's "Annual Statement (Balance Sheet)", "Inventory of Property", "Actual Cost of Mine" and "Consolidated Virginia and California Joint Shaft and Disbursements". Annual Report,

actual cost of operating the mine – presumably from extraction to reduction since the company paid for removing and refining the ore - the company put total costs at \$2.6 million, or about one half of a million dollars less than the assessor's figure. The explanation for the difference lay in ferreting out costs from the other accounting documents. In short, without burdening the text with the details of the search let me state the basic proposition that the total costs as declared for purposes of assessments included items that did not appear in the accounts detailing actual mining costs but appeared in other documents that detailed costs incurred to manage the company. Two examples will suffice: the company both purchased and consumed supplies; some purchased supplies, however, remained unconsumed at the end of 1878. The assessor's declaration included both purchased and consumed, but the calculation of the actual mining cost included only that which was consumed. The unconsumed became a part of the property inventory on hand at the end of the year. The second example has to do with the C&C Shaft. The outlays for construction, operation and repair show up in the assessments but not in the accounting for the cost of operating the mine. Through this process it is possible to reconcile the difference of nearly \$500,000. The conclusion that one must draw is that since the 1871 law did not spell out in detail what could be counted and not counted the company bundled together all direct and related costs for running Consolidated Virginia. This was not necessarily illegal or illegitimate in the absence of specific instructions from the statute itself. Since the cost for operating the mine as reported to the stockholders was lower than the cost reported to the assessor, the per-ton expense will be different - \$20 per ton in the Annual Report versus \$24 per ton in the assessment declaration. Since Consolidated Virginia's bullion yields were so high even in 1878 between \$64 and \$65 per ton, the mine's assessment was computed by subtracting straight-away mining costs from bullion receipts without any deductions or exemptions. The more the company could show in expenditures, the lower the tax burden would be. Similar tests with similar results could be run for other years at Consolidated Virginia and for California. How much was lost to the county and state by including additional \$500,000? About \$15,000 on the basis of the tax rates in 1878.<sup>24</sup> Even in modern times tax laws without loopholes are difficult to write, and while the 1871 law allowed considerable latitude over identifying mining expenses, it may have been written and allowed to stand as written because a case could be made that extracting, transporting and reducing the ores involved legitimately both direct and indirect costs.

While the companies and their executive complained of the tax burden that the mining-proceeds levy imposed, the statistics do not necessarily support the outcry. The tax burden borne by Comstock mining companies could hardly be described as excessive. Even companies with low yields and high costs in dollar terms paid only hundreds of dollars in taxes. Recall that the change in the 1871 law required all companies (or individuals) with bullion had to pay taxes. Even the bonanza mines or, more precisely, in particular the bonanza mines, had little to complain about. In 1876 when both

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1878, Consolidated Virginia Mining Company, NC99/1/5/1, Bx 2, Special Collections, Library, University of Nevada, Reno.

<sup>24</sup> From 1875 through 1880 (the last full year) Consolidated Virginia received no deductions based on ratios of costs to yields in 68 percent of the quarters (15 of 22) and California received no deductions in 73 percent of the quarters (14 of 19). In other words, they paid a tax based on the net after subtracting expenses from receipts (in bullion).

Consolidated Virginia and California declared ores for the first time in the same year the companies paid more than a half million dollars in taxes on ores that yielded more than \$20 million or two-thirds of the Comstock total yield. In brief the companies paid out about 1.7 percent of their receipts in state and county taxes based on the net-proceeds mining tax (and excluding taxes paid on properties such as mills, offices, etc. owned by Mackay & Fair and their associates).

As the Comstock's star producers Consolidated Virginia and California had no rivals in outlays for state, county and municipal taxes. In 1876 when Mackay and Fair's two mines paid over \$500,000 in mining-proceeds taxes the other two-dozen mines or mills assessed for taxes paid less than \$70,000. In other words two mining companies paid 91 percent of the mining-proceeds taxes collected by Story County in 1876. The third and fourth highest taxpayers were Ophir (\$19,432) and Belcher (\$17,264). In 1876 both mines were under the control of Sharon, Ralston and their associates, although Mackay and Fair bought Ophir in 1877 after Ralston's apparent suicide in the San Francisco Bay in 1876. Ophir did not pay dividends but Belcher did at least until 1877. Ophir produced \$2.4 million worth of bullion at a cost of \$1.6 million (66 percent). It paid taxes on an assessed valuation of more than \$870,000 or 36 percent of the \$2.4 million. Its tax bill amounted to .79 percent of the total bullion. Its yields per ton fell from \$40 per ton to \$24 per ton over the four quarter. It paid "net" (yields minus costs) in the first quarter when its costs amounted to 54 percent and it received deductions of 60 percent in the second and third quarters and 80 percent in the fourth quarter as its yields declined and its cost accelerated: 65 percent in the second, 62 percent in the third and 90 percent in the fourth, its worst quarter. Lacking company records for 1876 I have been unable to check these figures against other financial documents. It is known that the fire destroyed nearly 400 feet of Ophir's main shaft and it was retimbered along with other renovations after the fire. What was more telling, however, was the expenditure of money in search for the extension of the California ledge under the Ophir claim by the current and future owners.

The Belcher story was different. Being located on the Comstock's southern end it was not connected to the frenzy of activity that animated the northern end after the discoveries at Consolidated Virginia, and although it had remained productive longer than Crown Point after their bonanza years in the early 1870s (having paid dividends through 1876), it had entered the final phase of profitability. Its bullion valued at \$2.8 million cost about \$2.5 million (90 percent) according to the company's declarations. Its tax bill amounted to .63 percent of its bullion. Its yields, already well below its earlier achievement continued to fall in 1876 from \$26 per ton to \$16 per ton. Without access to more company financial data I cannot comment on the accuracy of its ratio of yields to costs except to say that Comstock miners themselves had more or less established \$20 per ton as the break-even point. Its yields per ton entitled the company to 80 percent deductions, which it was granted in every quarter but the first when its cost reached only 76 percent of the value of the bullion. In the subsequent quarters expenses were equal to 88 percent, 100 percent and finally 135 percent. Belcher had sunk into the red for the first time in years. Even though it lost more than \$100,000 in the fourth quarter mining ore, it paid taxes of more than \$1,600. Whether or not Belcher accurately or inaccurately

reported its costs, the fact is that the mine ceased producing recoverable ore until the early 1880s.

The remaining \$30,000-\$35,000 in taxes during 1876 was raised from companies well-known and long-established and from companies virtually unknown. More than a dozen of the taxpayers were tailings operations, which were listed as mills or as individuals. Tailings were assessed under the same rules as ores, but they contributed only a fraction – less than 1 percent – of the total tax receipts. Of the \$250,000 worth of bullion that the tailings produced the taxes on tailings of \$600 amounted to about a quarter of one percent. The yield per ton of ore came in between \$8 and \$9. The largest of the tailings operations was Express Mill, which generally reported costs to be about \$8 per ton against receipts of about \$9 per ton. Of the remaining ore producers several reportedly operated in the red throughout the year. Chollar Potosi had total costs that exceeded receipts by nearly a million dollars and Crown Point by nearly half a million. Their yields per ton were between \$12 and \$30, and that entitled them to an 80 percent deductions except for the fourth quarter when Crown Point's yield fell below \$12 per ton and it earned a 90 percent deduction. Their tax bill totaled more than \$7,500 when Crown Point paying the largest quarterly bill of more than \$3,000 on receipts under \$500,000 but costs over \$500,000. Both of these mines had reached their ore-bearing limits and would make only sporadic appearances in the assessment rolls during the next decade. That they may have exaggerated their costs in 1876 was still a possibility, even though it was evident that the expense of operating the mines was far greater than the return.<sup>25</sup>

Tax policy treated the mining community well, at least in comparison to other property classifications. Adams pointed out that nearly a half century later with only minor technical revisions in the 1871 law (which continued in effect for many more years) the difference between *ad valorem* taxes (i. e., taxes based on assessments of values of properties) in mining and in farming was 8 percent (15 percent versus 23 percent).<sup>26</sup> The difference between the two categories in the decades after the founding of the state and during the Comstock bonanza has not, to my knowledge, been calculated simply because comparable data are hard to come by. During the first two decades, beginning in 1867 (earliest ore and tax records) through 1884 more than \$379 million worth of gold and silver bullion was reported from all of Nevada's mining districts. This was a yearly average of \$21 million. Of that total \$176 million or 46 percent was subject to taxation. The taxes collected from the assessments amounted to about \$3.7 million or 2.1 percent of the total assessable property and 0.97 percent of the total bullion value. Assessments as a percentage of the bullion value never rose above 57 percent (1876 and 1877) and they fell as low as 22 percent (1883 and 1884). During the years of the highest assessments taxes on mining operations consumed 1.2 percent of the reported bullion value and during the years of the lowest assessments they consumed an equal amount. These figures do not include what mining paid for assessments on surface properties (and their improvements) such as mining shafts or what mills and ancillary operations paid on their business properties. How much the properties and in the case of the mines how

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<sup>25</sup> The above discussion of assessments and taxes for 1876 used the microfilm copies in The County Records Microfilm Project, ST 67 Story County, Special Collections, Library, University of Nevada, Reno. All the calculations are mine.

<sup>26</sup> Adams, *Taxation in Nevada*, 100.

much the proceeds should be assessed constituted one part of the continuing debate. The other part concerned rates that were levied against those assessments.

**FIGURE 2**  
**COMPARISON OF NEVADA COUNTY TAX RATES IN DOLLARS PER \$100**  
**ASSESSED VALUES OF MINING PROCEEDS,**  
**SELECTIVE YEARS: 1867, 1877 and 1885.**

County	1867				1877				1885						
	Rate	\$/100 Assessment			Rate	\$/100 Assessment			Rate	\$/100 Assessment					
	Year	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q	4Q
Churchill											2.8				
Elko						3	3	3	3	3	2.15	2.15	2.15	2.15	2.15
Esmeralda	3.5	3.5	3.5	3.5	3.5	2.5	2.5	2.5	2.5	2.5	3.5	3.5	3.5	3.5	3.5
Eureka						2.5	2.5	2.5	2.5	2.5	2.55	2.55	2.55	2.55	2.55
Humboldt	2.9				2.9	2.9	2.9	2.9	2.9	2.9	2.6	2.6	2.6	2.6	2.6
Lander	2.9	2.9	2.9	2.9	2.9	2.6	2.6	2.6	2.6	2.6	3.6	3.6	3.6		3.6
Lincoln						3.84	3.8	4	3.8	3.8	3.55	3.75	3.5	3.5	3.5
Lyon						2.45	2.45	2.45	2.45	2.45	2.75	2.75	2.75	2.75	2.75
Nye	2.25	1	1	1.5	2.75	3.2	3.2	3.2	3.2	3.2	3.35			3.35	
Story	1.42	1	1.5	1.5	1.5	2.05	2.05	2.05	2.05	2.05	5.15	5.05	5.2	5.35	5.25
Washoe											3.15				
White Pine						3.3	3.3	3.3	3.3	3.3	3.45	3.45	3.45	3.45	3.45
<b>Mean</b>	1.74	1.33	1.61	1.82	2.12	2.14	2.12	2.19	2.14	2.17	3.47	4	3.46	3.18	3.16
<b>Median</b>	2.9	1.95	2.2	2.2	2.9	2.75	2.75	2.75	2.75	2.75	3.25	3.45	3.45	3.35	3.45

Notes: Rates computed from Controllers' Biennial Reports: total tax collected divided by total mining-proceeds assessments. Figures in red estimated.

Sources: See foot note 26.

The history of tax rates is far more difficult to untangle than the history of mineral assessments. State and local government determined the rates. State rates were more stable because revisions could only be made during biennial legislative sessions while local rates could be changed annually and even changed more than once during a fiscal year. Once rates were determined, the State Constitution (Article 1, Sections 1 and 9) required that *ad valorem* rates must be applied uniformly to all categories of property, generally defined as "real, personal and possessory" but also defined to include proceeds of mines. To treat mining proceeds as a separate category with its own rate structure was impermissible. Equally impermissible, as some had proposed, was to make owners of rich mines to pay a higher rate than owners of inferior mines. This principle was reaffirmed in several court cases from the late 1860s and the early 1870s and remains largely unchanged after more than a century. Public officials could employ within reasonable bounds different measures for assessing the value of property of different classes (residences might be assessed differently from business), but once assessed all properties (including mine proceeds) paid the same rate within the taxing jurisdiction. These bodies could not adjust the assessment formula for mining proceeds because that was established in a legislative statute. From the standpoint of how property assessments

were established local governments had some flexibility to raise or lower tax revenue by adjusting the assessment formula. With respect to rates, however, all property holders including mining companies paid the same. Assessment schedules could differ but rate schedules could not.

Between 1867 and 1885 the Legislature changed tax rates four times. In 1867 (prior to the legislation of 1871) the state collected \$1.25 per \$100 of taxable assessed value (or 1.25 percent of that value). For example, mining proceeds assessed at \$1,000 would yield taxes of \$12.50 if calculated at \$1.25 per \$100 (\$1.25 times \$1,000 divided by 10) or if calculated at .0125 times \$1,000. In 1875 the rate was reduced to 0.90 percent where it remained until 1879 when it was lowered again to 0.55 percent of the assessed bullion value. Two years later the Legislature restored the 0.90-percent rate, and that was the last change through 1885. The Legislature altered rates for various reasons. The obvious reason was to try to adjust tax receipts to match up with revenue needs. Because of the Comstock boom in the first half of the 1870s the state treasury began to report surpluses that increased pressure on the Legislature to lower its *ad valorem* rates in 1875. Legislatures had to negotiate the shoals of protests erected by the mining interests, who although still publicly opposed to any proceeds tax increasingly shaped their arguments in terms of taxes diverting capital from investment needed to maintain the expansion of the Comstock. Like all booms this one eventually came to an end, and by the late 1870s the engulfing depression added pressure for the Legislature to drop rates further to cut mining costs. In 1879 the Legislature complied with another reduction. It was assumed among the politicians as well as the investors that the Comstock would recover as it had in the past, and the diminution in revenue accompanied by a drawing down of surpluses was seen as temporary. By 1881 with Comstock output falling further and with no new major discoveries or recoveries in sight the state, having exhausted its surpluses, was forced to raise taxes at a time when logic would dictate the reverse action. In the following years the Comstock recovered slightly from the lows of 1880 and 1881 but the recovery was statistically insignificant against the backdrop of the previous recoveries. The state's financial health grew more precarious, and that led to more borrowing and cost cutting including the elimination of the Office of the Mineralogist.<sup>27</sup>

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<sup>27</sup> The Controllers' Biennial Reports contained information on the rate structure. Beginning with the 3<sup>rd</sup> Legislative Session (1867) through the 13<sup>th</sup> Legislative Session (1887) the reports are in *Appendix to Senate Journal* through the 6<sup>th</sup> Legislative Session (1873) and in *Appendix to Journals of Senate and Assembly* through the 13<sup>th</sup> Legislative Session (1885). When compiling the reports the Controllers indicated the state-tax receipts at the prevailing rate plus the county-tax receipts without any notation of the prevailing rate since rates varied from county to county. A rate can be calculated for each county in each quarter (tax receipts divided by assessed values), and an average can be calculated for all counties from the total county tax receipts divided by the total county assessment values. I have used the Controllers' Biennial Reports in the Nevada State Archives. As noted in Chapter 2 the 1871 law helped to clarify and standardize the procedures for assessing mining proceeds, collecting taxes due and transferring tax revenues owing to the state. County assessors were required to gather the following information from the mining companies and tailings mills: total tons, per-ton yields, bullion values, costs of extraction, transportation and reduction, deductions (if any), assessed values and total taxes. Mines and mills were required to report their taxable ores every quarter. The above data were copied to an Abstract Statement from the Quarterly Assessment Roll of the Proceeds of the Mines that was virtually identical to the accounts kept by the assessor (at least in Storey County). The county auditor verified the figures in the Abstract, and after state revenue stamps were attached the county clerk notarized the document. Usually written in at the bottom of the Abstract was a breakdown of the total tax between the state and the county. These abstracts were the sources used by the

County government had the responsibility for administering assessments and collecting taxes. As noted above, a share of those taxes were claimed by and transferred to the state. Over time most all Nevada counties derived some revenue from mining. In 1867 only five counties had taxable mining proceeds, and during the next 20 years 13 counties reported such proceeds at least once. Figure 2 presents the average rate county-by-county based on the Controller's biennial reports for selected years: 1867 because it was the first year in which the Controller's data appeared in print; 1877 because it was the most productive year in the history of the Comstock; and 1885 because it was the final year of this study. A word of caution about these figures is called for. They were computed by dividing the assessed values of declared ores into amount of tax actually collected. This yields a percentage rate that can be converted to dollars and cents per \$100 of assessed value. The actual county rate for any given time period (a year or less) most appropriately should be drawn from county records. I have not searched for or consulted county archives, in particular Story County archives for discussions and decisions about tax matters. I have examined Story County assessment and tax ledgers currently available in the County Assessor's Office in Virginia City. The October 1875 fire destroyed many of the Story County records, but according to the index of the County Microfilm Project some pre-1875 records exist on microfilm. I have not checked those microfilm copies. My aim is not to write a history of early taxation in Story County, but to evaluate assessments and rates and their impact on the mining industry. The rates can be calculated from the taxes paid, which were recorded as a part of the assessment information, and that calculation constitutes the rate structure that I am using in this analysis. I am well aware that if I had Story County's tax-rate schedule for each year in front of me, I might be looking at rates that were slightly different from the "backward" calculations that I have done. Moreover there is an additional problem in that the county government could establish different rates for municipalities within its jurisdiction. Presumably these different tax rates were based on different expenditure levels that had to be met in the municipalities. These different municipal rates show up in the assessment records with respect to Gold Hill, Virginia City and later Flowery, and while they can be calculated in the "backward" fashion noted above, I cannot always be certain that they accurately reflect the real rates as legislated by county government and as applied to the assessed proceeds of mines within these municipalities. The rates that I discuss in the following paragraphs are in my opinion close to the real rates but remain to be confirmed through the reconstruction of the Story County rate schedule, something that may or may not be possible. Finally, it is important to note that these rates were not simply set at 2 percent or 3 percent but often carried one or two digits to the right of the decimal point – 2.15 percent instead just 2 percent or 4.60 percent instead of 5 percent. (When the rates are shown as x dollars per \$100 of assessed value, the first figure can be converted to a percentage.) What the State Constitution constrained municipalities from doing was taxing one class of property differently from another class. Hence county tax rate data in Figure 2 above are no more than a calculated rate for all local taxing jurisdictions. The actual rates for counties and taxing jurisdictions within those counties could only be

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state Controller in making his biennial reports to the State Legislature. Story County Assessment Rolls survive from the third quarter 1875 (post-fire) through 1885 both in their original form at the Assessor's Office in the Story County Courthouse, Virginia City, NV and in The County Records Microfilm Project, ST 67 Story County, Special Collections, Library, University of Nevada, Reno.

documented though research in county records or, as I will show below, analysis of the bullion-tax assessment rolls.

Despite considerable variability in county tax rates (not unexpected given the state's demographic and economic diversity) both the average and median county rates rose during the selected years. The mean rate for all counties rose between 1867 and 1885: from \$1.74 to \$3.47 per \$100 and median rate from \$2.90 to \$3.25 per \$100. From the larger sample of 10 counties between 1877 and 1885 the mean and median rates rose from \$2.14 to \$3.47 per \$100 and from \$2.75 to \$3.25 per \$100 respectively. The county-by-county pattern was somewhat more complex. From the 1867 list three had higher rates in 1885, one had a lower rate and one had the same rate. The most notable increase occurred in Story County where average rate in 1885 was \$5.15 per \$100 compared to \$1.42 per \$100 in 1867. The rate in Nye County climbed from \$2.25 to \$3.35 per \$100 and in Lander County from \$2.90 to \$3.60 per \$100. Esmeralda's rate was unchanged and Humboldt's fell by a few cents. For the shorter period from 1867 to 1877 rates fell in Esmeralda and Lander counties, rose in Nye and Story and remained unchanged in Humboldt. Between 177 and 1885 rates continued to rise in Story and Nye. In Lander 1885 rates not only rose above the 1877-level but also above the 1867-level, and in Esmeralda the rate was higher in 1885 than in 1877, although the 1885 rate was the same as the 1867 rate. In Humboldt the rate was lower in 1885 than 1877. Of the remaining five counties two had lower rates in 1885 than 1877 and three had higher rates. Presumably the movement in levies applied to mining-proceeds shadowed the movement of levies on general property. On the one hand, mining was encouraged because it created jobs and raised incomes, and without the in-migration that accompanied mining Nevada's statehood may have been delayed indefinitely. On the other hand, in-migration could overwhelm local services and facilities, and while mining taxes helped to pay for these needs, they were not so generous as to obviate the need for upward adjustments in all tax categories. When mining booms ended, the counties faced new fiscal crises. Although out-migration usually accompanied the collapse of mining, municipalities and counties that had depended on revenue from the bullion tax had to make some wrenching decisions about how to meet the needs of the remaining population with less revenue and in some cases like Story county with far less revenue. Higher property taxes at times when they were least affordable had to be part of the answer.<sup>28</sup>

When bullion was declared before the county assessor, the mining jurisdiction was noted and the county tax levied against the bullion was based on the property-tax rate in that jurisdiction. As noted above, the share of net-proceeds taxes paid by the mining companies to the state treasury was uniform across all jurisdictions and counties regardless of local rates set to cover local expenditures. At the local level tax rates varied from county to county and from municipality to municipality within a county. It is possible to calculate the rate of taxation paid by the mining companies on their assessed valuations within their respective jurisdictions, but that rate may be different from what other property owners paid. The way in which this could occur, as it did in Story County for nearly a decade, was that the county rate was based on the sum of the millage needed

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<sup>28</sup> See footnote 26 for references to Controllers' Reports with respect to calculating comparative mean and median values.

to fund each division: tax millage for general government or public education or debt reduction, etc. Net proceeds of mining companies, it turned out, were not required or expected to contribute to the funding of all public business, and if they enjoyed a waiver that part of the county's tax levy would not be applied to their bullion assessments. In Story County until 1876 mining companies only paid that part of the county/local tax that funded general government, and as a result the rate at which their net proceeds were taxed was lower than what other ordinary property owners paid. Prior to 1876 the county/municipal share from Comstock mines was \$0.25 per \$100 and then jumped to \$0.35 per \$100 because they were exempt from paying for public education and debt reduction while other property owners paid more than twice the rate because they were not exempt. Like mining companies all across the state Story County mines paid the same state rate of \$1.25 per \$100. After the law was changed in 1876 mining companies like other property owners paid taxes to support all government services. The local rates paid by mining companies on net proceeds jumped sharply to bring them into conformity with all other property tax rates. For the next decade rates fluctuated between \$1 per \$100 (or 1 percent) to \$4.60 per \$100 and were inclined toward the high end rather than the low end of this range. In addition, since jurisdictions within the county could fix their rates at different levels what mining companies (and other property owners paid in Virginia City could be higher or lower than what was paid in adjacent Gold Hill. State rates declined after 1876 and then rose again, but from 1876 on local taxes constituted a higher proportion of the total tax bill than state taxes.

The rise in rates to support county and municipal functions for Comstock mining companies after nearly a decade of modest rates was immediately manifest. From 1876 through 1880 Virginia City's rates fluctuated between a low of \$1.05 and a high of \$3.00 per \$100 while Gold Hills fluctuated between \$1.10 and \$2.55 per \$100. In more than half the quarters they shared the same rate. After 1880 with production on the northern branch of the Comstock Lode in a nosedive rates in Virginia City rose to \$4.00, then \$4.10 and finally to \$4.60 per \$100. Rates also rose in Gold Hill, although somewhat less severely, to \$3.25, then \$3.50 and finally to \$4.10 per \$100. For comparative purposes Flowery with a small burst of mining activity in the 1880s had tax rates on net proceeds of between \$2.50 and \$2.90 per \$100. There is little doubt that as production declined along the Comstock after 1880 tax rates had to rise to support an infrastructure that continued to exist as if it was serving fewer people. The out-migration that combined decline in output along the Comstock actually in the short term, at least, intensified the financial dilemma because all through the tax structure from general property to mine proceeds less income was being generated to finance public services. In time adjustments would be made that brought public expenditures in line with tax receipts, but unless the old mining towns of Gold Hill and Virginia City or the County of Story was simply erased from the map, tax-supported public business would remain along with the challenge to figure out how to pay for it. One thing for sure mining became a relatively modest contributor.<sup>29</sup>

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<sup>29</sup> Data from the microfilmed copies in The County Records Microfilm Project, ST 67 Story County, Special Collections, Library, University of Nevada, Reno.

**FIGURE 3**  
**COUNTY TAX RATES FOR VIRGINIA CITY AND GOLD HILL, IN DOLLARS**  
**PER \$100 OF ASSESSED BULLION, 1876-1885**

(State bullion rates excluded)

<b>YEAR &amp; QUARTER BY DISTRICT</b>	<b>COUNTY RATE \$ PER \$100</b>	<b>YEAR &amp; QUARTER BY DISTRICT</b>	<b>COUNTY RATES \$ PER \$100</b>
<b><u>1876</u></b>		<b><u>1881</u></b>	
1Q VC	\$2.50	1Q VC	\$4.00
1Q GH	\$2.50	1Q GH	\$2.50
2Q VC	\$1.05	1Q FL	\$2.00
2Q GH	\$1.55	2-4Q VC	\$4.00
3Q VC	\$1.05	2-4Q GH	\$3.25
3Q GH	\$1.55	2-4Q FL	\$2.90
4Q VC	\$1.05	<b><u>1882</u></b>	
4Q GH	\$1.55	1-4Q VC	\$4.00
<b><u>1877</u></b>		1-4Q GH	\$3.50
All Qs	\$1.15	1-4Q FL	\$2.90
<b><u>1878</u></b>		<b><u>1883</u></b>	
All Qs	\$1.10	1-4Q VC	\$4.10
<b><u>1879</u></b>		1-4Q GH	\$4.10
1Q VC	\$2.00	1-4Q FL	\$2.90
1Q GH	\$2.00	<b><u>1884</u></b>	
2-4Q VC	\$3.00	1-4Q VC	\$2.60
2-4Q GH	\$2.00	1-4Q GH	\$2.10
<b><u>1880</u></b>		1-4Q FL	\$2.50
1Q VC	\$2.00	<b><u>1885</u></b>	
1Q GH	\$2.00	1-4Q VC	\$4.60
2-4Q VC	\$2.00	1-4Q GH	\$4.10
2-4Q GH	\$2.55	1-4Q FL	\$2.90

DISTRICTS: VC=Virginia City, GH=Gold Hill, FL=Flowery.

Sources: See footnote 26.

**Special Appendix:** Survey Map from 1867 showing Virginia City, Gold Hill, Comstock Tunnel & Sutro Tunnel plus topographical features.

