



LAS VEGAS
CONVENTION AND VISITORS AUTHORITY

APRIL 2015
ECONOMIC IMPACT SERIES BRIEF



THE FISCAL IMPACT OF SOUTHERN NEVADA TOURISM: THE INDUSTRY'S CONTRIBUTION TO MAJOR PUBLIC REVENUES

2014 UPDATE



EXECUTIVE SUMMARY

Applied Analysis was retained by the Las Vegas Convention and Visitors Authority (the “LVCVA”) to review and analyze the economic impacts associated with its various operations and southern Nevada’s tourism industry more generally. This brief is specific to the fiscal impacts associated with the southern Nevada tourism industry, with a focus on the industry’s contribution to major public revenues including but not limited to sales, property, gaming-related and live entertainment taxes.

- **Nearly 1 in 4 dollars subject to sales and use tax in Clark County is spent by a visitor.** Southern Nevada visitors spent more than \$8 billion in 2014 on purchases that were subject to Nevada’s retail sales and use tax, including spending at restaurants, drinking establishments and retail shops. With Clark County reporting \$35 billion in taxable retail sales in fiscal year 2014, an estimated 24 percent of receipts were attributable to visitor spending.
- **Hotels and hotel-casinos account for just 2.5 percent of improved nonresidential acreage in Clark County, but 35.5 percent of taxable value and estimated tax liability.** Including residential land uses, hotels and hotel-casinos account for just 1.4 percent of total acreage but 12.7 percent of taxable value (excluding vacant land). Gaming operators account for eight of the top ten highest assessed taxpayers in Clark County and nearly \$215 million in estimated annual ad valorem (property) tax liability.
- **Gaming companies in Nevada generated more than \$1.5 billion in gaming and hospitality industry-specific taxes in fiscal year 2014.** Statewide, these taxes included gross gaming revenue percentage fees (\$682 million), transient lodging taxes (\$621 million), entertainment taxes (\$139 million) and a number of smaller gaming taxes and fees. Approximately 89 percent of these industry-specific taxes originated in Clark County. Notably, 91 percent of transient lodging tax and 97 percent of live entertainment tax reported statewide was generated in Clark County.
- **In addition to industry-specific taxes, hotels and hotel-casinos pay all taxes that are imposed on businesses generally.** For example, Nevada’s modified business tax (MBT) generated approximately \$385 million last year, and as the state’s largest employer, the tourism industry accounted for an estimated \$80 million in MBT payments. Other taxes incurred or generated by the resort industry include the state’s liquor and cigarette taxes, franchise fees and sales taxes on materials purchases made in connection with new developments in the resort sector, refurbishments or renovations.



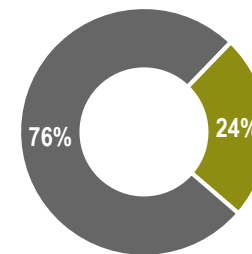
SALES TAX ATTRIBUTABLE TO VISITORS

During 2014, southern Nevada visitors spent an estimated \$29.8 billion on lodging, food and beverages, local transportation and shopping.¹ Lodging is subject to transient lodging tax (room tax) while food and beverage and shopping purchases are generally subject to sales tax. That said, not all general expenditures are subject to the state's retail sales and use tax, which is applied only to the sale of tangible personal property (goods) purchased for use or consumption.² Nevada's sales tax also has some notable exemptions; for example, food purchased for home consumption is exempt (e.g., most food purchased at the grocery store). While this analysis assumes that relatively few visitors purchased food that they intended to prepare themselves, assuming that 100 percent of visitor food and beverage expenditures are taxable would be overly aggressive. Thus, for purposes of this analysis, we conservatively assume that 90 percent of visitors' "eating and drinking" expenditures are taxable and 85 percent of visitors' "shopping" expenditures are taxable.³

In total, approximately \$8.4 billion in visitor expenditures in 2014 are assumed to be subject to Nevada's retail sales and use tax. During fiscal year 2014, Clark County reported \$35.0 billion in taxable retail sales, suggesting that 24.1 percent of its taxable retail sales receipts were attributable to visitors in southern Nevada. During this same period, Nevada reported \$47.4 billion in taxable retail sales, suggesting

that 17.8 percent of statewide taxable retail sales are attributable to southern Nevada visitors.

Exhibit 1
Sources of Clark County Sales and Use Tax, FY 2014



Southern Nevada Visitors Directly Generate:

- 24% of Clark County Sales and Use Tax
- 18% of Statewide Sales and Use Tax

■ Visitor Spending ■ All Other (Other than Direct Visitor Spending)

Exhibit 2
Las Vegas Visitor Spending Profile

Category	Adjusted Visitor Spending		Amount Subject to Sales Tax
	Per Visit	Annual Total	
Room	\$110	\$4,507,636,080	[See transient lodging tax]
Food & Beverage	\$87	\$3,558,875,337	\$3,202,987,803
Local Transportation	\$69	\$2,830,737,821	
Shopping	\$150	\$6,159,517,702	\$5,235,590,047
Entertainment	\$48	\$1,955,976,911	[See live entertainment tax]
Sightseeing	\$14	\$583,585,205	
Gaming	\$184	\$7,566,900,674	[See gaming tax]
Other	\$64	\$2,624,091,009	
Total: Adjusted	\$724	\$29,787,320,739	\$8,438,577,850

¹ Estimate based on the 2014 Las Vegas Visitor Profile Survey, GLS Research. Refer to the March 2015 brief of this Economic Impact Series for further detail.

² NRS Sections 372, 374, 377, 377A, 377B, and 543.600 et seq.

³ The shopping category is discounted to allow for an estimate of "shopping" expenditures that would not be taxed, such as services (e.g., salon services).



PROPERTY TAX ATTRIBUTABLE TO HOTELS AND HOTEL-CASINOS

The hotels and hotel-casinos that draw visitors to southern Nevada account for just 2.5 percent of improved nonresidential acreage in Clark County, but 35.5 percent of taxable nonresidential property value. Including residential uses, hotels and hotel-casinos account for 1.4 percent of improved acreage, but 12.7 percent of all taxable value (excluding vacant land). Nevada's property tax has three components: a tax on land, a tax on improvements and a tax on personal property. For taxation purposes, land is assessed at its full cash value, improvements are valued at replacement cost less a depreciation factor of 1.5 percent per year up to 50 years and personal property is valued at replacement cost less an appropriate depreciation factor. Property tax liability is estimated by applying the average countywide tax rate to each \$100 of assessed value (35 percent of taxable value); note that the estimated tax liability shown below is not adjusted for potential exemptions or abatements⁴ applied to both residential and commercial properties.

Exhibit 3
Clark County Taxable Property Value and Estimated Tax Liability, By Land Use, 2014⁵

Land Use	Acres	Share of Total	Taxable Value	Share of Total	Taxable Value Per Acre	Estimated Tax Liability	Estimated Tax Liability Per Acre
Residential	109,537	42.5%	\$111,878,118,420	64.3%	\$1,021,376	\$1,088,831,396	\$9,940
Industrial	13,940	5.4%	\$5,610,757,934	3.2%	\$402,506	\$54,605,579	\$3,917
Hotels and Hotel-Casinos	3,702	1.4%	\$22,051,884,620	12.7%	\$5,956,749	\$214,615,554	\$57,973
Other Commercial Properties	38,945	15.1%	\$20,198,687,066	11.6%	\$518,646	\$196,579,679	\$5,048
Non-Profit Community Properties	41,726	16.2%	\$10,453,862,771	6.0%	\$250,537	\$101,740,127	\$2,438
Ag, Ranching, Wildlife, Natural Resources	5,206	2.0%	\$14,596,237	0.0%	\$2,804	\$142,055	\$27
Transportation, Communication, Utilities	26,116	10.1%	\$3,144,379,674	1.8%	\$120,402	\$30,602,046	\$1,172
Minor Improvements	18,371	7.1%	\$659,292,151	0.4%	\$35,888	\$6,416,429	\$349
Total*	257,542	100.0%	\$174,011,578,874	100.0%	\$675,663	\$1,693,532,865	\$6,576

*Excludes vacant land

⁴ See, Nevada State Legislature Assembly Bill 489 (2005).

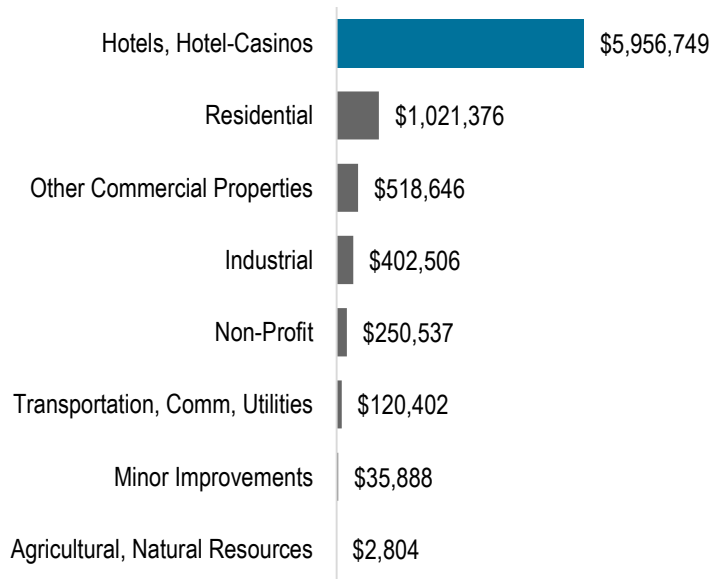
⁵ Source: Applied Analysis based on data provided by the Clark County Assessor's Office and the Nevada Department of Taxation. Note that estimated tax liability and estimated tax liability per acre are intended for illustrative purposes only; these estimates do not take into account exemptions in any land use category, or abatements applied to residential (primary residences) or non-primary residential and commercial properties. Such exemptions and abatements would likely reduce the tax liability estimates shown above in varying degrees among various land uses. Variances in tax rate by parcel would also impact the estimated tax liability shown above, which was calculated utilizing the average countywide tax rate and total property tax revenue dollars projected for Clark County per the FY 2013-2014 Redbook published by the Nevada Department of Taxation.



Taxable value per acre of hotel/hotel-casino property is approximately 10 times that of all other land uses (\$6.0 million per acre for a hotel/hotel-casino versus an average of approximately \$0.6 million for all other land uses (excluding hotels/hotel-casinos)). As significant investments continue to be made in the form of new developments (e.g., Resorts World Las Vegas), renovations and expansions of luxury hotel-casinos and related offerings, the disparity is likely to persist.

Exhibit 4

Clark County Average Taxable Value per Acre, By Land Use, 2014⁶



⁶ Source: Applied Analysis based on data provided by the Clark County Assessor's Office and the Nevada Department of Taxation.

Hotel and hotel-casino companies continue to make up the majority of Clark County's largest property taxpayers. MGM Resorts International, Caesars Entertainment, Las Vegas Sands, Wynn Resorts, Station Casinos, Nevada Property 1, Boyd Gaming and Hilton Grand Vacations are all directly linked to southern Nevada's tourism industry. NV Energy and Eldorado Energy are the only two companies included in the list of Clark County's ten highest assessed taxpayers that are not a hotel or hotel-casino operator.

Exhibit 5

**Clark County Ten Highest Assessed Taxpayers
2014-2015 Secured and Unsecured Tax Rolls⁷**

Rank	Taxpayer	Assessed Value
1	MGM Resorts International	\$3,164,727,682
2	NV Energy	1,998,360,277
3	Caesars Entertainment	1,623,779,567
4	Las Vegas Sands Corp.	997,888,951
5	Wynn Resorts Limited	853,434,852
6	Station Casinos	552,630,398
7	Nevada Property 1, LLC (Cosmopolitan)	373,026,996
8	Boyd Gaming Corp.	292,763,981
9	Eldorado Energy, LLC	209,865,386
10	Hilton Grand Vacations	190,040,774
Total		\$10,256,518,864

⁷ Source: Nevada Department of Taxation, Ten Highest Assessed Taxpayers Statewide and All Counties, 2014-2015 Secured Roll/2013-2014 Unsecured Roll.



INDUSTRY-SPECIFIC AND OTHER TAXES

In addition to all taxes, fees and charges imposed on Nevada businesses generally, hotels and hotel-casinos paid or generated approximately \$1.5 billion in industry-specific taxes in 2014. Roughly 89 percent, or nearly \$1.4 billion, was generated in Clark County. Gaming percentage fees are the largest single levy imposed on hotel-casino operators, but that levy is only one of several taxes, fees and charges imposed specifically on hospitality business purveyors. Beyond the levies outlined on the following page, there are also a number of taxes imposed on the industry by local governments. Calculating the total payments generated by these taxes is difficult because information is collected and reported differently by the various jurisdictions. That said, the summaries that follow (see Exhibits 6 and 7) capture the major gaming and hospitality-related taxes paid by those in the resort industry.

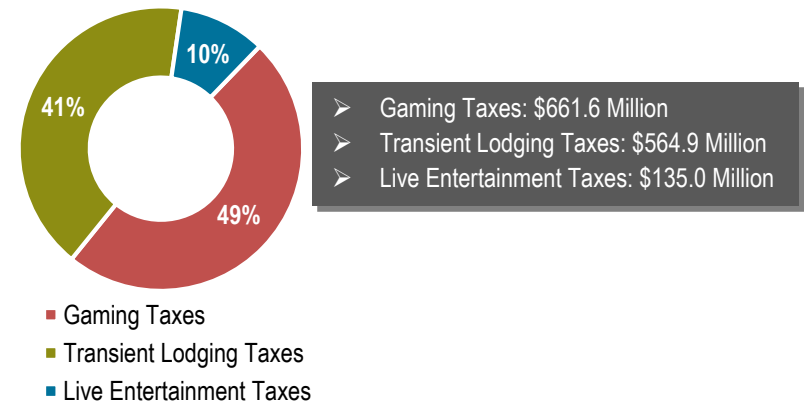
It is beyond the scope of this briefing to analyze and allocate smaller, general business taxes and fees imposed on business and consumption in Nevada. However, it is worth noting that Nevada's modified business tax generated \$384.9 million in fiscal year 2014, and as the state's largest employer, the tourism industry accounted for an estimated \$80 million in payments. Insurance premium taxes and franchise fees, which generate millions of dollars in revenue each year, are also material.

As visitors account for roughly 17 percent of Nevada's full-time equivalent population, they are – at a minimum – contributing proportionately to the state's liquor and cigarette taxes, which generated a total of \$47 million and \$90 million, respectively, in fiscal year 2014.

Ongoing hotel development, hotel and room renovations, maintenance and refurbishments also generate sales tax on materials purchases. Engaging in further study to estimate the value of these types of contributions to state and local coffers would only serve to add to the estimates provided in earlier sections of this analysis.

Exhibit 6

Clark County Industry-Specific Fees and Taxes, FY 2014⁸



⁸ Sources: Nevada Gaming Control Board; Nevada Department of Taxation; LVCVA Finance Department (Clark County transient lodging tax yield); and Nevada Taxpayers Association's Nevada TaxFacts, 2013-2014 Edition (lodging tax rates).



Exhibit 7

Industry-Specific Taxes Imposed on Hotels/Hotel-Casinos, FY 2014⁹

Tax or Fee	Common Rate	Yield, Clark County	Clark County Share of State	Yield, Statewide
Gross Gaming Revenue Percentage Fee	3.5 percent for first \$50,000 per month; 4.5 percent for next \$50,000 to \$134,000 per month; 6.75 percent for revenue over \$134,000 per month	\$591.8	86.7%	\$682.3
Transient Lodging Tax	Ranges from 7 to 16 percent statewide; in Clark County, ranges from 9 percent in Boulder City to 13 percent in the Resort Corridor (Las Vegas Strip, Downtown)	\$564.9	91.0%	\$620.9
Entertainment Tax	10 percent if occupancy is between 200 and 7,500	\$135.0	97.0%	\$139.2
Annual Slot Tax	\$250 per machine per year	\$32.6	73.8%	\$44.2
Quarterly Non-restricted Slot Tax	\$20 per machine per quarter	\$9.5	74.4%	\$12.8
Quarterly Restricted Slot Tax	\$81 per machine/quarter for 1-5 machines; \$405 plus \$141 per machine in excess of 5 (to 15)/quarter	\$6.2	74.5%	\$8.3
Quarterly Game Fee	\$20,300 plus \$25 for each game over 35	\$5.1	79.4%	\$6.4
Annual Game Fee	\$16,000 plus \$200 for each game over 16	\$2.0	79.2%	\$2.5
Other Gaming Collections	Various	\$14.4	81.4%	\$17.7
Total Collections		\$1,361.5	88.7%	\$1,534.3

Combined, gross gaming revenue percentage fees and transient lodging taxes generated nearly \$1.2 billion in tax revenues in Clark County in fiscal year 2014. Beyond these two major revenue sources, with a yield of \$135.0 million in 2014, the live entertainment tax is the third-largest industry-specific tax generated by the hospitality industry, yet it is often over-looked in discussions of the industry's contribution to public revenues. Although both gaming and non-gaming facilities are subject to the live entertainment tax, the gaming industry accounted for 90.3 percent of total live entertainment tax collections in fiscal year 2014.

Of the total \$139.2 million in live entertainment tax collected from gaming entities statewide, 97 percent (\$135.0 million) was generated in Clark County. Any facility where live entertainment is provided is subject to the tax, with a number of notable exceptions, though the rate varies based on the maximum occupancy of the space. If maximum occupancy is more than 200 and less than 7,500, the tax is imposed at a rate of 10 percent on total sales, including admission, cover or table charges as well as sales of food, beverage and merchandise. If maximum occupancy is 7,500 or more, the rate is 5 percent and is not imposed on food, beverage or merchandise. It is also worth noting that Clark County made up 91 percent of the \$620.9 million in transient lodging taxes collected statewide in fiscal year 2014 and nearly 87 percent of the \$682.3 million in gross gaming revenue percentage fees.

⁹ Ibid.



METHODOLOGY

General information on taxes, tax rates and historical collection data were obtained from the Nevada Department of Taxation, Nevada Legislative Counsel Bureau, the Nevada Commission on Tourism, the Nevada Gaming Control Board, the Nevada Taxpayers Association, the LVCVA Finance Department, the Clark County Assessor's Office, the Office of the Clark County Treasurer and various local government publications.

Data on visitor estimates and spending was obtained from the Las Vegas Convention and Visitor Authority's Visitor Profile Study prepared by GLS Research. Adjusted visitor spending estimates were developed by AA; refer to the March 2015 brief of this Economic Impact Series for further detail.

ANALYSIS LIMITATIONS

This analysis used the best available data to estimate the share of various major tax payments attributable to the tourism industry, its employees and its patrons. It relies heavily on data reported by third-party data providers; and, although we have no reason to doubt the accuracy of these data, they have not been subjected to any auditing or review procedures by AA.

In some cases data were either incomplete or inconsistent. Efforts were taken to minimize the impacts of these challenges, and we believe the analysis provides a fair and reasonable response to the fundamental question presented.

Finally, it is important to note that this is a preliminary undertaking that will be supplemented by on-going and future analyses. This report is not intended to be comprehensive and may not be appropriate for all purposes.