JANUARY 2017

ECONOMIC IMPACT SERIES BRIEF

REDUCED TAX BURDEN ON RESIDENTS

DUE TO TOURISM

LAS VEGAS CONVENTION AND VISITORS AUTHORITY

APPLIED ANALYSIS

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 quantifying the reduced tax burden on residents due to public revenues generated by the southern Nevada tourism industry. Taxes sourced to the tourism industry include both general business taxes (e.g., sales and use taxes), along with industry-specific taxes (e.g., gaming taxes and lodging taxes). While there may not be a one-for-one offset of tourism-related taxes for resident public revenues, this analysis provides order-of-magnitude estimates.

- Visitors to southern Nevada contributed more than $2.0 billion to public revenues in fiscal year 2015. Approximately $631 million was sourced to sales and use tax collections, while industry-specific collections, such as gaming, lodging and entertainment taxes, contributed an additional $1.4 billion.

- The $2.0 billion generated by the tourism industry in southern Nevada each year benefits local residents by providing public revenues that either would not exist or would require additional taxes and/or fees to maintain funding and service levels. On a per-capita basis, tourism-related tax revenues equate to a reduced annual tax burden of nearly $960 for every man, woman and child in Clark County. Meanwhile, the average southern Nevada household saves an average of $2,740 per year in taxes because of tourism-related tax collections.

- If sales and use tax were exclusively relied upon to provide an additional $2.0 billion in annual funding, a rate increase from 8.15 percent to nearly 15 percent would be required. This rate increase accounts for the 21 percent reduction in total taxable retail sales because of the absence of visitor spending. The nearly two-fold tax rate increase would raise the average southern Nevada household's share of annual sales tax payments from about $3,300 to more than $6,100.

- Alternatively, if the $2.0 billion in annual tourism-related tax revenues were replaced exclusively by property taxes, the effective countywide property tax rate would nearly double from 3.08 percent to 6.01 percent. Under the current countywide average rate, the typical single-family homeowner pays about $2,400 in annual property taxes, not including abatements. At the increased rate required without visitor tax contributions, the average single-family homeowner's property tax liability would nearly double to $4,700.

- Nevada is one of only seven U.S. states without a personal income tax. If one were established to produce the $2.0 billion in annual revenue generated from the tourism industry, an effective tax rate of 5 percent would be required based on the $41 billion in wages and salaries earned in Clark County in 2015. Based on the median household income of $51,552 in southern Nevada, a 5 percent income tax would cost the typical household nearly $2,600 per year.

- The southern Nevada tourism industry contributes through many other public revenue streams, including property taxes on hotels and hotel-resorts, sales taxes on building materials for construction and renovation, and the modified business tax on employee payrolls. It is clear the tourism industry materially contributes to public revenues that directly benefit southern Nevada residents.

NEVADA TAX REVENUE COMPARED TO THE UNITED STATES

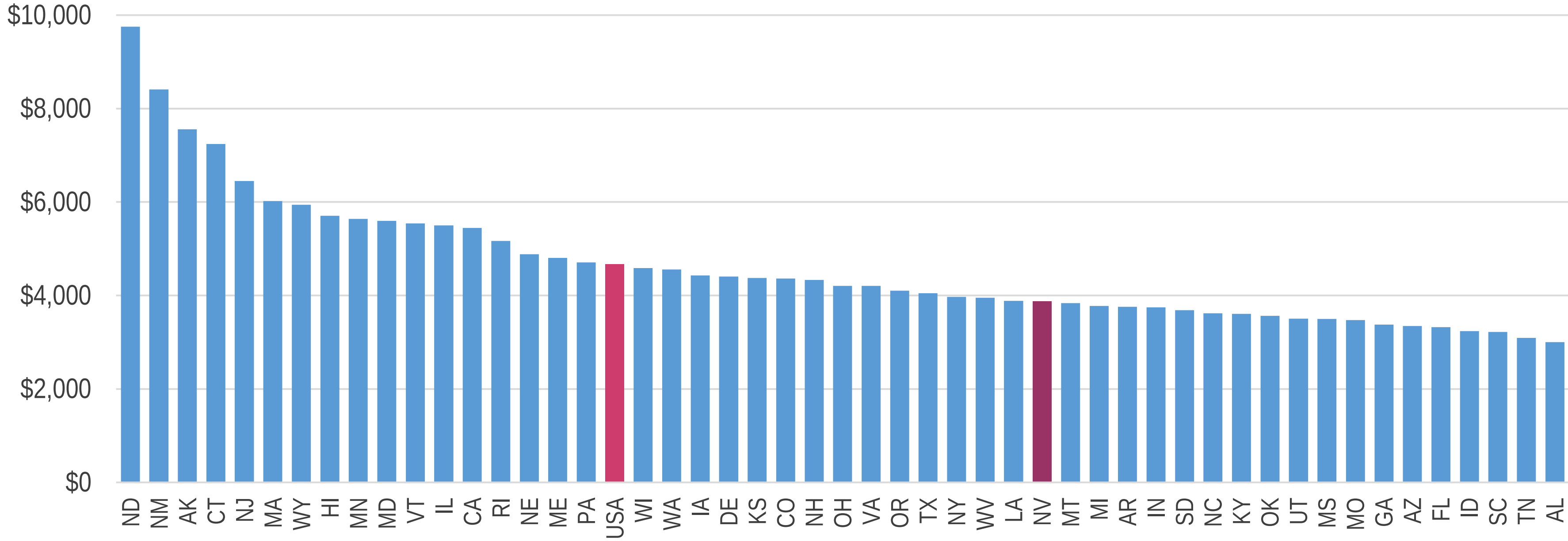
Nevada collected $11.0 billion in tax revenues in fiscal year 2014 from a different mix of sources compared to most states in the country.[1] On a per capita basis, Nevada's tax revenue collections were similar to many other states, ranking 32nd in the U.S. and ahead of large states such as Florida and Michigan. Nevada's high number of visitors helps offset the lack of an income tax by generating significant revenues through sales and excise taxes.

Exhibit 1
Per Capita Tax Revenues

Nevada – $3,874 (32nd)

U.S. Average – $4,675

Exhibit 2
Per Capita Tax Revenue by State



[1] U.S. Census Bureau, Census of Governments, 2014

COMPARATIVE TAX REVENUE SOURCES

Tax revenue produced due to tourism enables Nevada to generate governmental revenues without levying individual or corporate income taxes, which on average account for 27 percent of state and local tax revenues in the United States. Nevada's largest share of tax revenue is sourced to sales taxes, of which visitors pay roughly 21 percent. Excise taxes, such as levies on tobacco and alcohol, are also more important for Nevada than the average state, accounting for more than twice the U.S. average share of revenue.

Exhibit 3
Revenue Share by Tax Type – U.S.

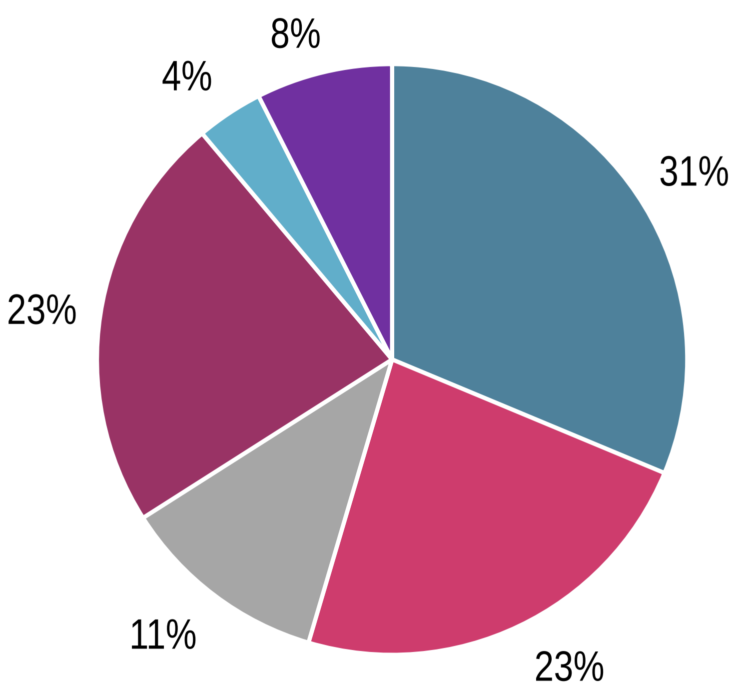
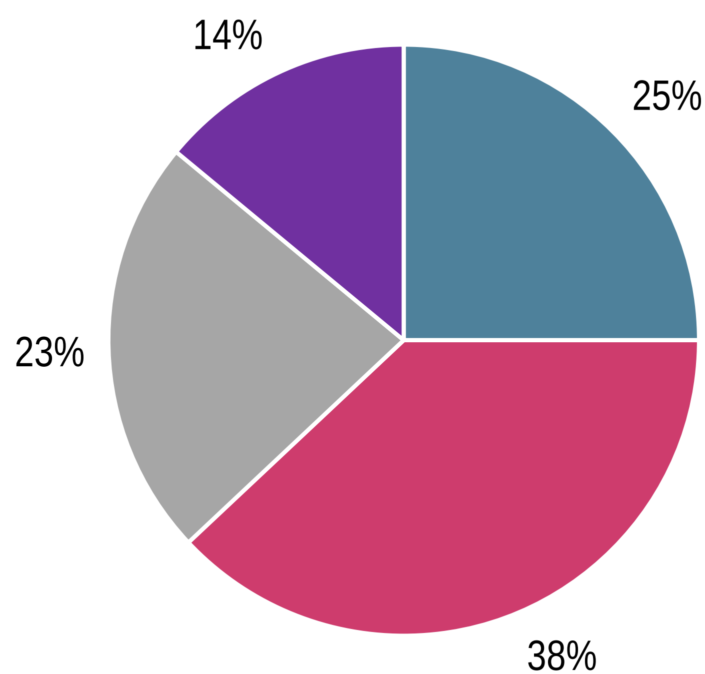


Exhibit 4
Revenue Share by Tax Type - Nevada



Property Tax | Sales Tax | Excise & Gross Receipts Tax | Individual Income Tax | Corporate Income Tax | Other Taxes

TAX REVENUE ATTRIBUTABLE TO VISITORS

During 2015, southern Nevada visitors spent an estimated $30.5 billion during their trips on a wide range of categories, including lodging, food and beverage, local transportation and shopping.[2] Lodging is subject to transient lodging tax (room tax), while food and beverage and shopping purchases are generally subject to sales tax. In fiscal year 2015, visitors generated an estimated $7.8 billion in spending that was subject to the retail sales and use tax, which resulted in approximately $631.0 million in sales tax collections.[3] Given the total of $37.5 billion in taxable retail sales in Clark County, an estimated 20.8 percent of taxable retail sales receipts were attributable to visitors in southern Nevada.

Selected tourism industry-specific taxes generated an additional $1.4 billion in revenues in Clark County. Gaming taxes and fees accounted for the largest share of that total with $663.7 million. The transient lodging tax, more commonly referred to as the room tax, produced $605.9 million in revenue in Clark County, while the live entertainment tax resulted in an additional $127.3 million in tax revenue. Combined, sales tax and major industry-specific taxes generated an estimated $2.0 billion in revenue for state and local governments in fiscal year 2015. The actual amount of tax revenue is likely higher given that other, smaller revenue sources, such as levies on car rentals, local transportation and gasoline sales, were not factored into this analysis.

Exhibit 5
Selected Tax Collections Attributable to Tourism Industry ($ in Millions), FY 2015

Tax or Fee	Common Rate	Yield, Clark County	Clark County Share of State	Yield, Statewide
Gaming Taxes[4]	Various	$663.7	85.1%	$779.6
Transient Lodging Tax	Ranges from 5 to 16 percent statewide; 7 to 13 percent in Clark County	$605.9	91.2%	$664.6
Entertainment Tax	10 percent if occupancy is between 200 and 7,500[5]	$127.3	97.3%	$130.8
Industry-Specific Collections		$1,396.7	88.7%	$1,574.9
Sales Tax Attributable To Visitors	8.1 percent in Clark County for 2015	$631.0		
Total Tax Collections		$2,027.7		

[2] Estimate based on the 2015 Las Vegas Visitor Profile Survey, GLS Research. Refer to the March 2016 brief of this Economic Impact Series for further detail.
[3] Based on a Clark County sales tax rate of 8.1%; the rate increases to 8.25% effective April 1, 2017.
[4] Includes gross gaming revenue percentage fees and other gaming-related taxes and fees. See Appendix A for details.
[5] Effective October 1, 2015, the rate changed to 9 percent if occupancy is more than 200 persons.

TAX BENEFITS TO LOCAL RESIDENTS

Without the spending from 42 million visitors to southern Nevada, many government sources of income would fall dramatically. Visitors account for roughly 21 percent of taxable retail sales in Clark County, 81 percent of gaming revenue, 93 percent of entertainment spending, and 96 percent of spending on hotel rooms.

In the absence of the $2.0 billion in tourism-related tax revenues, state and local governments would be required to raise existing taxes or create new revenue sources to cover the shortfall and maintain services such as public safety and education at their current levels.

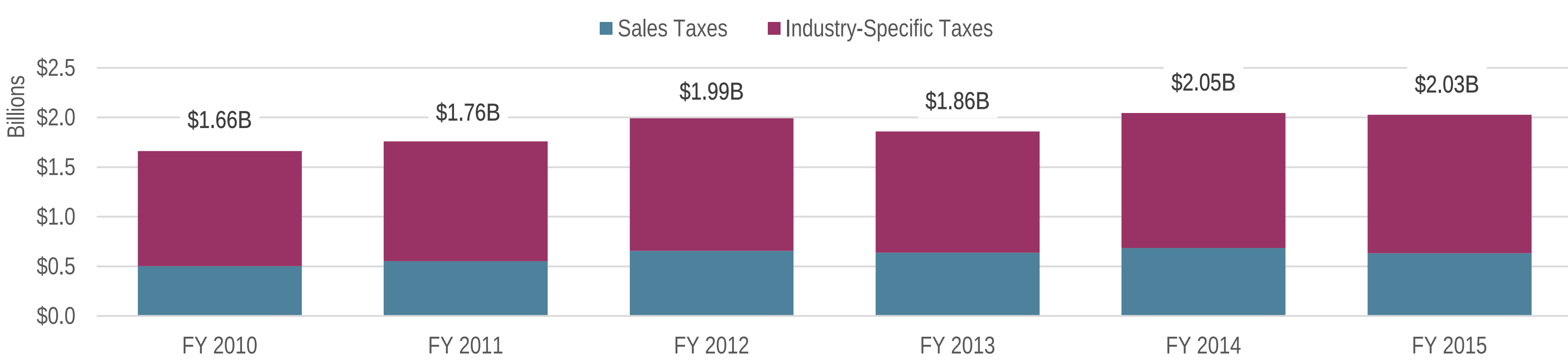
Clark County is home to 2.1 million residents, according to 2015 population estimates from the U.S. Census Bureau.[6] On a per-capita basis, $2.0 billion in tourism tax revenue equates to nearly $960 in reduced tax burden for every man, woman and child living in the county.

On a per-adult basis, the reduced tax burden grows to nearly $1,260, while each of the 741,000 households in southern Nevada save an average of nearly $2,740 in taxes each year due to revenue generated by the tourism industry through sales and use tax and industry-specific taxes.

Exhibit 6
Tax Burden Per Capita
Per Adult and Per Household Without Tourism

Segment	Total	Additional Tax Burden
Population	2,114,801	$959
Adult Population	1,615,708	$1,255
Households	740,966	$2,737

Exhibit 7
Tourism-Related Tax Revenues in Clark County



[6] U.S. Census Bureau annual population estimates, July 1, 2015.

SALES AND USE TAX

Through 2016, the sales and use sales tax rate in Clark County was 8.15 percent on qualifying purchases (sales and use tax rises to 8.25 percent on April 1, 2017). If the county sales tax was relied upon as the sole source for generating an additional $2.0 billion in the absence of tourism-related tax revenues, the residents-only sales tax rate would nearly double the current rate to 14.92 percent. Such an increase would mean that the average southern Nevada household's annual sales tax contribution would rise from $3,300 to more than $6,100.

A portion of this increase is attributable to the 21 percent reduction in total taxable retail sales due to the absence of visitor spending.[7] The increased sales tax rate scenario also assumes that taxable retail sales activity by residents would remain at current levels despite the significant rise in the tax rate, though in reality, such an increase would likely result in a reduction or shift in resident spending. For example, residents may shift some portion of their food spending away from restaurant meals, which are subject to sales tax, to non-taxable groceries for home-cooked meals. These changes in consumer spending due to a higher tax rate would further erode revenues, thus requiring an even higher tax rate to maintain existing funding levels.

Exhibit 8
Southern Nevada Sales and Use Tax Rates

Current

8.15%

Without Tourism Revenue

14.92%

Exhibit 9
Sales Tax Burden Per Household

[7] Source: Estimated by Applied Analysis.

PROPERTY TAX

Property taxes provide a significant portion of local government revenues, accounting for just over 32 percent of total tax collections for Clark County and similarly large portions of revenue for the Clark County School District and other local jurisdictions. Currently, the effective countywide property tax rate is 3.08 percent of assessed value,[8] which in fiscal year 2015 generated just more than $2.1 billion in revenues, not including abatements and other adjustments, throughout southern Nevada.

To raise an extra $2.0 billion per year in tourism-generated tax revenues, the average property tax rate would need to be doubled to 6.01 percent. The actual rate increase would vary depending on property type and other factors, but it would equate to a higher average property tax liability across all property uses, whether residential, commercial or industrial.

Under this scenario the property tax rate increase would equate to a significant rise in the average tax liability for single-family homes, which account for more than 500,000 properties and more than half of assessed property value in southern Nevada. At the average countywide tax rate, the typical single-family homeowner currently pays about $2,400 in annual property taxes, not including abatements. At the increased rate necessary without visitor tax contributions, the average single-family homeowner property tax liability would double to $4,700 annually.

Exhibit 10
Property Tax Rates

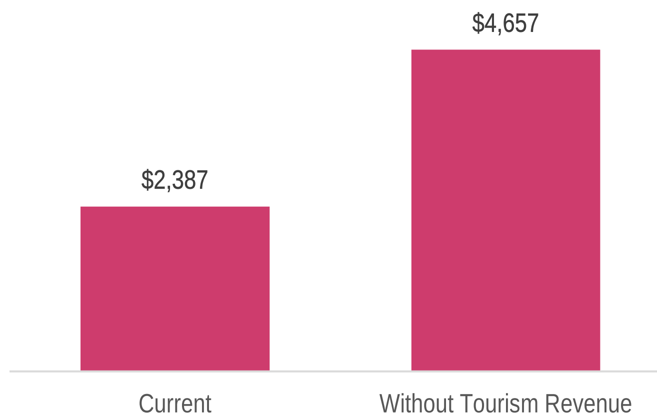
Current

3.08%

Without Tourism Revenue

6.01%

Exhibit 11
Property Tax Burden
Per Single-Family Homeowner



[8] Nevada Department of Taxation, "Property Tax Rates for Nevada Local Governments, Fiscal Year 2015-2016. The tax rate presented is based on assessed value, which reflects 35 percent of taxable value.

INCOME TAX

Due to the tax benefits attributed to the tourism industry, Nevada is one of only seven U.S. states without a personal income tax.[9] If one were established to produce the $2.0 billion in annual revenue generated from the tourism industry, an average tax rate of 5.0 percent would be required based on the $41 billion in wages and salaries earned in Clark County in 2015.[10] That rate would be equal to or greater than the top marginal tax rate in 15 different states, not including other states with no current income tax.[11] Based on the median household income of $51,552 in southern Nevada, a 5 percent income tax rate would cost the typical taxpayer nearly $2,600 per year.

Most states rely heavily on income taxes for their revenues, accounting for 37 percent of all state tax collections nationwide. Tax revenues generated by tourism and visitors allow southern Nevadans to avoid many taxes that are commonplace throughout the rest of the country while keeping other tax rates low or consistent with national averages.

Exhibit 12
Southern Nevada Income Tax Rates

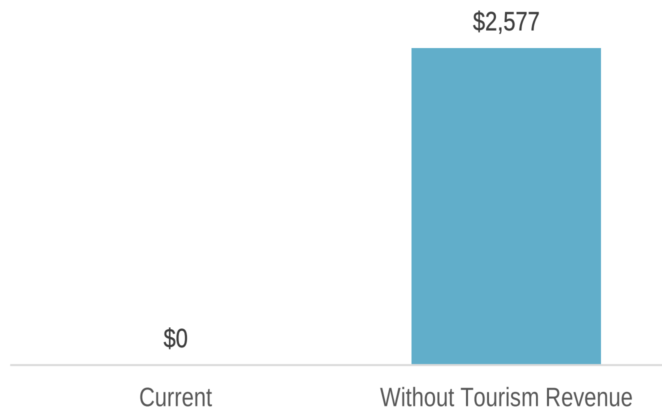
Current

0.0%

Without Tourism Revenue

5.0%

Exhibit 13
Income Tax Burden Per Household



[9] Tax Foundation, "State Individual Income Rates and Brackets for 2016".
[10] U.S. Bureau of Economic Analysis, 2015.

ADDITIONAL TOURISM-RELATED TAXES

The $2.0 billion in fiscal impacts used in the preceding scenarios includes only revenues generated through tourism-related taxes on direct visitor spending. However, the total tax revenue produced by the tourism industry would be even greater when considering other taxes and fees paid by the hotel-casino operators. Most significant would be property taxes paid by operators on their hotels and casinos throughout southern Nevada. Of the top 10 property taxpayers in Clark County, seven are gaming companies, including MGM Resorts International, Caesars Entertainment, Las Vegas Sands, Wynn Resorts and Station Casinos. On a countywide basis, land used for hotels and hotel-casinos make up 1.4 percent of total acreage but 11.8 percent of total taxable value with an estimated tax liability per acre of more than $62,000, which is eight times greater than the countywide average. The combined tax liability of hotel and hotel-casino properties in fiscal year 2015 was an estimated $229.5 million.

Other notable tourism industry contributions include sales taxes from materials purchases for ongoing hotel development, hotel and room renovations, maintenance and refurbishments and an estimated $83 million in modified business tax payments statewide in fiscal year 2015.

Exhibit 14
Clark County Taxable Property Value and Estimated Tax Liability, By Land Use, 2015[12]

Land Use	Acres	Share of Total	Taxable Value	Share of Total	Taxable Value Per Acre	Estimated Tax Liability	Estimated Tax Liability Per Acre
Residential	110,357	43.0%	$121,760,345,426	72.7%	$1,103,334	$1,413,426,932	$12,808
Industrial	14,077	5.5%	$5,458,173,954	3.3%	$387,731	$63,359,956	$4,501
Hotels and Hotel-Casinos	3,688	1.4%	$19,772,387,369	11.8%	$5,360,918	$229,523,206	$62,231
Other Commercial Properties	37,030	14.4%	$19,119,249,220	11.4%	$516,317	$221,941,402	$5,994
Non-Profit Community Properties	41,820	16.3%	$366,478,954	0.2%	$8,763	$4,254,187	$102
Ag, Ranching, Wildlife, Natural Resources	5,194	2.0%	$14,561,594	0.0%	$2,804	$169,035	$33
Transportation, Communication, Utilities	26,060	10.1%	$348,411,660	0.2%	$13,370	$4,044,457	$155
Minor Improvements	18,557	7.2%	$556,521,714	0.3%	$29,990	$6,460,254	$348
Total*	256,782	100.0%	$167,396,129,891	100.0%	$651,899	$1,943,179,428	$7,567

*Excludes vacant land

[12] 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 2014-2015 Redbook published by the Nevada Department of Taxation.

METHODOLOGY

General information on taxes, tax rates and historical collection data were obtained from various sources, including:

- Nevada Department of Taxation,
- Nevada Legislative Counsel Bureau,
- Nevada Commission on Tourism,
- Nevada Gaming Control Board,
- Nevada Taxpayers Association,
- LVCVA Finance Department,
- Clark County Assessor's Office,
- 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 Visitors Authority's Visitor Profile Study prepared by GLS Research. Adjusted visitor spending estimates were developed by AA; refer to the March 2016 brief of this Economic Impact Series for further detail. It is worth noting the timing of selected fiscal data requires the analyses contained herein to utilize 2015 data as a baseline since it is consistently reported across sources.

Note, totals may not sum due to rounding.

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.

Appendix A

The following table contains a detailed break-out of industry-specific taxes collected from hotels and hotel-casinos in fiscal year 2015.

Exhibit 15
Industry-Specific Taxes Imposed on Hotels/Hotel-Casinos ($ in Millions), FY 2015[13]

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	$599.6	86.3%	$694.7
Transient Lodging Tax	Ranges from 5 to 16 percent statewide; 7 to 13 percent in Clark County	$605.9	91.2%	$664.6
Entertainment Tax	10 percent if occupancy is between 200 and 7,500[14]	$127.3	97.3%	$130.8
Annual Slot Tax	$250 per machine per year	$32.0	73.6%	$43.4
Quarterly Non-restricted Slot Tax	$20 per machine per quarter	$9.3	74.1%	$12.6
Quarterly Restricted Slot Tax	$81 per machine per quarter for 1 to 5 machines; $405 plus $141 per machine in excess of 5 (to 15) per quarter	$6.2	74.3%	$8.3
Quarterly Game Fee	$20,300 plus $25 for each game over 35	$5.2	79.5%	$6.5
Annual Game Fee	$16,000 plus $200 for each game over 16	$2.0	78.7%	$2.5
Other Gaming Collections	Various	$9.5	81.9%	$11.6
Industry-Specific Collections		$1,396.7	88.7%	$1,574.9

[13] 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, 2015-2016 Edition.
[14] Effective October 1, 2015, the rate changed to 9 percent if occupancy is more than 200 persons.