

LAS VEGAS CONVENTION AND VISITORS AUTHORITY

Economic Impact Series

Volume III | Issue IV



**Room Taxes in Clark County:
2010 Collections and
Distributions**



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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 is the fifteenth in the series of reports; it is specific to room tax collections in Clark County and the distribution of these taxes to the state and throughout the local community.

FINDINGS IN SUMMARY

Room tax, or the tax guests pay on the rental of transient lodging, has evolved into a substantial source of tax revenue throughout the state of Nevada. In 1955, the State Legislature agreed to a tax levied on hotel and motel properties in Clark County to finance the Clark County Fair and Recreation Board (the precursor to the LVCVA); this tax funded the construction of the Las Vegas Convention Center, which opened in 1959.¹ During the next 30 years, a number of local transient lodging taxes were enacted, with the state portion formally enacted in 1983. The state lodging tax was intended for support of the department of economic development (3/8 of 1 percent) and for support of county fair and recreation boards (5/8 of 1 percent). Funds were to be used to advertise the resources of cities and counties related to tourism, and to promote special events.² Effective July 1, 1999, in Clark County only, the 5/8 portion of the room tax was no longer used to promote tourism, but deposited in the fund for school construction.

In Clark County today, as in most other Nevada counties, the rate of tax levied depends on the type and location of the lodging establishment. By 1997, the total room tax rate in Clark County ranged from 5 percent in outlying areas to 11 percent in the City of Las Vegas. Currently, following the most recent increase (up to 3 percentage points not to exceed 13 percent in total) passed by the 2009 Legislature, resort hotels must levy a tax ranging from 12 percent to 13 percent, while other smaller or outlying establishments levy a rate ranging from 10 percent to 13 percent.

Generally, establishments located in Clark County (outside of incorporated cities; includes the Las Vegas Strip) generate the majority of room tax within the county, roughly 92 percent in 2010.³ The City of Las Vegas generated 5 percent of collections, while the other incorporated cities of North Las

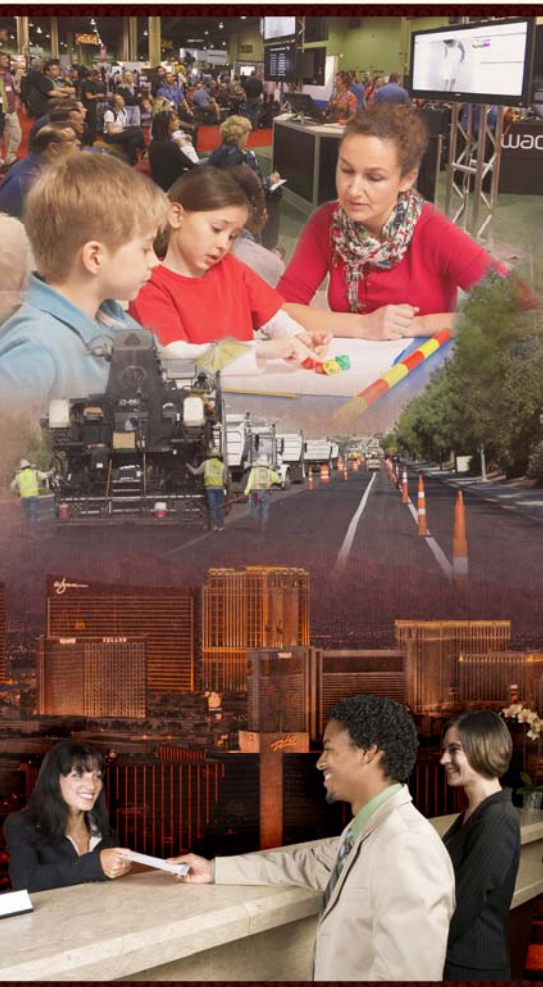
¹ Source: Las Vegas Convention and Visitors Authority; see also, Economic Impact Series, Volume III, Issue I, *Taxation on Tourism in Nevada: A Brief History*.

² Source: Original Nevada Senate Bill 170 (Chapter 207) bill language regarding the imposition of a state tax on lodging; see also, Economic Impact Series, Volume III, Issue I, *Taxation on Tourism in Nevada: A Brief History*.

³ Note, 2010 may refer to calendar year or fiscal year where applicable.

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LAS
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Vegas, Henderson, Boulder City and Mesquite combined to provide the remaining 3 percent.⁴

Room tax collections generated in Clark County totaled nearly \$383 million in 2010.⁵ Based on the allocations noted above, this means that establishments located in unincorporated Clark County generated approximately \$351 million in room tax, while establishments in the City of Las Vegas provided nearly \$20 million in tax revenues. The remaining incorporated areas generated nearly \$13 million in room tax collections during the year.⁶

Room taxes represent a substantial source of tax revenue generated in Clark County. For comparison purposes, Clark County's gross room tax collections of \$383 million are comparable to gross gaming percentage fees due on gaming win totaling \$535 million during the same period. Live entertainment taxes totaled just over \$100 million,⁷ while property taxes and taxes collected on retail sales, both of which are larger in magnitude as they are much broader in scope, totaled approximately \$1.7 billion and \$2.2 billion annually, respectively.

Far from supporting only the promotion of tourism – the primary purpose of room taxes in many jurisdictions across the U.S.⁸ – room taxes generated in Clark County provide financial support for a number of entities, including the state and local governments, the Clark County School District (“CCSD”), and the Clark County Department of Public Works. Currently, less than 40 percent of room tax collections are used for the promotion or support of tourism either locally or statewide.

⁴ Source: Las Vegas Convention and Visitors Authority, Comprehensive Annual Financial Report, FY 2010. This analysis assumes a similar distribution of overall collections and source of collections distributed to the LVCVA.

⁵ Source: Estimate based on information from the LVCVA, the Nevada Department of Taxation, the Nevada Commission on Tourism, and various governmental financial publications. .

⁶ Figures are based on allocations noted in preceding paragraph as well as on data sourced to the Nevada Department of Taxation.

⁷ Source: Nevada Gaming Control Board, *Quarterly Statistics Report*; percentage fees due based on taxable gross revenue in Clark County are \$535 million in fiscal year 2010 and entertainment taxes are \$105 million during the same period.

⁸ Source: Review of a number of convention and visitor authority and occupancy tax-related publications; for example, see University of Texas, Austin publication *Hotel Occupancy Tax and the Arts in Texas: A 2004 Review of Legislation and Funding*, (www.texansforthearts.com/downloads/HotelOccupancyTax.pdf); or Warren County, New York Occupancy Tax Coordination Committee Minutes (www.co.warren.ny.us/gov/comm/occupancy_tax_coordination/02-28-11.pdf); or North Carolina Travel and Tourism Coalition, *Occupancy Tax Guidelines* (www.ncttc.com/occ%20tax%20guidelines.htm); or New Orleans Tourism Marketing Corporation (www.neworleansonline.com/notmc/aboutus.html) or New Hanover County occupancy tax information (www.nhcgov.com/Tax/Pages/RoomOccupancyTax.aspx).

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Combined distributions to CCSD and to the state for education (or, currently, other state programs) comprise approximately 38 percent of room tax allocations.

Distribution of Room Tax Collections

Several major government functions rely on room tax as a source of revenue. Room tax collected in Clark County is allocated among five major entities. Generally, the tax is distributed as shown in Exhibit I below.

Exhibit I
Allocation of Clark County Room Tax (Approximate Percentage)⁹

Entity	Percentage of Room Revenue Received by Entity		Approximate Share of Total Room Tax*	
	Resort Hotels	Other Hotels and Motels	FY 2010	FY 2011
Las Vegas Convention and Visitors Authority (LVCVA)	5% - 6%	2% - 5%	35%	32%
State of Nevada - Education (or other state programs)	3%	2% - 3%	23%	25%
Clark County School District (CCSD)	1.6%	1.6%	15%	14%
Taxing Entity ¹⁰	0% - 1%	0% - 2%	14%	14%
County Transportation	1%	1%	9%	8%
State of Nevada - Tourism	0.4%	0.4%	3%	3%
Nevada Department of Transportation (NDOT)	Varies	Varies	1%	4%
Total (Range)	12% - 13%	10% - 13%	100%	100%

* Actual approximate allocation shown for FY 2010; projected approximate allocation shown for FY 2011.

The majority of room tax distributions are allocated to non-tourism related purposes, including the support of education and transportation. Notably, in fiscal year 2011, the percentage of room taxes retained by tourism-related



⁹ See, Las Vegas Convention and Visitors Authority 2010 Comprehensive Annual Financial Report. Projected approximate allocation for FY 2011 is based on FY 2010 data as well as information provided by the LVCVA.

¹⁰ In Clark County and its incorporated cities the taxing entity receives 1 or 2 percent, except for Boulder City, where the taxing entity receives 0 percent; note also, all host jurisdictions receive a 10 percent room tax collection allowance to cover the cost of collecting the tax. Collection allowance fees returned to collecting entities by the LVCVA totaled approximately \$15 million in 2010 and is included in the "Community Support" category in Exhibit 3.

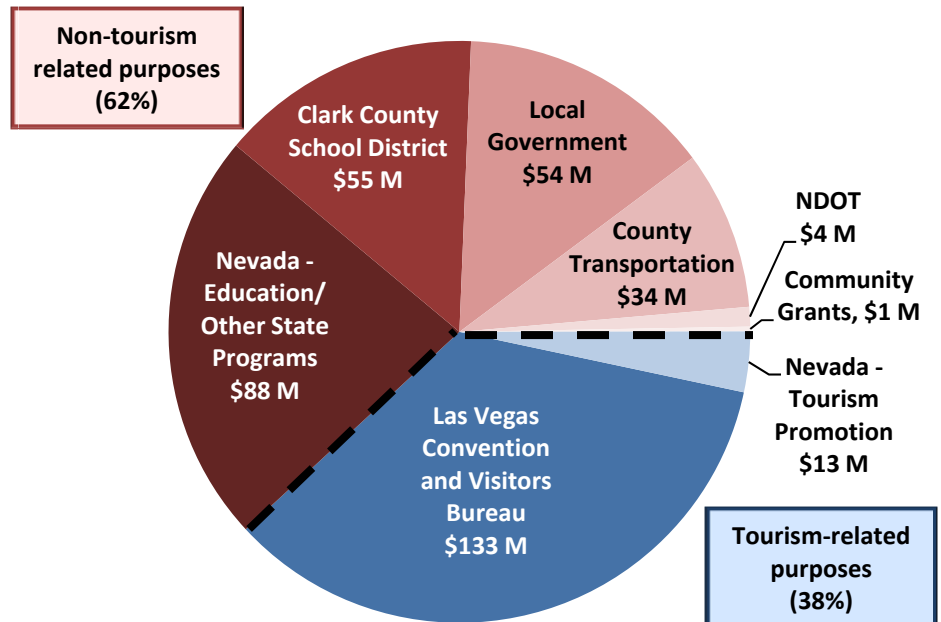
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entities is expected to decline by three percentage points, while allocations for transportation will rise due to debt service owed on bonds issued to fund the Nevada Department of Transportation (“NDOT”). The following chart depicts the estimated allocation of room tax funds for 2010 by entity and purpose. Note that distributions are approximate and based on available financial data as well as given ranges of the percentage received by each entity.¹¹

Exhibit 2
FY 2010 Allocation of Clark County Room Tax (Approximate Dollar Amount)



The sections that follow briefly outline how the primary recipients utilize room tax distributions allocated to them.

Las Vegas Convention and Visitors Authority

Approximately one-third of the room tax collected in Clark County is allocated to the LVCVA. In accordance with its mission statement, “To attract visitors by promoting Las Vegas as the world’s most desirable destination for leisure and business travel,” the LVCVA’s primary responsibility is to market and brand Las Vegas and Southern Nevada as a travel destination. With its primary revenue sources of room taxes, gaming

¹¹ Approximate dollar amount allocations are based on allocation percentages as well as information obtained from FY 2010 Comprehensive Annual Financial Reports for Clark County, City of Las Vegas, Mesquite, Henderson, North Las Vegas and the LVCVA; the Nevada Commission on Tourism; and the Nevada Department of Taxation.



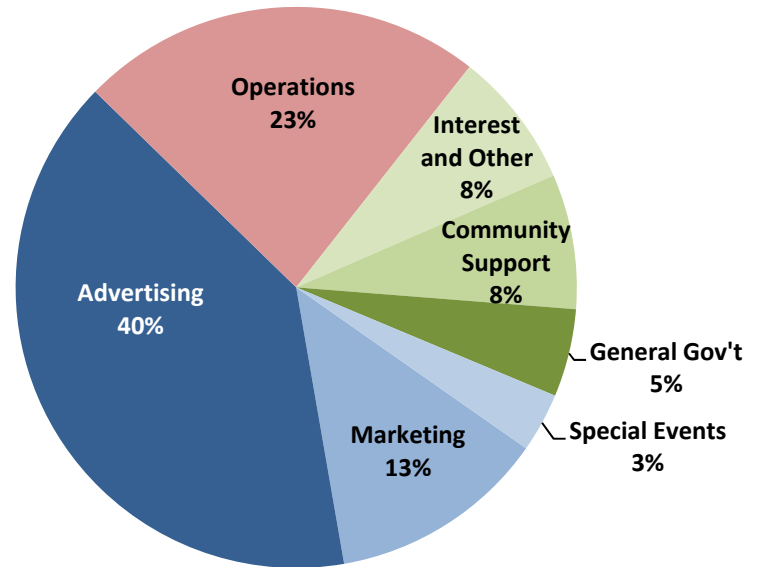
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fees and program revenues from the LVCC, in 2010 the LVCVA allocated its funds as follows.

Exhibit 3
FY 2010 LVCVA Expenditures¹²
Excludes grants to Nevada Department of Transportation (NDOT)



Excluded from the preceding exhibit are funds allocated to NDOT. In fiscal year 2009, the LVCVA began issuing debt to fund critically needed transportation projects in accordance with Assembly Bill 595. Passed by the Legislature in 2007, the bill requires the LVCVA to provide \$300 million to the NDOT.¹³ Between fiscal years 2010 and 2011, the LVCVA issued \$300 million in debt to fund this commitment; annual debt service owed on these issuances totaled just over \$4 million in FY 2010 and rose to almost \$16.4 million in FY 2011 as funding was completed. These funds are in addition to the 1 percent allocation of room tax collections to county transportation.

In addition to its primary advertising and marketing functions appealing to a broad audience of potential leisure and business travelers, the LVCVA works to attract, retain and support large special events to and in the region such as the National Finals Rodeo (“NFR”) and the Professional Bull Riders Tour (“PBR”).¹⁴ Ongoing support of these types of large special events ostensibly helps keep them from being lured to competing cities.



¹² Source: Las Vegas Convention and Visitors Authority 2010 Comprehensive Annual Financial Report, Management’s Discussion and Analysis, page 7, total government-wide expenses by function.

¹³ See, Las Vegas Convention and Visitors Authority 2010 Comprehensive Annual Financial Report, Note 13, Commitments and Contingencies.

¹⁴ See, Las Vegas Convention and Visitors Authority 2010 Comprehensive Annual Financial Report, Note 13, Commitments and Contingencies.

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Clark County School District

In 2010, the Clark County School District was allocated approximately \$52 million in room tax revenue.¹⁵ Assuming a uniform distribution of funds received from all revenue sources, room tax revenue received during the past year was enough to build nearly two entire schools and fund 22 renovations. Between fiscal year 2009 and 2011, Clark County plans to complete a total of 19 schools and 152 renovations.¹⁶

Since 1999, room tax has funded the construction of approximately 19 schools and paid for an estimated 241 renovations.¹⁷ On average, room tax accounts for approximately 15 percent of total funds received by the district for school construction.

Clark County Transportation Projects

Clark County Public Works generally finances the construction of roads through a fund referred to as the Master Transportation Plan (the “Plan”), which includes several revenue sources. In 2010, the 1 percent room tax allocation for transportation accounted for \$32 million, or 12 percent of Master Transportation Plan funding.¹⁸

Room tax distributions represented six times more funds than new development fees, three times more funds than the aviation fuel tax, and a nearly equivalent amount as the motor vehicle fuel tax (\$36 million) and the motor vehicle privilege tax (\$47 million). Only sales tax represented a significantly higher contribution to the Plan, providing \$135 million for county transportation projects.

State of Nevada – Education and Other State Programs

In addition to the 3/8 of 1 percent collection by the state to promote tourism, since 2009 the state has collected an additional 2 to 3 percent that is ultimately intended for education funding. In 2010, the tourism promotion portion of the state’s overall distribution totaled approximately \$13 million, while collections for education and other state programs totaled approximately \$88 million, representing the second largest single distribution.

¹⁵ Per the FY 2010 Clark County Comprehensive Annual Financial Report, page 377, additions to the Clark County School District Room Tax Account during fiscal year 2010 totaled approximately \$52 million. This amount differs slightly from the calculated allocation of \$55 million shown in Exhibit 2.

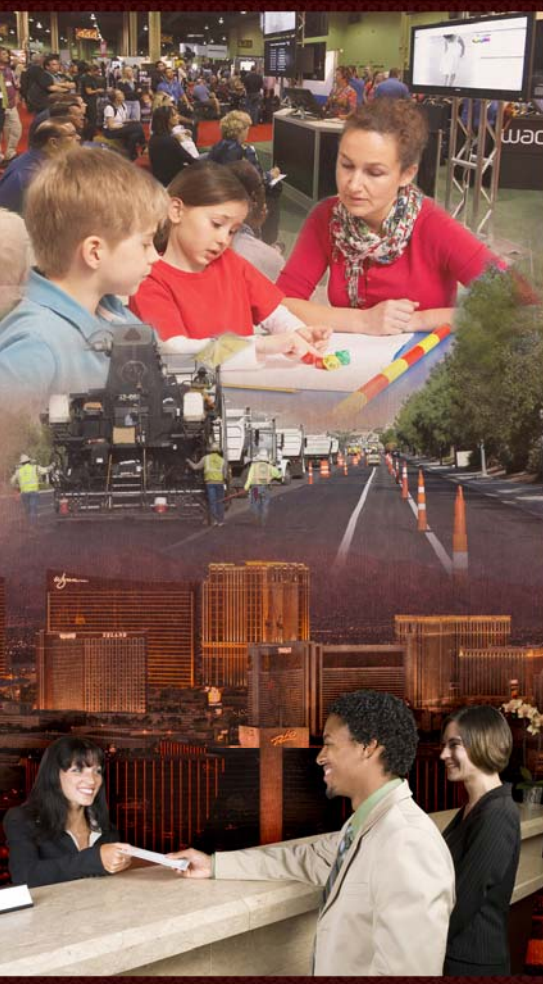
¹⁶ Source: Clark County School District

¹⁷ Also see, Economic Impact Series, Volume I, Issue IV, *The Tourism Industry’s Contribution to Clark County School Construction*.

¹⁸ Source: FY 2010 Clark County Comprehensive Annual Financial Report, page 125.

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METHODOLOGY

General information on room taxes, room tax rates and historical collection data were obtained from the Nevada Commission on Tourism, the Nevada Gaming Control Board, the Nevada Department of Taxation, the Nevada Taxpayers Association, Clark County Public Works, Clark County School District, the 2010 Clark County Comprehensive Annual Financial Report, the Las Vegas Convention and Visitors Authority and various local government publications.

Room tax collection and distribution amounts may vary slightly among sources and within this analysis due to range of magnitude estimates, timing differences and classification differences.

ANALYSIS LIMITATIONS

This analysis used the best available data to estimate room tax collections and distributions. 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.