



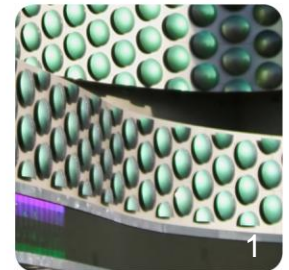
DECEMBER 2012  
LAS VEGAS CONVENTION AND VISITORS AUTHORITY

ECONOMIC IMPACT SERIES

**BRIEF**

# HISTORY OF THE ROOM TAX

IN CLARK COUNTY



## 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 the twenty-seventh in the series of reports; it is specific to the history of the room tax in Clark County. Throughout this brief, a rate typical for a resort hotel in unincorporated Clark County is depicted, unless otherwise indicated. Rates in certain jurisdictions may vary slightly through the years due to local options.

- *Origin of the Room Tax (1955).* In 1955, the hospitality industry recognized the need to diversify the tourist base beyond the leisure traveler. To attract off-season and mid-week travelers, it was determined that a convention center would best serve this purpose. The convention center would benefit hotel and motel operators, gaming operators, and the community as a whole.
- *The First Local Room Tax and its First Increase (1957 and 1969).* In accordance with Clark County Ordinance 76, the first room tax in Clark County (5 percent of rental revenues for resort hotels and 3 percent for hotels and motels) was charged and collected on April 1, 1957. Tax revenues funded the bonds that facilitated construction of the Las Vegas Convention Center. The maximum rate was raised to 6 percent in Clark County in 1969.
- *The Addition of the State Room Tax (1983).* The first statewide, mandated room tax was enacted in 1983, at a rate of 1 percent. The rate consisted of the state portion of 3/8 of 1 percent, which inured to the state for the purpose of promoting tourism statewide, and a 5/8 of 1 percent portion, which inured to the fair and recreation board in the county of origin.
- *The Addition of a Transportation Tax (1991).* Bringing the total rate in Clark County to 8 percent, a tax of 1 percent to fund transportation-related improvements within a specified distance of a tourism district was added in 1991. The tax was primarily intended to fund improvements that would facilitate tourism.
- *The Addition of an Education Tax, and a Shifting of Funds from Tourism to Education (1997 and 1999).* In 1997, NRS 244.3352 was amended to increase the original state mandated rate from 1 percent to 2 percent in the more populous counties (i.e., Clark and Washoe), with the additional 1 percent being deposited in each county’s fund for school construction. In addition, the 5/8 of 1 percent state rate that previously was distributed to the local county fair and recreation board (or the LVCVA, in Clark County) would also be diverted to each county’s fund for school construction beginning in 1999. The total rate now reached 9 percent, depending on the rate allocated to collecting entities.
- *Initiative Petition 1 for Education (2009 - 2012).* Bringing the total rate to about 12 percent in Clark County, an initiative petition to raise the room tax another 3 percent (not to exceed 13 percent total) was approved by voters and signed into law in 2009 by the Nevada State Legislature. For the first two years after passage, revenues from the new tax were deposited in the state General Fund; by 2011, funds raised were deposited in the state’s Distributive School Account.
- *Room Tax Distribution Shift.* When first enacted in 1955, all proceeds of the room tax were invested back into the tourism industry, with the exception of the collection allowance. By 1999, the share had shifted to about half, and by 2012, only 35 percent of room tax collections would be used for tourism-related purposes.

## *The Origins of the Room Tax in Clark County (1955)*

In 1955, the southern Nevada hospitality industry was growing, albeit with broad swings between weekend and weekday activity. As such, the industry recognized a need for a more diverse visitor base. While the weekend leisure segment was strong, hotel and gaming operators needed a draw for off-seasons and the middle week: a convention center. In 1955, the Nevada 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). On April 1, 1957, collection of a room tax in hotels and motels in Clark County began.<sup>1</sup>

3           WHEREAS, certain operators of hotels, motels, slot  
4 machines and gaming casinos, bingo games, race and sports books  
5 (each hereinafter called "Operator") have agreed that the acquisition  
6 and operation of a Convention Hall within Clark County will  
7 bring substantial benefits to the business of Operator and to all  
8 business in Clark County in greater or lesser degree, and said  
9 operators, through informal representatives, have themselves  
10 drawn up and suggested to said Fair and Recreation Board, a  
11 schedule of revenue per gaming unit, to be assessed against all  
12 Operators in Clark County for such purpose, and a business license  
13 or percentage or surcharge on the amount of room rentals collected  
14 on hotel and motel rooms, which revenue, if collected from all  
15 individuals, partnerships, corporations and joint ventures in  
16 the trades or businesses described as "Operators", would be  
17 sufficient for maintenance and operation and promotion and  
18 sufficient to retire the principal and interest of the \$4,500,000  
19 bonds without resorting to ad valorem taxation; and

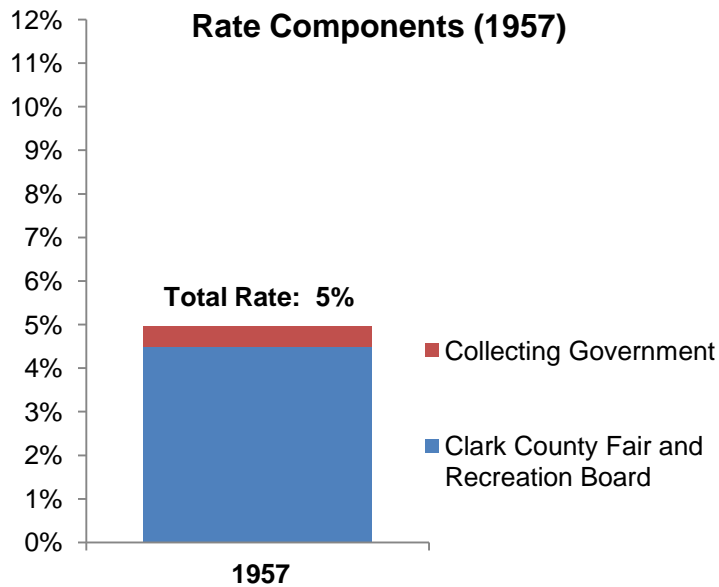
4           NOW, THEREFORE, THE BOARD OF COUNTY COMMISSIONERS OF  
5 THE COUNTY OF CLARK, IN THE STATE OF NEVADA, DOES ORDAIN:  
6           Section 1. That there be, and there hereby is, fixed  
7 and imposed license taxes for revenues, as next provided, commencing  
8 on the first day of April, 1957, on the Operators of  
9 hotels and motels within the County of Clark and located and  
10 situated outside of the limits of incorporated cities and towns  
11 therein, in addition to license taxes heretofore fixed and  
12 imposed:  
13           (a) Five per cent of all moneys received from  
14 room rentals by Resort Hotels. For the purposes of  
15 this Ordinance a Resort Hotel is defined as an establishment  
16 renting rooms to temporary or transient  
17 guests and having a casino containing not less than  
18 three games. All other hotels shall be deemed to be  
19 Commercial as distinguished from Resort Hotels. It  
20 shall be immaterial as to whether or not the rooms and  
21 the casino are separately operated and/or owned. If  
22 the said rooms and casino are maintained upon the same  
23 premises, whether separately owned and operated or not,  
24 the combination of rooms and casino shall be deemed to  
25 be one establishment and the five per cent rate shall  
26 apply.

<sup>1</sup> Clark County Ordinance 76 (1955); original ordinance courtesy Clark County Finance Department

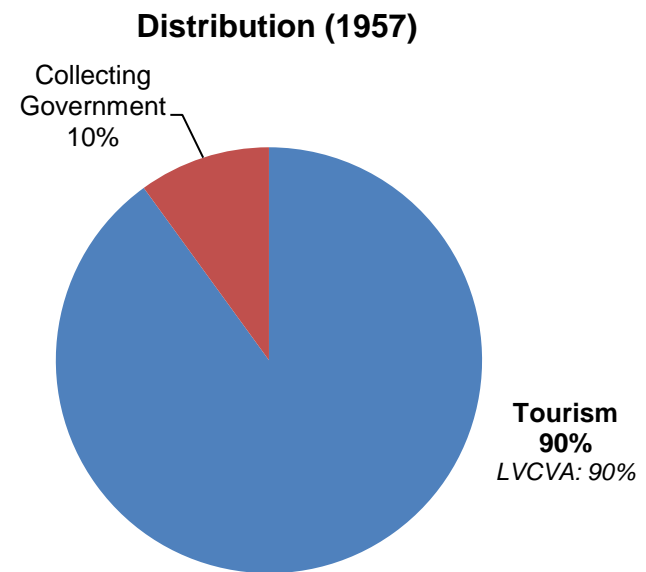
## *The First Local Room Tax (1957)*

In 1957, the total room tax rate was 5 percent on room rental revenues for resort hotels in Clark County.<sup>2</sup> For purposes of the tax, a resort hotel was defined according to Clark County Ordinance 76 (1955) as a hotel with a casino having not less than three games. Non-gaming hotels, motels, and other apartment hotels were required to charge a room tax rate of 3 percent.

All proceeds of the tax would be distributed to the Clark County Fair and Recreation Board, while the collecting entity would be entitled to what has more recently become known as a “collection allowance”, not to exceed 10 percent of gross tax revenues. This tax funded the bonds that facilitated construction of the Las Vegas Convention Center, which opened in 1959.



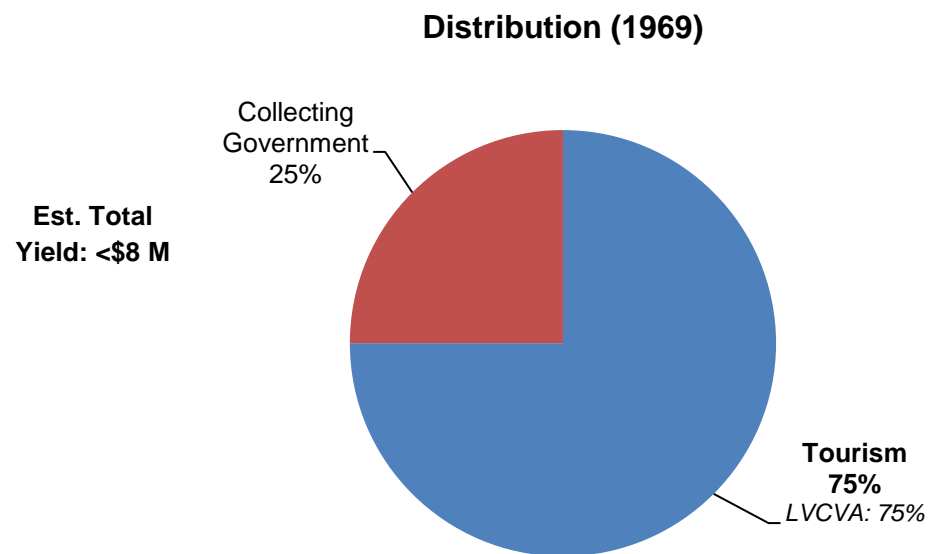
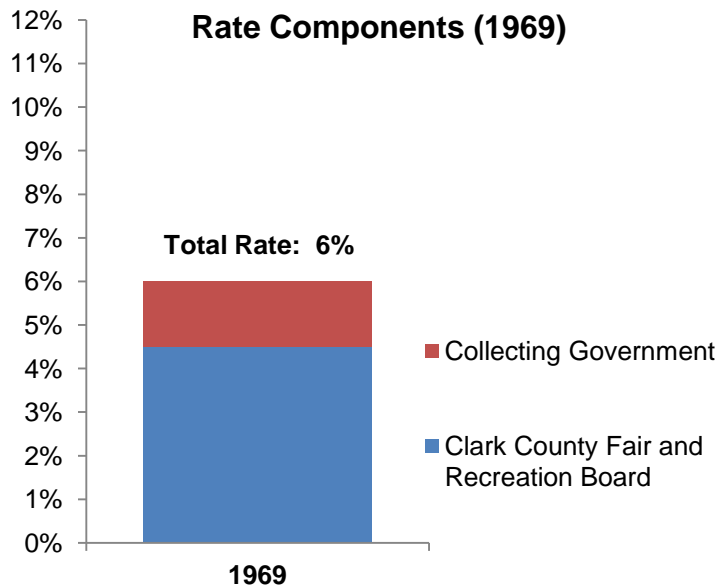
Est. Total Yield: <\$5 M



<sup>2</sup> Throughout this brief, a rate typical for a resort hotel in unincorporated Clark County is shown, unless otherwise indicated. Rates in local jurisdictions throughout Clark County may vary slightly. Room tax rates are lower for non-resort hotels.

## *The First Increase in the Local Room Tax Rate (1969)*

In 1969, Clark County changed the maximum room tax rate to a total of 6 percent through the passage of a related ordinance, with the additional amount inuring to the county's general fund. The Clark County Fair and Recreation Board's allocation remained unchanged.<sup>3</sup> Southern Nevada welcomed an estimated 6.5 million visitors in 1969, while the room tax was yielding less than \$8 million annually.

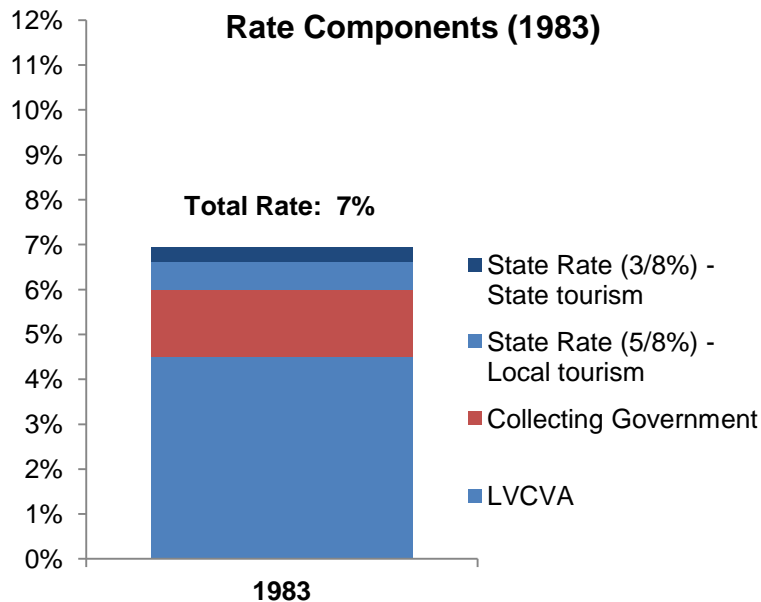


<sup>3</sup> Source: LVCVA Finance Department

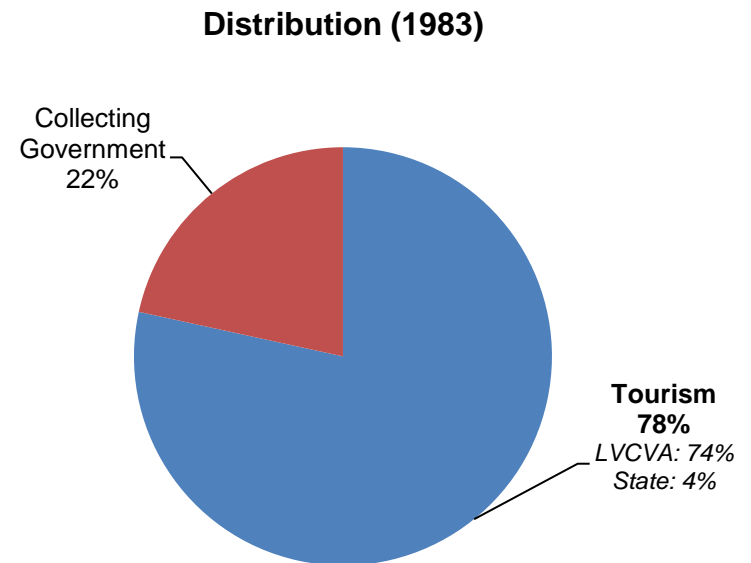
### *The Addition of the State Room Tax (1983)*

In 1983, a statewide tax of 1 percent on gross room rental receipts was enacted under Nevada Revised Statutes (NRS) 244.3352 and 268.096, bringing the total rate in Clark County to 7 percent. The statewide rate consisted of 1) the state portion of 3/8 of 1 percent, which inured to the state for the purpose of promoting tourism statewide, and 2) the state portion of 5/8 of 1 percent, which inured to the fair and recreation board in the county of origin. By the mid-1970's, the Clark County Fair and Recreation Board had changed its name to the Las Vegas Convention and Visitors Authority, the name by which it presently is known.

By the mid-1980's, the room tax was yielding close to \$40 million annually in Clark County, with yearly visitation reaching 15 million. Collecting entities continued to receive a collection allowance. The 3/8 of 1 percent inuring to the state for the promotion of tourism would ultimately be directed to the state department known today as the Nevada Commission on Tourism and Cultural Affairs ("NCOT").



Est. Total Yield: \$40 M

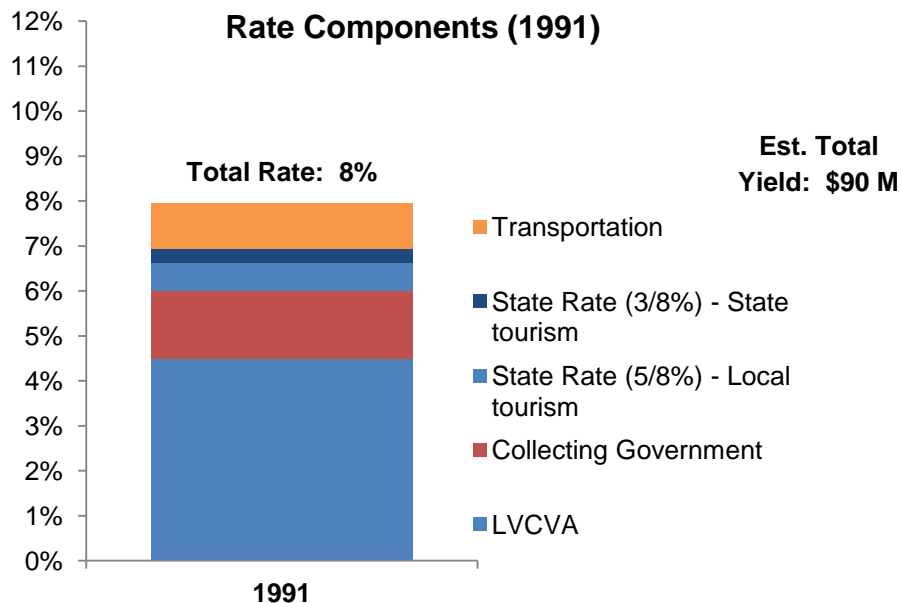


## *The Addition of a Transportation Tax (1991)*

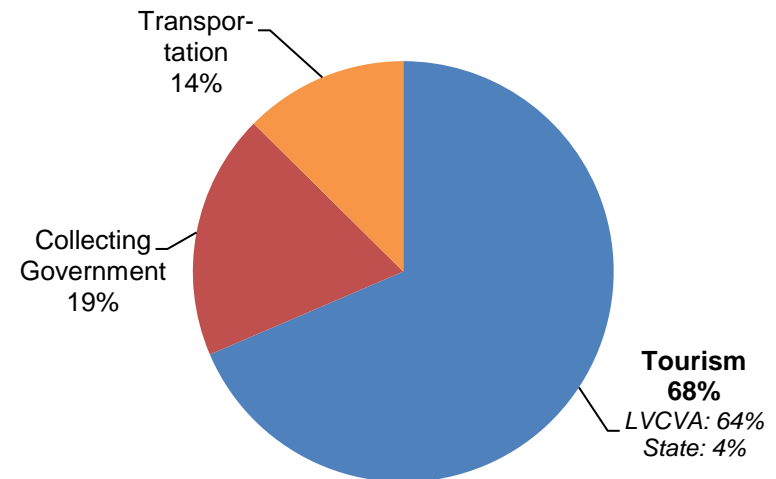
In 1991, a tax of 1 percent to fund transportation-related improvements was added to the total room tax rate, bringing the total rate in Clark County to about 8 percent. Provided for under NRS 244.3351, the optional transportation tax was approved by voters and was intended to be used to make improvements relative to a specified tourism district, such as to improve interstate access for visitors or alleviate traffic within the boundaries of the district. The annual visitor count reached 21.3 million in 1991 in Clark County.

Also during the early 1990's, local options were added in certain jurisdictions within Clark County; these included a 2 percent option in Laughlin to defray the cost of improving the airport, and a 1 to 2 percent tax (depending on location) to improve a central business district in the City of Las Vegas, the Fremont Street Experience. Note that these local rates are not depicted below, as they would not be applicable to a resort hotel in unincorporated Clark County. For example, the room tax rate for a property near Fremont Street would have ranged 1 to 2 percent higher than that shown below.

**Rate Components (1991)**



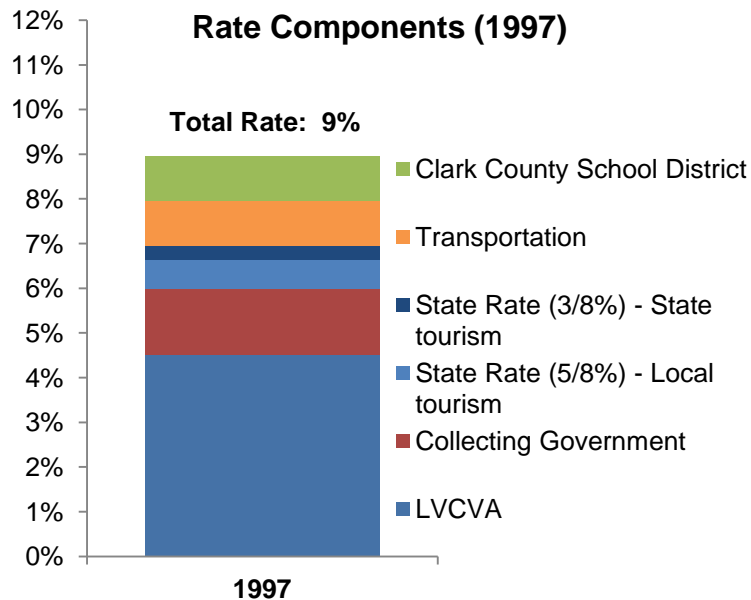
**Distribution (1991)**



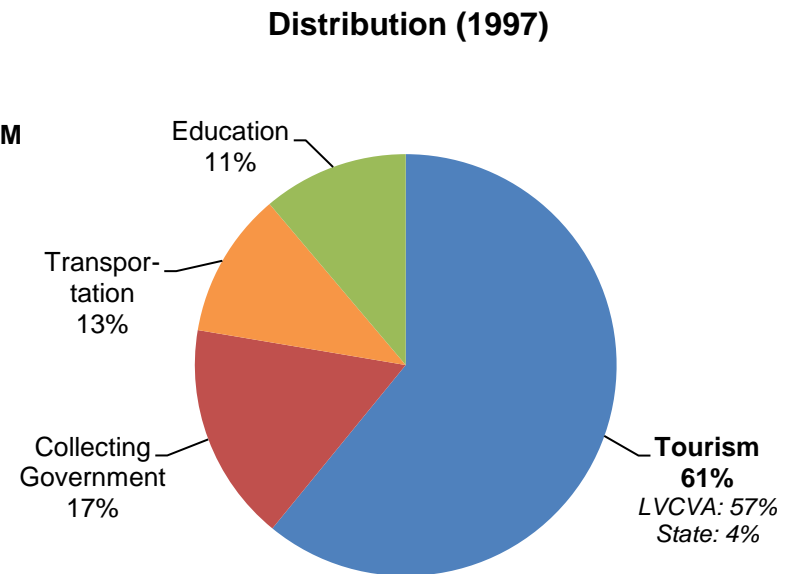
### *The Addition of an Education Tax (1997)*

In 1997, NRS 244.3352 was amended per Assembly Bill (AB) 353 to mandate a rate of 2 percent, rather than 1 percent, in all counties with population of 400,000 or more, bringing the total rate in Clark County to about 9 percent, depending on the rate allocated to collecting governments. The additional 1 percent was to be deposited in the county school district's fund for capital projects established pursuant to NRS 387.328, to be held and expended in the same manner as other money deposited in that fund.

During the late 1990's, the population of Clark County was increasing exponentially. During the ten years following AB 353 (including portions that became effective in 1999; see next page), the Clark County School District (CCSD) would build 112 schools and complete 1,460 renovations, with room taxes contributing approximately 15 percent of the necessary funds. Refer to the fourth issue in this series, *The Tourism Industry's Contributions to Clark County School Construction* (March 2009), for further detail.



Est. Total Yield: \$170 M

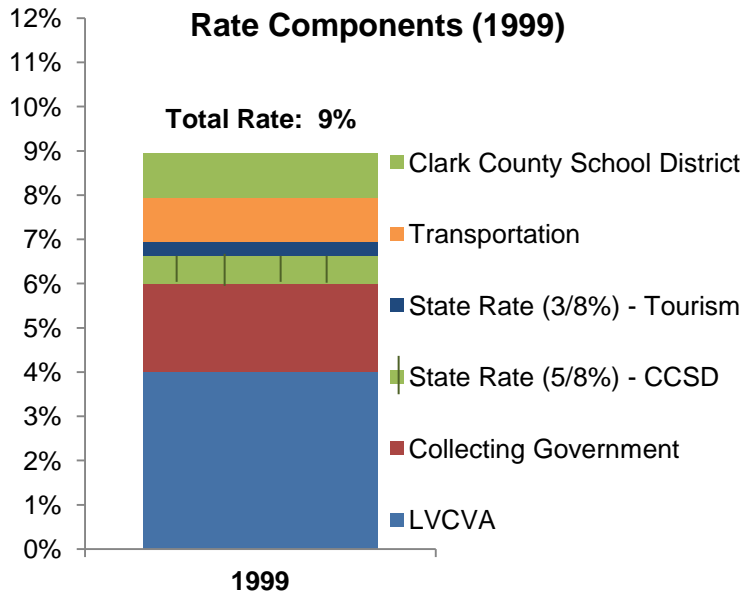




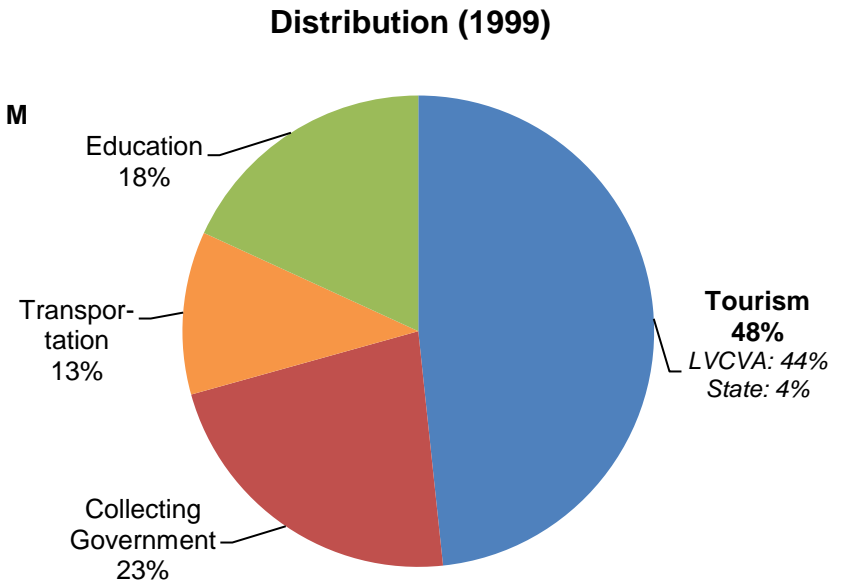
### *Shift of Tourism Funds to Education (1999)*

In 1999, one of the amendments pursuant to AB 353 impacting Section 15 of NRS 244.3352 became effective. As amended, Section 15 specified that in counties with population of 700,000 or more, the 5/8 of 1 percent portion of the state rate that was previously distributed to the county of origin for the promotion of tourism, would be deposited in the county's fund for school construction.

This amendment impacted the counties of Clark and Washoe, and would serve to provide additional funding for school construction and renovations throughout the county. The total rate in unincorporated Clark County remained at about 9 percent, depending on the rate allocated to collecting governments. By 1999, with annual visitation reaching 33.8 million, the room tax was generating an estimated \$200 million in revenue from room rentals throughout the county.



Est. Total Yield: \$200 M

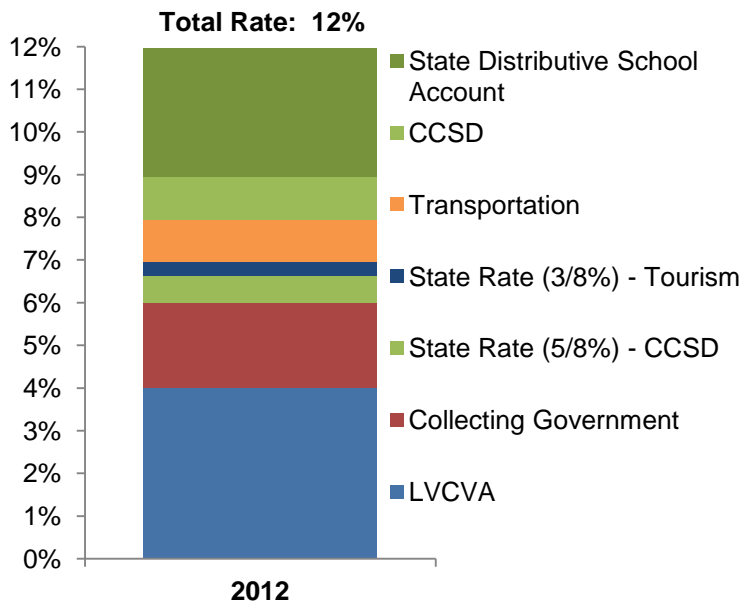


### *Initiative Petition 1 for Education Funding (2009 - 2012)*

In 2009, voters in Clark, Washoe and Lander counties approved Initiative Petition 1 (“IP 1”), which imposed an additional 3 percent tax on lodging revenues (to the extent the total rate does not exceed 13 percent). IP 1 was imposed by the Legislature only in Clark and Washoe counties, and for the first two years (2009 – 2011), funds generated were directed to the State General Fund. Effective July 1, 2011, taxes generated under IP 1 were deposited in the State Distributive School Account, and effective July 1, 2013, the funds are designated to be used to increase teachers’ salaries and improve student achievement. Also worth noting is that beginning in 2009, the LVCVA began issuing debt to reach a required contribution of \$300 million for state transportation projects as required by AB 595 (2007); debt service in 2012 totaled \$19.1 million.

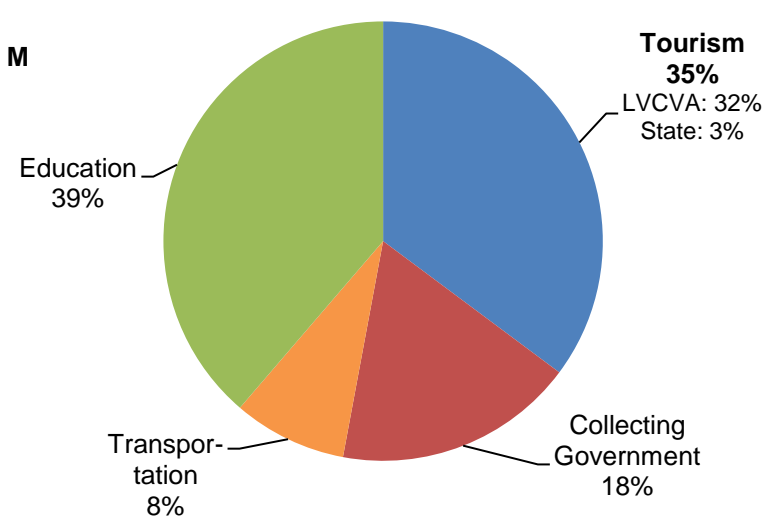
In fiscal year 2012, \$124.5 million was generated in Clark County for the statewide education fund. Currently, the total lodging tax rate in unincorporated Clark County at resort hotels, as well as in Boulder City, Mesquite and North Las Vegas, is 12 percent; in Henderson and the City of Las Vegas, the rate reaches 13 percent. In smaller hotels and motels, the rate is 10 percent. Visitor volume is expected to top 39 million in 2012, while the room tax is yielding more than \$500 million annually in Clark County alone.

**Rate Components (2012)**



**Distribution (2012)**

**Est. Total Yield: \$504 M**



## *Methodology*

Applicable legislative statutes were obtained from the Nevada Revised Statutes, available on the Nevada Legislature website ([www.leg.state.nv.us/](http://www.leg.state.nv.us/)). Clark County Ordinance 76 was obtained from the Clark County Finance Department. Historical room tax rates were obtained from a combination of sources, including a reconstruction based on applicable statutes and ordinances, the Nevada Taxpayers Association annual *TaxFacts* publication, and the Las Vegas Convention and Visitors Authority Comprehensive Annual Financial Report (various years). Room tax yield was estimated based on information from the *TaxFacts* publication, as well as historical room tax collection data obtained from the LVCVA. Distribution shares by major category were estimated based on a reconstruction of the room tax rate components and applicable legislative statutes that provide for specific distributions of revenues.

Note that this brief generally depicts the room tax rate in a resort hotel in unincorporated Clark County (this would include resorts on the Las Vegas Strip, the largest single source of room tax collections in the state). Rates in the various municipalities within the county may vary in all years shown, and the overall rate would be lower in smaller hotels and motels, RV parks and apartment hotels.

## *Analysis Limitations*

This analysis used the best available data to review the history of the room tax in southern Nevada. 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 the data may have been incomplete, inconsistent or less timely. 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.