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Taxation Burden and Fairness in Nevada

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Introduction

Nevada has long been a low-tax state. In a 1968 study, *The Amount and Source of State Taxes in Nevada*, Robert Rieke reported taxes on Nevada residents were considerably below the national average as a fraction of income. These taxes were regressive, falling more heavily on low income Nevadans than on high income Nevadans.

- A substantial share of tax receipts in Nevada – over 1/3 of all taxes collected at the State level at the time – were contributed by tourists, not by residents.

As a high income state, Rieke argued, Nevada could afford a higher level of public services than was then provided. Similar conclusions were reached by Robert Ebel in 1990 (*A Fiscal Agenda for Nevada*).

Nevada's population has increased almost six-fold since the late 1960s.

- The Las Vegas metropolitan area, which was 115th largest in the nation in 1970, is now 31st largest and climbing.

While rapid economic and population growth, spurred by a dynamic resort and gaming industry, has in many ways changed the character of the state, Rieke's observations on Nevada's fiscal stance remain as valid today as they were in 1968.

In this study, we examine the key sources of state and local tax revenues in Nevada and suggest how tax equity might be improved. While we do not examine all components of state and local government revenue, we do focus on the principal sources and important industry specific components of revenue. We also examine the impact of recent attempts at broadening Nevada 's tax base.

After a brief historical overview, we summarize sources and uses of revenues for Nevada governments. We then describe the burdens and incidence of specific taxes on Nevadans: (a) sales and excise taxes; (b) gaming taxes; (c) mining taxes; (d) property taxes; and (e) other business-related taxes. We conclude with recommendations for improving fiscal equity and revenue stability in Nevada.

Historical Background

Tax burdens on Nevadans are considerably below the national average. This is true of Nevadans in all income brackets but particularly so for Nevadans in high brackets. The **Institute on Taxation and Economic Policy** (ITEP) estimates state and local sales, excise, property, and income taxes paid by families in each state and in the United States as they depend on family incomes (http://www.itepnet.org/wp2000/text.pdf). The totals of these taxes paid by representative Nevada and American families of different incomes are plotted against income in Figure 1 (see Appendix at the end of the chapter). Both taxes and income are on logarithmic scales. As we can see from this figure, the state and local tax burden on Nevadans is consistently below that on other Americans. Since the scales of Figure 1 are logarithmic, the *percentage* spread in burden is seen to increase with income, a sign Nevada taxes are more regressive than state and local taxes in the United States as a whole.

- Nevada is in the middle-range of states in terms of per capita state and local tax collections (at $2,969 in fiscal 2002 Nevada ranked 25th) and tax collections as a percent of income (at 10.2% Nevada ranked 31st), http://www.mntax.org/cpfr/documents/hdmc02_001.pdf.

States with high per capita tax collections include New York, Connecticut, and New Jersey; states with low per capita collections include Mississippi, Tennessee, and Alabama.

The curves in Figure 2 reflect the extent to which the Nevada state and local taxes are more regressive than state and local taxes nationally. Each curve plots the cumulative percent of taxes paid by the lowest income bracket, the next lowest bracket, through the highest bracket against the cumulative percent of income received by the respective brackets.

- In Nevada, the poorest 20% of families, which receive less than 4% of the state's income, pay 7¼ % of state and local taxes as estimated by ITEP; the poorest 40% of families, which receive 11½ % of the state's income, pay 19¾ % of taxes; and so on.

The higher the hill of the curve, the disproportionately more in taxes does a low income family pay and the more regressive is the tax. Nevada's tax structure is more regressive than the tax structures of most states.

- The Silver State is among only 9 states that impose little or no income tax, a generally progressive tax that somewhat offsets the regressive impacts of sales, excise, and property taxes elsewhere. The other states with little or no state income tax are Alaska, Delaware, Florida, South Dakota, Tennessee, Texas, Washington, and Wyoming.

The progressive nature of state and local income taxes is evident in Figure 3c. The crater in the state and local income tax curve for the United States reflects the extent to which low income families pay *less* tax relative to their incomes than do high income families.

Sales plus excise taxes and property taxes are no more regressive in Nevada than they are nationally, as is evident by the curves in Figures 3a and 3b. Heavy reliance on these regressive taxes makes the state's overall tax structure quite regressive, as is seen in Figure 3d. The regressive nature of Nevada taxes is further exacerbated by motor vehicle registration fees, which impose a relatively heavy burden on low income families.

Gaming taxes also have a somewhat regressive impact on Nevadans though tourists reduce the overall burden of taxes on Nevadans.

- We estimate that tourists account for over 80% of gaming taxes and almost 40% of sales and excise taxes collected in Nevada, taxes which in 2002 made up 11% and 49% of total state and local tax revenues in the state, respectively (see Table 1 in the Appendix).

Nevadans, particularly retirees, are themselves substantial consumers of gaming services. We find the incidence of gaming taxes on Nevadans is regressive, but only slightly so.

The state's mining industry also reduces the burden of taxes on Nevadans.

- While net proceeds of mines, sales, and property taxes paid by the mining industry contribute just over 1% to total tax revenues in the state, they are a major source of revenue for the rural counties where mining is predominant, http://www.nevadamining.org/economics/reports/2004/2004_economic_overview.pdf.

Despite impressive growth in visitor volumes since 1990, growth in inflation adjusted gaming revenue has not kept pace with population growth in Nevada. Per capita gaming revenue adjusted for inflation has steadily declined. Nevadans, then, may increasingly need to rely on their own resources to finance public services.

Nevada's low-tax regime, which promotes and permits growth, also depends on growth.

- Construction employment accounts for over 10% of all jobs in Nevada, a larger percentage than in any other state and twice the national average.

Taxes paid by construction workers as well as sales taxes on building materials and fees on developers provide substantial revenues to Nevada governments. Their budgets and local economies would suffer if growth slowed.

Growth, however, does not pay for itself, at least initially, as evidenced by local sales tax increases enacted in the last decade to pay for additional water supply and transit infrastructure and additional police protection in rapidly growing Clark County. Infrastructure to support growth must be emplaced prior to the growth itself. In-migrants may ultimately pay for this infrastructure, e.g., schools and highways, through property, sales, and fuel use taxes. Much of the upfront costs, however, are borne by current residents. Elected officials walk a thin line in Nevada : they must not raise tax rates and fees in ways that stifle growth and hurt their budgets yet they must raise the revenues to pay for growth.

Nevada Tax Revenues: Sources and Uses

When a person buys a $100 pair of shoes in Clark County, she may not be aware nor really care that the $7.75 in sales tax added onto to her bill is comprised of

- a 2% state levy
- a 2.25% levy for support of schools
- a combined 2.25% levy for the city or county
- and additional local option taxes.

People weigh the taxes they pay their governments, whether state or local, against the services they receive. They are not always aware which level of government is providing which service. In this section, we therefore consider tax revenues and expenditures of Nevada state and local governments combined.

Fiscal federalism helps state and local governments throughout the U.S. look good in tests of costs versus benefits for resident taxpayers. Nevada is no different.

- In 2002, the latest year for which nationwide data is available (*Statistical Abstract of the United States 2006.* Tables 430 and 431), 11.7% of state and local government expenditures in Nevada were financed by transfers from the federal government. The comparable percentage for all states in 2002 was 17.6%.

Nevada taxpayers are further advantaged by the high shares of gaming, sales, and excise tax revenues paid by visitors, not by residents. Table 1 summarizes fiscal year 2002 Nevada state and local tax revenues by source.

- Almost 50% of these revenues come from regressive sales and excise taxes. Another 11% comes from gaming taxes, which are also somewhat regressive in their incidence on Nevadans.

- As we show in subsequent sections, however, visitors bear about 40% of sales and excise taxes and about 80% of gaming taxes, greatly reducing the burden of these taxes on Nevadans.

Other regressive taxes round out Nevada's tax structure.

- Property taxes account for over 25% of state and local tax revenues in Nevada. License fees, about 1/3 of which are motor vehicle fees, account for another 6.8% of the total.

Inflation adjusted per capita taxable sales in Nevada have been trending upward since the early 1990s (see Figure 4 in the Appendix), reflecting an influx of affluent retirees to Nevada and increased emphasis by Nevada resorts on non-gaming offerings.

- Inflation adjusted per capita taxable sales have also exhibited sharp downturns, following the 9/11 attack and the 2001 national recession.
- Inflation adjusted per capita gaming revenues have meanwhile trended downward, together with the declining emphasis by resorts on gaming (see Figure 6 in the Appendix).
- In addition, property taxes, which are severely capped, may contribute a smaller and smaller share to Nevada tax revenues in the future.

Nevada governments will then become increasingly dependent on volatile sales and excise tax revenues.

State and local government expenditures are low in Nevada, both in per capita terms and as a percent of personal income. Fiscal year 2002 per capita state and local government expenditures for Nevada and for all states are displayed in Table 2 in the Appendix.

- Nevada's $5,294 per capita public expenditure ranked 31st among all states.
- Given the relatively high per capita income in the state, Nevada's expenditure to personal income ratio of 17.1% ranked 42nd among all states (http://www.clg.state.va.us/stlfin02.pdf).

These 2002 expenditures were strikingly tilted two-to-one to the local level.

- Nevada's ratio of local-to-state expenditures was the greatest among all states. The State of Nevada ranked last in its expenditures relative to population and relative to income.
- Very low State of Nevada expenditures on education and social services were somewhat compensated by higher expenditures at the local level. Nonetheless, Nevada's overall per capita expenditure rankings in these categories were 46th and 48th among all states.

Nevada's low-tax/low-social-spending fiscal stance may attract the economically active and independent while it repels the needy and dependent.

Nevada Sales, Use and Excise Taxes

A 2006 *Las Vegas Review Journal* editorial notes *"The state tax structure continues to generate record revenues. On Wednesday, the Department of Taxation released the latest sales tax numbers – and they represented another budget windfall. Taxable sales were up 11.4% in February when compared with February 2005. That marks the 25 th time in the past 30 months that sales tax receipts have jumped by double digits."* (*Tax Rebate II from Carson City*, April 28, 2006).

Sales taxes were first introduced by states in the United States to meet their financial emergencies during the sharp recession of 1921 and the depression of the 1930s. (Zubrow, Decker, and Plank, *FinancingState and Local Government in Nevada*, p. 383). The tax was retained and more generally adopted because of its revenue productivity. Nevada instituted a retail sales tax in 1955.

Sales, use, and excise taxes now comprise an important source of state and local government tax revenues in Nevada . These taxes on consumption include taxes on tangible property sales or use and taxes on intoxicating beverages, tobacco products, and motor vehicle fuel. All but fuel taxes are general fund revenue sources.

- Sales and use tax revenues account for approximately 33% of the total 2005-2007 biennium general fund revenues for the State of Nevada . (State of Nevada , *2005-2007 Executive Budget*, p. INTRO-5, http://budget.state.nv.us/bb0607/BB0507Intro.pdf).

In many cases, sales and use taxes are the largest funding source for local governments, having replaced property taxes as the prime revenue source following the "tax shift" enacted by the Nevada Legislature in 1981.

- Sales and use taxes in Nevada are comprised of a 2% state levy, a 2.25% levy for support of schools and a combined 2.25% levy for basic and supplemental city-county relief taxes. The relief tax elements were implemented to soften the impact of property tax limits.

Beside these core levies, a majority of counties impose special option sales taxes for programs from flood control and transportation to public safety and capital improvements.

- Combined sales and use tax rates range from a low of 6.50% in several rural counties to a high of 7.75% in Clark County.

Sales and use taxes are regressive. Excise taxes add to the regressive nature of taxes in Nevada.

- Beverage and tobacco tax collections for 2004-2005 in Nevada accounted for just under 10% of non-gaming tax revenues.
- Fuel taxes as high as 33 cents per gallon in Clark and Washoe Counties are also significant burdens on residents as well as visitors (State of Nevada, Department of Motor Vehicles, Motor Carrier Division, https://dmvapp.state.nv.us:8443/motorfuel).

It is generally believed that visitors pay a significant share of sales and excise taxes in Nevada. Shifting much of these regressive taxes to visitors reduces the burden of regressive taxation on residents. The narrow base upon which sales taxes are applied in Nevada, particularly the exemptions for groceries and drugs, further limits the regressive nature of resident taxation. Taxes on business-to-business transactions may also reduce the regressive nature of

Nevada taxation. The absence of an income tax and the heavy reliance upon sales taxes for government revenues, however, remain regressive features of the state’s tax structure.

- In 2004, sales, use, and excise tax collections in Nevada totaled over $3.7 billion including the state and school fund levies, basic and supplemental city-county taxes, county option taxes, liquor taxes, tobacco taxes and fuel tax collections (Nevada Department of Taxation,*Annual Report to Governor*, January 16, 2006, http://tax.state.nv.us/documents /SECTION_1_05.doc, and Nevada Department of Motor Vehicles,*Facts and Figures*, February 2005, p. 21, http://www.nevadadot.com/reports_pubs/ndot_fact/pdfs /2005factbook.pdf).

Table 3 show the tax burden on residents absent any allocation of burden to visitors. This is a base from which to evaluate the impact of burden sharing of Nevada consumption taxes between residents and visitors.

- Per capita income in Nevada in 2004 was $30,177 based on a population of 2,372,821. Table 3 data suggest that residents, absent the tourist based economy, would be paying over 5% of their incomes in consumption taxes.

Nevada ’s sales and use taxes are less burdensome on residents than these data suggest because a significant share of the burden is shifted to non-residents.

A 35% contribution to sales tax revenue from the gaming and resort industry is often cited to support the premise that Nevada “exports” much of its taxes to visitors (Nevada Resort Association, www.nevadaresorts.org/taxes2.html). This measure is flawed because employees of the gaming and resort industry, Nevada residents, are included in the estimate. The business purchases of top gaming companies are also included in the 35% estimate. While this is an important component, it is not an exported tax liability.

We find, however, that the actual amount of sales tax burden exported to visitors is even greater than 35%. While burden sharing does not change the regressive nature of Nevada sales, use, and excise taxes, the shared burden lessens the impact upon Nevadans.

- Nevada resorts grossing $1,000,000 or more in gaming revenues reported combined sales of food, beverage and other taxable goods of $6,409,136,825 in 2005 (Nevada Gaming Control Board, *2005 Nevada Gaming Abstract*, p. 12, http://gaming.unlv.edu/abstract/stats.html#state). With total taxable sales in Nevada of $43,960,513,744, these major companies in the largest sector affected by visitors account for just under 15% of taxable sales.

This does not consider the wider impact of visitors on taxable sales outside of resort industry facilities.

Table 4 reflects the visitor volumes and average taxable sales expenditures for the two major tourist destinations in Nevada, Clark and Washoe counties.

- Clark and Washoe account for approximately 90% of all taxable sales throughout the state.
- Based on visitor volumes and expenditures on taxable items, the share of sales, use, and excise taxes paid by visitors is approximately 39% combined for these counties. This amount is only attributed to visitors and excludes resort industry employees and the resorts themselves.
- The tax burden borne by visitors reduces the per capita burden of sales and excise taxes on Nevadans to 3.23% of income, or 61% of the 5.27% reported in Table 3.

An email we received from on April 17, 2006 from Robert S. McIntyre of the Institute on Taxation and Economic Policy supports our estimate.

- Using a methodology different from ours, ITEP estimates that Nevada's general sales tax burden is split 58:42 percent between residents and visitors.
- The small variation between our estimate of 39% visitor contribution and the ITEP estimate of 42% may reflect our

only considering visitor volumes for Clark and Washoe Counties.
- ITEP further notes that excise taxes, specifically intoxicating beverage, cigarette and motor vehicle fuel taxes, were heavily exported to non-residents with residents paying 60% of these taxes and visitors paying 40%.

Although the share from non-residents is important, the burden of sales, use, and excise taxes is still substantial for lower income Nevada households. Table 5, derived from ITEP's study *Who Pays?*, reflects the incidence of sales and excise taxes on Nevada families by income bracket as fractions of their incomes.

- Families in the lowest 20% of income pay the highest percent of their incomes in sales, use, and excise taxes at 3.4% of income. Families in the highest 1% of income pay less than 1% of their incomes in sales and excise taxes. According to ITEP, tax burdens increased on all Nevada income groups since 1989, with the biggest impact on those at the lower and middle-income scales.

Inflation adjusted per capita taxable sales in Nevada over time are plotted in Figure 4. As suggested by the *RJ* editorial cited at the beginning of this section, these sales exhibit a strong upward trend. Sharp downturns, however, are also evidenced, as in the 2001 national recession and following 9/11. Increased reliance on sales and excise taxes exposes Nevada governments to fiscal risks.

In summary, Nevada's sales, use, and excise taxes are clearly regressive. Lower income families pay greater shares of their incomes in these taxes than higher income groups. Nevada's incidence of sales, use and excise taxes, however, is no more regressive than the incidence of these taxes for the nation as a whole. Nevada's increasing dependency on sales, use and excise taxes reinforces the regressive nature of the tax environment, limited in impact by the exclusions for groceries and medicine and by the share paid by visitors.

Nevada's Gaming Tax: Resident Burden and Incidence

Special taxes on gaming can be justified in a number of ways (Zubrow, Decker, and Plank, *Financing State and Local Government in Nevada*, p. 327 ff). (a) They compensate the public for the negative spillovers reputedly associated with gaming: crime, sin, and so forth. Taxation of gaming can somewhat inhibit this offending activity. (b) Gaming taxes can also be viewed as taxation of luxury consumption. (c) Gaming taxes compensate the State for the providing the framework in which gaming can operate. The State is then something of a partner in gaming enterprises. Gaming tax revenues give it the means to provide the public infrastructure and services that gaming needs. The same argument, of course, can be made for taxing any business activity: the State provides the framework and shares in the proceeds. From this vantage point, gaming taxes are a special form of business income tax. (d) Lastly, gaming taxes are seen as taxes on the privilege enjoyed by gaming licensees when gaming is prohibited in most other jurisdictions. The taxation of gross gaming revenues partially captures the value of this privilege, the economic rent that it yields, for public benefit.

Gaming taxes are a major revenue source in Nevada.

- Gaming taxes accounted for over 38% of State of Nevada general fund revenues from 1995 to 2003 and for over 11% of total state and local tax revenues in 2002 (Governor's Task Force on Tax Policy, Analysis of Fiscal Policy in Nevada 2002, Executive Summary, p. 3,http://www.leg.state.nv.us/71st/interim/studies/taxpolicy/FinalReport/Executive%20 Summary.PDF; Terri C. Walker Consulting, *The 2005 Casino and Gaming Market Research Handbook*, p.4; *Statistical Abstract of the United States 2006*, Table 430,http://www.census.gov/prod/2005pubs/06statab/stlocgov.pdf).

It is generally supposed that visitors pay most of these taxes and gaming tax incidence on Nevada residents is regressive. Using data for the early 2000's, we find that

- Nevada residents indeed bear only 19% of the gaming tax burden not borne by gaming operators themselves, though this fraction may be rising. Visitors bear the remaining 81% of the gaming tax burden.

- We estimate the average Nevada adult spent $1,200 annually on gambling in the early 2000s, over 4% of per capita income in the state and nine times the per capita percentage of income spent on gambling for the United States as a whole.
- The gaming tax on this average annual expenditure by Nevadans is $91 or 3/10 th of 1% of per capita income in the state.

The regressive nature of gaming taxation on Nevada residents cannot be taken for granted. According to our best estimate, Nevadans whose current incomes are relatively low do pay somewhat higher fractions of their incomes in gaming taxes than Nevadans whose current incomes are relatively high. Gaming tax incidence on Nevadans, while regressive, deviates only slightly from being proportional to income.

Our estimates of tax burden and tax incidence are based on an extensive survey of gambling by Nevadans conducted by Gemini Research for the Nevada Department of Human Resources in 2002, *Gambling and Problem Gambling in Nevada*(http://www.hr.state.nv.us/directors/NV_Adult_Report_final.pdf), supplemented by the *2001-2002 Clark County Residents Study* prepared by GLS Research for the Las Vegas Convention and Visitors Authority and by income and demographic data reported in the *Statistical Abstract of the United States*. Our methodology is documented in a separate report, *Nevada's Gaming Tax: Estimating Resident Burden and Incidence*(http://www.unlv.edu/faculty/bmalamud/estimating.gaming.burden.incidence.doc).

- We estimate Nevadans aged 21 and older spend an average of 40.7 hours gambling each year.

Other findings based on the Gemini survey of 2,217 Nevadans and summarized in Table 6 include:

- Men gamble substantially more than women.
- Older Nevadans gamble substantially more than younger Nevadans.

- Nevadans of “other” ethnicity, most likely Asian-Americans and persons of two races, gamble more than average while Hispanic-Americans gamble less than average.
- Widows and widowers, most likely older persons, gamble more than others, particularly more than married persons.
- High school graduates and college graduates gamble more than average while Nevadans with some college – and perhaps still enrolled – and persons with graduate education gamble less than average.
- Retired and unemployed persons gamble substantially more than average while housekeepers and students gamble substantially less than average.
- Nevadans with household incomes in the $15-25,000 range gamble somewhat (11%) more than average while those in the highest income group gamble somewhat (10%) less than average.

All of these results make socioeconomic sense. Gambling is time-intensive consumption.

- Persons with the highest values of time should gamble least: students and housekeepers, particularly those with children at home; the employed and the highly educated; the 35-44 age group, the group most likely with children at home; and those with the highest incomes, most likely the fully employed.
- Persons with the lowest values of time should correspondingly gamble most: widowed, older, and retired persons as well as the unemployed.

Of course, there are overlaps in demographic categories that are not evident from the way the Gemini survey results are reported. It is known, for example, that older and retired persons have lower current household incomes than younger, economically active persons.

- The $15-25,000 household income range that spends the most time gambling is probably disproportionately comprised of retirees.
- The lowest income group (less than $15,000 annual income) no doubt also has many retirees who would spend more than

the average amount of time gambling were it not for their low incomes.

Is the Gaming Tax Regressive?

The short answer to the question, "Is the gaming tax regressive?" is yes. Persons with the highest current household incomes spend the least time gambling while persons with relatively low current household incomes spend the most time gambling (see Table 6).

- The average times spent gambling by persons in the lowest three income brackets in Table 6 are all above the our estimated average for all Nevadans of 40.7 hours per year, based on an average gambling session length of 1.6 hours that we apply to all demographic and income groups.
- The average times spent gambling by persons in the highest three income brackets are at or below the overall average.

If wagers per slot handle pull and card hand are in proportion to current incomes, lower income Nevadans bet and lose higher fractions of their incomes than do higher income Nevadans.

- Since gaming taxes are proportional to operator revenues and hence player loses, low income Nevadans pay higher fractions of their incomes in gaming taxes than do high income Nevadans.
- With wagers proportional to incomes, the gaming tax on Nevadans is regressive but, as suggested by Table 6, only moderately so.

Table 6, however, may *understate* the extent to which the gaming tax on Nevada residents is regressive. Lower income players may play low denomination games with higher hold percentages. They would then lose higher fractions of their wagers and hence of their incomes than the average player even if their wagers were proportional to their incomes. Our assumption that all gambling sessions are of equal length, 1.6 hours, may understate the lengths of time that low income retirees gamble. If these persons with low incomes and low values of time not only gamble more frequently but also for more than 1.6 hours each time they gamble while employed persons with higher incomes and higher values of time not only gamble less frequently but for less than 1.6 hours each time they gamble, the true distribution of gambling hours may be more heavily weighted toward low incomes than is shown in Table 6. Total bets and total loses by low income persons as fractions of their incomes would then be even greater relative to those of high income persons than is suggested by Table 6.

There are offsetting reasons, however, to believe Table 6 may *overstate* the extent to which Nevada 's gaming tax is regressive.

- Persons who spend the most time gambling – e.g., retirees and persons with household incomes in the $15-25,000 range – are likely to search out low hold-percentage games for the denominations of games that they play and hence suffer lower loses than otherwise.
- Casual observation suggests that retirees tend to play low-hold games like video poker. They further reduce effective hold by disproportionately taking advantage of casino promotions, particularly in local casinos.
- And persons with low incomes and low values of time may stretch out the time they spend gambling by playing more slowly. GLS Research (*2001-2002 Clark County Residents Study*, p. 20), for example, reports slot players with lower daily gambling budgets insert fewer coins per play than those with higher budgets.
- Nevada's professional gamblers, net winners who no doubt spend the most time gambling, largely escape gaming taxation altogether.

Another reason Table 6 may overstate the extent to which gaming tax is regressive is that Gemini Research reports *individual* gambling behavior by *household* income. Low income two-adult households may face severe constraints on their total gambling budgets so their per capita gaming expenditures may be lower than Table 6 suggests. In addition, household incomes reported to Gemini Research no doubt ignore imputed incomes from owner-occupied dwellings. To the extent older persons with relatively low reported current household incomes are more likely to own their homes free-and-clear, their true incomes are higher than reported and the burdens of the taxes they pay on their gambling consumption are correspondingly lower.

Finally and most significantly, the regressive or progressive nature of a tax should properly be viewed against permanent incomes, not current incomes. Unemployed persons gamble for long hours, as is seen in Table 6, and their current incomes are undoubtedly low. Their gaming tax burdens are then high relative to their current incomes. But these persons will not stay unemployed for long, nor do they expect to. Over the long-run, they bear a less onerous gaming tax burden than Table 6 suggests. This is so for retirees who gamble as well. Their incomes were likely higher in earlier years when they faced the expenses of raising families and the needs to save for retirement. They likely gambled less in those years, just as younger persons gamble less now. In addition, retirees can now supplement their low current incomes and increase their consumption, including their consumption of gaming services, by dissaving. The burden of gaming taxes as well as other taxes over their life-cycle is then lower than that suggested by the ratio of current taxes to current income.

For all of these reasons, some that suggest our estimate of gaming tax regressivity is understated and others that suggest it is overstated, we reiterate our prior conclusion concerning gaming tax incidence on Nevadans. The gaming tax on Nevadans is regressive, but only moderately so.

Gaming Tax Burden on Nevada Residents

Individual residents bear gaming taxes in proportion to their gambling losses.

- We estimate the average adult Nevadan gambles 40.7 hours per year and, as developed for the early 2000s in *Nevada's Gaming Tax: Estimating Resident Burden and Incidence*, http://www.unlv.edu/faculty/bmalamud/estimating.gaming.burden.incidence.doc, loses $1,200 per year.

- With an effective state and local gaming tax rate of 7.61% in Nevada cited by Terri C. Walker (*The 2005 Casino and Gaming Market Research Handbook*, p.4), not much different from the sales tax rate on other discretionary purchases, the annual gaming tax attributable to the average adult Nevadan is $91 per year.
- We view this as the maximum tax burden on the average adult Nevadan because some of the burden is borne by gaming operators and their employees.

Nevadans gamble in casinos more extensively than Americans in general.

- The average Nevadan's gambling expenditure of $1,200 per year in the early 2000s was 4.2% of the state's 2003 per capita income of $28,767. This compares with casino gaming consumption expenditures of just under ½ of 1% of per capita income nationwide. The average Nevadan consumes nine times as much Nevada-style gambling services as the average American.
- The gaming tax burden on residents amounts to at most 3/10 th of 1% of Nevada 's per capita income ($91/$28,767, assuming all of the tax is borne by gamblers and none is borne by gaming operators).
- At $91 per adult resident, annual gaming tax revenues attributable to Nevada 's adult residents account for 19% of state and local gaming tax revenues in Nevada.

Stations Casinos provides an updated estimate of gambling by Las Vegas residents (http://www.inbusinesslasvegas.com/2006/04/14/feature1.html).

- Stations estimates per capita Las Vegas resident gaming expenditures at $1,480 in 2005.

This may be something of an overestimate: Stations attributes all gaming expenditures at local casinos to residents and none to visitors. The order of magnitude of Station's estimate is nonetheless consistent with our estimate of $1,200 per year or 4.2% of state per capita income in somewhat earlier years.

Whether paid by visitors or by residents, gaming tax revenues per Nevadan have been declining in real terms since at least 1990. This downward trend can be seen in Figure 5, together with the trend in gaming revenues as a percent of total resort industry revenues over the same years.

- As the emphasis of major resort-casinos trends away from gaming and Nevada's population of heavy-gambling retirees grows relative to the state's total population, the share of statewide gaming taxes paid by Nevadans themselves is anticipated to increase.

Raise the Gaming Tax?

Since over 80% of Nevada's gaming taxes are attributable to gambling by visitors, it is only natural for Nevadans to consider raising this tax. Table 7 summarizes state and local gaming revenues and gaming taxes by state in the United States.

- Gaming revenues and gaming tax collections in Nevada exceed those in any other state.
- The contribution of gaming taxes to total state and local tax revenues is far and away greatest in Nevada.
- Nevada's effective gaming tax rate – taxes divided by revenues – is lowest among all states.

High tax rates may stifle the expansion of gaming elsewhere and reduce the gaming tax revenues collected by governments in other states. Average daily revenues per gaming position (ADR) by state are plotted against state effective tax rates in Figure 6 in the Appendix. A "line of best fit" is also shown in Figure 6 for reference. We compute gaming positions as the number of gaming devices plus six times the number of gaming tables in a state and show these next to each state's data point in Figure 2. As the data shows,

- Nevada , with the largest gaming industry of all states, has the second lowest ADR per position, $159. ADRs rise with the effective gaming tax rate in a state.
- Gaming devices and tables in states with high effective tax rates appear to be economically viable only when they enjoy

high ADRs. This requires, in turn, that there be fewer gaming positions serving many patrons in states where tax rates are high.
- All the states whose ADRs are above the line of best fit have very few gaming positions considering their locations.

Deviations of observed ADRs from the line of best fit in Figure 1 can be readily explained.

- ADRs are lower than expected in Delaware and West Virginia , where gaming is restricted to racinos. The low ADR in Colorado is likely owing to the inaccessibility of gaming venues there and to the $5 cap placed on wagers in the state. Missouri similarly has a $500 cap on allowable losses by a player on its riverboats. High ADRs in New Jersey, Michigan, Indiana, and Illinois are likely owing to high population densities in and around these states and, in the case of Illinois, a very strict limit on gaming licenses.

Nevada's low gaming tax rate, while not the cause of gaming's spectacular expansion in the state, is permissive of expansion. The gaming industry can emplace many devices and tables and still do very well in Nevada despite the low ADR per position in the state.

Figure 6 suggests two consequences if Nevada 's gaming tax rates were raised. Firstly, total gaming tax revenues would increase from what they otherwise would be, at least for a small increase in the tax rate.

- At 7.61%, the effective tax is but a small fraction of the hold percent, the price players pay to gamble in Nevada.
- A 10% increase in the tax rate to 8.37%, for example, would constitute only an 8/10 th of 1% increase in the price players pay, even if the whole of the tax increase were passed on to players.
- Nevada operators enjoy an after-gaming-tax hold percent of 6.28% (=.9239 x .068). To maintain that effective hold after the tax rate rises to 8.37, the hold percent would need to be raised to 6.86% (=.0628/.9163), a 0.83% increase in hold over 6.28%.

Thus, only a small reduction in handle – the tax base – would result. But result it would. An increase in the gaming tax rate would slow the growth of gaming in Nevada.

Mining Industry Taxes

Tax revenues from mining are collected from application of the Net Proceeds of Mines tax (NPOM), as well as *ad valorem* property taxes, sales and use taxes, and business taxes. Estimates of these tax payments by the mining industry from 2001 to 2004 are displayed in Table 8.

- Tax payments by the mining industry account for approximately 1% of total state and local taxes in Nevada. Sales and use taxes, largely attributable to industry purchases of heavy equipment, account for a major share of industry tax payments.
- The net proceeds of mines tax, though relatively small, provides significant revenues for the rural Nevada counties in which mining is concentrated.

The net proceeds of mines tax is essentially an industry-specific property tax with certain constitutionally protected limits and statutorily defined application (Nevada Constitution Article 10 §§ 1 and 5, NRS 362). It was instituted in the 19th century to tax properties of the politically powerful mining industry but at a lower rate than other properties (Zubrow, Decker, and Plank, *Financing State and Local Government in Nevada*, p. 176 ff).

Gross and net proceeds of mines in Nevada from 2000 to 2004 are displayed in Table 9.

- Mining is a significant basic industry in Nevada employing 11,690 people – just under 1% of the state's labor force – at an average annual salary of $67,652, much above the $36,088 average in the state as a whole (Nevada Mining Association,http://www.nevadamining.org/economics).
- Net proceeds of mines tax revenues fluctuate with the market price of the mineral that is mined and with the cost of

extraction. Net proceeds of mines thus provides a market-based measure of the mined resource's value.
- The net proceeds of mines tax has little incidence on Nevada residents.

Table 10 displays output and price data for gold and aggregate, Nevada's two major mining activities, and for total mineral production in the state from 1972 to 2004. The Nevada Mining Association provides an *Economic Overview of the Nevada Mining Industry 2004*(http://www.nevadamining.org/economics/reports/2004/2004_economic_overview.pdf).

- Gold production has accounted for over 80% of the state's total mineral production in recent years.
- Nevada accounted for over 87% of U.S. production in 2004 and approximately 8.7% of world production. The state ranks 3rd in the world in gold production, after South Africa and Australia.
- At the end of 2004, Nevada's gold reserves stood at 80.4 million ounces, sufficient to maintain current levels of production for over twelve years.

Gold output in Nevada has steadily declined since 2000 despite a dramatic rise in the price of gold, as is evidenced in Table 10. Lower grades of gold ore have been mined, making for steadily rising per ounce costs. Several mines have been closed. Nonetheless,

- Exploration expenditures continued to grow in 2004 and were expected to top $100 million in 2005, a value still below their 1995-1997 peaks.

The steady growth of aggregate output reflected in Table 10 is driven by and supportive of Nevada's dynamic economic and population growth.

Local governments retain the largest shares of net proceeds of mines taxes. Because of the way the three major taxes (net proceeds of mines, property, and sales and use taxes) paid by mining are allocated, approximately two-thirds of the total tax payments stay with local government. Table 8 reports the sharing of the net proceeds of mines tax between state and local governments. The table clearly indicates the minor nature of the net proceeds of mines tax as a component of the state general fund. Net proceeds of mines tax revenues, however, are quite significant in rural Nevada.

- Elko, Eureka, Humboldt, Lander, Nye and Pershing counties account for over 99% of gross valuation of minerals and net proceeds of mines taxes.

Property Taxes

The property tax is one of the oldest of government levies, tracing back to ancient Greece and Rome . Property taxes roughly gauge benefits received from major public services: police and fire expenditures protect the values of properties; streets and highways give properties their economic relevance. Zubrow, Decker, and Plank provide an overview of the evolution of property taxation in the U.S. and Nevada (see *Financing State and Local Government in Nevada*, chapter VII).

Property taxes are primarily a local government revenue source in Nevada , although not the most significant source. While generally held to be regressive, Nevada policy minimizes the burden on residents, particularly long-term real property owners.

- The burden is limited by restricting the allowable tax rate and assessment valuation and by capping the growth in taxes on properties in any given year.
- By constraining the growth of property taxes the regressive impacts of Nevada taxation are somewhat mitigated.
- The limitations on property taxes favorably impact the gaming industry.

Table 11 reports tax rates, assessed and taxable values, and estimated property tax revenues for 2006 (Nevada Controller, *Comprehensive Annual Financial Report, 2005*. The revenue projections are based on state data from the Nevada

Department of Taxation used by the Controller in preparing the annual report).

- The state tax levy is $0.1700 per $100 of assessed valuation, a small fraction of the total rates for the two largest counties, $3.0782 for Clark County and $3.5492 for Washoe County. The average tax rate throughout Nevada ’s counties is $3.1124.
- The state levy is only used to service general obligation bond debt. Property taxes do not contribute to the state general fund.
- Each county is required by statute to place a $.75 per $100 of assessed value levy for support of schools. This levy frees state revenues that would otherwise be applied to school support. The state general fund thus benefits indirectly from this local levy (NRS 387.195).

While property taxes contribute significantly to local government debt service, school support, select special purpose funds, and general funds, the reliance on sales, use and excise taxes is far more important. For example,

- The estimated $1.9 billion of property tax revenues for Clark County in 2006 comprises less than 40% of the total budget for the county (http://www.co.clark.nv.us/finance/finance_index.htm).

The largest taxpayers in Nevada are commercial properties. Table 12 lists the largest property tax payers in the state and in Clark and Washoe counties along with the estimated shares of assessed valuation attributable to each of them.

- State and local governments depend on these ten taxpayers for nearly 10% of their property tax revenues.

Nevada’s two largest counties that account for nearly 90% of the statewide assessed valuation rely heavily on the gaming industry for property taxes.

- Six of the ten largest taxpayers in Clark County are gaming companies, comprising approximately 10% of the total assessed countywide valuation (http://www.co.clark.nv.us/ASSESSOR/Clark_Cnty_Largest_Taxpayers.htm).

- In Washoe County , the gaming and resort industry account for seven of the top ten. These seven account for just over 2% of countywide assessed valuation (http://www.co.washoe.nv.us/assessor/rptanddl.htm).
- On a statewide basis, these 13 top gaming related taxpayers account for nearly 8% of assessed valuation.
- The overall contribution of gaming would be substantially greater absent the statutory limits in place

Legislative Limits on Property Taxes

As a matter of public policy, the State of Nevada attempts to limit the burden and coincidentally the overall regressive impact of taxation in Nevada. In 1979, the Nevada Legislature restricted property tax rates to $3.64 per $100 of assessed valuation, a rate below that allowed by the Nevada Constitution.

- The Nevada Constitution, Article 10 § 2, limits the tax rate to 5 cents per $1.00 of assessed value or $5.00 per $100.
- In addition, the growth in property tax revenues collected by any local government was limited to 6% per year (NRS 354.59811) in 1981. Each government adjusts its tax rate as follows to stay within this limit as property values increase.
- The government's property tax revenue in the previous fiscal year is multiplied by 106%. This amount is then divided by the projected assessed valuation for the upcoming year to determine the tax rate needed to generate the maximum allowable revenue in this fiscal year (http://tax.state.nv.us/DOAS%20Property%20Taxes/PART%20III%20-%20How%20Property%20Taxes%20are%20Calculated.pdf).

Assessed value is 35% of "taxable value." In 1981, the Nevada Legislature redefined taxable value (NRS 361.227). As with NRS 354.59811, these changes further reduce the burden on residents and the overall regressive nature of Nevada taxation.

- Taxable value subsequent to 1981 is based on the full cash value of land plus replacement costs less 1.5% depreciation per annum up to 50 years. The use of a depreciation factor restricts the true valuation growth of real property. This tends to reduce the tax burden on longer-term residents by smoothing the impact upon valuation that occurs as a result of Nevada's fast growth and escalating land and housing costs from what would otherwise occur.

The application of a depreciation factor is unique to Nevada (Governor's Task Force on Tax Policy in Nevada (2002), *Analysis of Fiscal Policy in Nevada*, p. 2-10). It was a key component of the so-called 1981 tax shift from property taxation to a heavy reliance on sales, use and excise taxes. The 1981 changes to property tax valuation created the need for the supplemental city-county relief tax rate discussed elsewhere.

Besides the depreciation factors, the Nevada Legislature recently enacted a capping percentage to address the escalating value of land and capital improvements that would otherwise lead to substantial increases in the aggregate tax impact on real property. Assembly Bill 489 passed the Nevada Legislature in 2005 and was signed into law by Governor Kenny Guinn.

- The bill amended Chapter 361 of Nevada Revised Statutes to place an annual 3% cap on property taxes on an owner of a residential property and an 8% cap for a commercial property (NRS 361, NAC 361 as authorized by Chapter 20 Statutes of Nevada, 2005,http://www.leg.state.nv.us/73rd/bills/AB/AB489_EN.pdf.
- These caps do not apply to new properties added to the existing property tax rolls in the first year, but then apply subsequently.
- The 3% and 8% caps continue to follow the property, i.e., they are retained regardless of sale.

The caps, then, are actually on the property, not the owner. The annual growth of property tax revenues beyond the capped amounts occurs as a result of new properties being brought onto the tax rolls.

- Nevada local governments continue to be limited to a 6% overall increase in their property tax revenues from one year to the next.
- As a practical matter, the NRS 354 provisions of a 6% cap are rendered moot by the 3% and 8% caps.

Nevada governments' dependence on property taxes is constrained to protect property owners from substantial increases in burden due to escalating growth in Nevada . At the same time, the limitations on property tax deny Nevada governments growth-related revenues to meet the costs of growth.

Given the gaming industry share of property valuation, the statutory constraints reduce their property tax burden as well. As with other principal revenue sources for state and local governments, the state's primary industry bears a significant share of the property tax burden.

Other Business Related Taxes

State tax policy has recently focused on broadening the tax base. This is made substantively difficult by the Nevada Constitution's bar on personal income taxes (Nevada Constitution Article 10 § 9). The effort has focused on adding forms of business taxation, other than corporate or business income taxes, to spread the burden from gaming to the non-gaming business sector. These broadening efforts are related to state, not local, revenues. The more significant taxes created or amended as parts of this attempt include a bank excise tax, a live entertainment tax, and a modified business tax. There is also a state business license fee of $100 annually required of nearly all businesses in Nevada and an insurance premium tax on insurance written in Nevada. While a business specific tax, the insurance premium tax is essentially a "sales" tax on insurance policies.

The bank excise, live entertainment, and modified business taxes are more relevant to the present examination. The bank excise tax is levied on each branch of a bank above one in the state at the rate of $1,750 per branch. The bank excise tax is not charged to credit unions (Nevada Department of

Taxation, http://tax.state.nv.us/documents/TPI-01%2022%20Bank%20Excise%20Tax%20Questions%20%20Answers.pdf).

- According to the Department of Taxation Annual Report, state revenue from the bank excise tax is just over $3.0 million,http://tax.state.nv.us.

The live entertainment tax is applied to a business if three conditions are met: (a) live entertainment is offered on the premises; (b) an admission charge or drink minimum is collected; and (c) the facility in which the live entertainment is provided has a maximum capacity of at least 200.

- The tax rate is 10% of all amounts paid for food, refreshment, merchandise, and admission or similar charges while the business has live entertainment status for unrestricted licensees.
- Non-restricted licensees who offer live entertainment in a venue that holds 7,500 patrons or more are subject to a 5% tax on admission sales (Nevada Gaming Commission; see http://gaming.nv.gov/taxfees.htm#1d).
- Live entertainment tax revenue to the state exceeds $8.5 million.

The modified business tax was passed into law in 2003. The tax is based on the gross wages paid by employers for each calendar quarter with a deduction for allowable health care expenses paid by employers on behalf of their employees. The reduction for health coverage was largely introduced to encourage businesses to add insurance coverage for employees and to reduce the overall impact of the modified business tax on the gaming industry, an industry that already carries a large burden in both gaming taxation and sales tax. Two different tax rates are applied.

- General businesses pay 0.7% of gross wages. Financial institutions pay a 2% rate (Nevada Department of Taxation,http://gov.state.nv.us/pr/2004/03-30TAX.htm). The state government derives nearly $227 million from the tax.

While the bank excise and modified business tax are attempts at diversifying the tax base, the live entertainment tax not only taxes certain non-resort businesses but adds to the tax burden of the resort industry. The resort industry remains the most significant single contributor to Nevada ’s fiscal structure.

Prospects for the Future and Policy Recommendations

State and local tax revenues have been growing dramatically in Nevada. By every indication, their rapid growth will continue into the foreseeable future. These gaming- and sales-tax-dependent revenues are increasingly sensitive to the business cycle. Careful attention must be paid to state and local “rainy-day” funds before any changes in the state’s fiscal structure are contemplated.

Nevada’s tax structure successfully exports much of the state’s tax burden via taxes on gaming, taxes on mining, and sales, use, and excise taxes on visitor purchases. The remaining burden is shared inequitably between Nevada businesses and inequitably between Nevada residents. To consider available policy options, we need to bear in mind the following:

- Taxes on gross gaming revenues disadvantage Nevada’s key industry relative to other businesses in the state.
- The tax burden on residents, while low in comparison with other states, falls more heavily on low income households than on high income households.
- Attempts to broaden Nevada’s tax base (e.g., the modified business tax, the live entertainment tax, and the bank excise tax) have exhausted practical remedies absent constitutionally banned personal income taxes.
- Even without the constitutional prohibition, income taxes are not a politically feasible option in Nevada.

Although income taxes in Nevada may not be politically feasible, we would be remiss to ignore business income taxation as one way to increase tax equity between Nevada businesses. Article 10 of the state constitution prohibits any serious consideration of personal income taxation but not corporate income taxation. Nevada could add a simplified corporate income tax to other business taxes. Past attempts at tax-base diversification skirted this issue in an attempt to avoid the specter of a state internal revenue system. A narrow set of rates applied to federal income tax returns would not require a substantial increase in the scope of Nevada government. State revenue officials could rely on the federal system for much of the administrative burden.

In order to promote fairness in any proposed corporate income tax, industry specific taxation, notably gaming taxes, would have to be eliminated or reduced and the resort industry would have to be given tax credits for the gaming taxes they do pay. Similar tax elimination, reduction, and credits would have to be considered for modified business taxes and net proceeds of mines taxes.

Business income taxation, however, would not reduce the regressive nature of other taxes on Nevada residents.

More practically, ways to mitigate the regressive nature of Nevada's fiscal structure should be sought on the expenditure side, not the tax side, of state and local budgets. As discussed earlier in this report, Nevada ranks low among states in funding social services and education, including K – 12 and higher education. Teresa Jordan documents the lagging performance of Nevada youth on nationally normed tests and recommends expenditures that promise improvement (*Academic Achievement and School Resources in Nevada*,http://www.unlv.edu/centers/cdclv/mission/index2.html). After meeting prudent rainy-day requirements, Nevada governments should bolster spending on education and on selected social services. Increased education funding will benefit households irrespective of their incomes. Increased social service funding may benefit low income households more, on average, than high income households depending on the services provided.

One exciting idea pioneered in Massachusetts is state mandated and subsidized health insurance for all residents. Surpluses generated by Nevada's tax structure and dynamic growth could capitalize a state-subsidized health insurance fund. Nevada's efforts to date to extend health insurance coverage in the state are documented by Charles B. Moseley and Michelle Sotero (*Health Care Access and*

Insurance Availability in Nevada, http://www.unlv.edu/centers/cdclv/mission/index2.html).

State subsidized health insurance, together with targeted education expenditures, would not only benefit the direct recipients but the business community as well. Improved education creates a more qualified workforce and promotes economic diversification efforts. A mandated and subsidized health insurance program would reduce business costs directly and would also reduce the indirect costs of providing indigent care, costs ultimately borne by businesses that currently do provide their employees with health insurance.

Failing a political consensus to increase spending, a per capita rebate of revenue surpluses is a final option to redress the regressive nature of Nevada's taxes. Such rebates would enhance the incomes of low income households by greater percentages than the incomes of high income households. The motor vehicle registration fee rebate implemented in Nevada in 2005 benefited households in rough proportion to the values of their car(s) so taxpayers who could not afford cars did not benefit at all. Basing a per capita rebate on federal income tax filings, for example, would identify all taxpaying residents in Nevada and their resident dependents.

Conclusion

Nevada has long been a low-tax state. The state and local tax structure of Nevada is regressive and heavily dependent on the state's leading industry, gaming. Nevada's fiscal structure reflects an entrepreneurial spirit. It is friendly to those who would work, earn, and spend, the affluent and the would-be affluent. It is not friendly to the less-well-off and to persons dependent on government aid.

Public policy has focused on exporting the burden of taxation rather than redressing the regressive nature of Nevada taxation. Nevada does not get a "fair share" of federal government transfers for support of state and local programs. The state, however, does earn substantial tax payments by non-residents who get value for their money in Nevada.

- In 2002, 11.7% of state and local government expenditures in Nevada were financed by transfers from the federal government. The comparable percentage for all states was 17.6%.
- Visitors account for 81% of gaming taxes and 40% of sales, use, and excise taxes collected in the state.

Nevada's fiscal structure depends on continued growth, just as it favors growth. Increased burdens on Nevada's resort industry, which propels Nevada growth, is ill-advised. In view of prospective long-run revenue increases with continued growth, revenue-raising schemes may not be necessary in any case.

Rather than focus on taxation, we believe Nevada governments should focus on expenditures – in particular, expenditures on public education and on health care. Additional expenditures in these areas can offset the regressive nature of taxation in Nevada and improve Nevadan's overall quality of life.

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Community Resources

Economic Development Authority of Western Nevada: http://www.edawn.org/.

Las Vegas Chamber of Commerce: http://www.lvchamber.com/.

Nevada Development Authority: http://www.nevadadevelopment.org/.

Nevada Republican Party: http://www.nevadagop.org/.

Nevada State Democratic Party: http://www.nvdems.com/.

Nevada Taxpayers Association: http://www.nevadataxpayers.org/.

Northern Nevada Development Authority: http://www.nnda.org/.

Reno-Sparks Chamber of Commerce: http://www.reno-sparkschamber.org/.

Tax and Spending Control for Nevada: http://www.tasc4nevada.com/.

Supplementary Materials

Tables

Table 1. Nevada State and Local Tax Revenues, FY 2002

	Combined State and Local Revenues ($ million)	Percent of Total Tax Revenues	Tax Revenues Per Nevadan
Gaming	$ 712	11.1%	$ 323
Sales, use, and excise	$3,128	48.6%	$1,418
Property	$1,703	26.5%	$ 772
License	$ 439	6.8%	$ 199
Insurance/other	$ 451	7.0%	$ 204
	$6,433	**100%**	**$2,916**

Total

Sources:

Statistical Abstract of the United States 2006, Table 430.

Gaming tax revenue from State of Nevada Controller's Office, *Comprehensive Annual Financial Report 2005*

Nevada 2002 population from Nevada State Demographer's Office, *Nevada County Population EstimatesJuly 1, 1990 to July 1, 2005.*

And author calculations.

Table 2. Per Capita State and Local Government Expenditures Nevada and U.S.A., FY 2002

	Nevada			U.S.A.		
Category	**State**	**Local**	**S & L**	**State**	**Local**	**S & L**
Administration	$ 94	$ 340	$ 434	$ 166	$ 168	$ 334
Education	435	1,358	1,793	667	1,441	2,108
Social Service/ Income Maintenance	655	348	1,003	1,179	293	1,472
Transportation	271	411	682	335	218	553
Public Safety	183	587	77	188	305	493
Environment/Housing	55	416	471	132	326	458
Miscellaneous	54	87	141	195	176	371
Total	**$1,747**	**$3,547**	**$5,294**	**$2,862**	**$2,927**	**$5,789**

Source:

Commonwealth of Virginia Commission on Local Governments, State and Local Government Finances, *A 50 State Profile FY 2002*, January 2005,http://www.dhcd.virginia.gov/CD/CLG/pages/products/PDFs/stlfin02.pdf.

Table 3. Sales, Use and Excise Tax (liquor, cigarette and motor vehicle fuel)*

Item	Amount (million)	Percent of Income
Sales and use taxes	$2,821.6	
Intoxicating beverage taxes	36.7	
Cigarette and other tobacco taxes	129.7	
Motor vehicle fuel taxes	783.4	
Total sales, use and excise tax revenues	**$3,771.4**	
Per capita sales, use, and excise tax**	**$1,589**	**5.27%*****

Sources:

* *Nevada Department of Taxation 2006 Annual Report* and *Controllers 2005 Comprehensive Annual Report*

** 2004 Nevada population of 2,372,821. *Nevada Demographer and Nevada Controller 2005 Comprehensive Annual Financial Report*

*** 2004 Nevada per capita income of $30,177. *US Bureau of Economic Analysis*

Table 4. Visitor Volume and Average Visitor Taxable Sales Expenditure

	Las Vegas	Reno - Sparks

Annual visitor volume	38,566,717	5,535,812
Average expenditures subject to sales and excise tax		
Food and drink	$248.40	
Shopping	136.60	
Total	$385.00	$391.00
Annual visitor expenditures subject to sales and excise tax ($ million)	$14,848.2	$ 2,164.5
Total statewide taxable sales ($ million)	**$43,960.5**	**$43,960.5**
Percent of statewide taxes paid by visitors	**33.8%**	**4.9%**

Source: Nevada Department of Taxation, Annual Report to the Governor, January 16, 2006; GLS Research and Las Vegas Convention and Visitors Authority, Calendar Year 2005 Las Vegas Visitor Profile, p. 9; and Reno-Sparks Convention and Visitor Authority, 2004 Marketing Statistics Report, p. 7.

Convention and Visitors Authority.

Note: Data from LVCVA are 2005 marketing statistics ; data from RSCVA are end of year 2004. Data for RSCVA are reported by "non-gaming" and "gaming" budgets per visitor and is for 2004. The percent sales tax entry therefore may be slightly underestimated.

Table 5. Sales and Excise Tax Burdens on Nevada Families by Income Bracket

Income Percentile	IncomeRange	AverageIncome	Sales and Excise Taxes	Percent of Income
Lowest 20%	Less than $17,000	$11,000	$ 693	6.3%
	$17,000 – $27,000	$21,000	$1,102	5.2%
Second 20%	$27,000 – $42,000	$33,600	$1,445	4.3%
Third 20%	$42,000 – $67,000	$53,500	$1,926	3.6%
Fourth 20%				
	$67,000 –			

Top 20%	$125,000	$87,000	$2,349	2.7%
Next 15%	$125,000–$297,000	$178,000	$3,026	1.7%
Next 4%		$1,186,000	$9,488	0.8%
Top 1%	Greater than $297,000			

Source: Derived from ITEP, *Who Pays?* (http://www.itepnet.org/wp2000/text.pdf)

Table 6. Nevada Resident Gambling Frequencies by Demographic Group

Demographic Group	AverageGambling Hours Per Year *

Male	49.0
Female	32.2
18-24 years of age	33.3
25-34	35.0
35-44	31.9
45-54	38.6
55-64	51.4
65+	60.2
White	40.5
Black	44.1
Hispanic	37.3
Other	47.9
Married	38.5
Widowed	53.4
Divorced	43.8
Never Married	39.7
Less than high school	40.5
graduate	44.9
High school graduate	36.9
Some college	47.7
College graduate	30.6
Graduate study	
	37.8
Full-time employed	34.8
Part-time employed	29.7
Housekeeper or student	57.8
Retired	57.8
Unemployed	
	40.8
Household	**45.2**
income<$15,000	**41.4**
$15 - 25,000	**40.1**
$25 - 35,000	**40.7**
$35 - 50,000	**36.8**
$50 - 100,000	
$100,000+	
Median income: $46,600	

*Based on 1.6 hours per gambling session.

Source: Gemini Research, *Gambling and Problem Gambling*, Table 6 and *Nevada's Gaming Tax: Estimating Resident Burden and Incidence*.

Table 7. State and Local Gaming Revenues and Gaming Taxes by State, 2002

Casinos, Riverboats, and Racinos

State	State & Local Gaming Revenues* ($million)	State & Local Gaming Taxes** ($million)	Effective Tax Rate	% of U.S. Total State & Local Gaming Revenues	% of U.S. Total State & Local Gaming Taxes	Gaming Taxes as % of S & L Taxes***
Nevada	$9,447.7	$718.7	7.6%	22.7%	12.9%	11.2%
New Jersey	4,381.4	405.3	9.3%	10.5%	7.2%	1.2%
Mississippi	2,724.3	331.7	12.2%	6.6%	5.9%	5.1%
Louisiana	2,543.8	593.6	23.3%	6.1%	10.6%	4.9%
Indiana	2,061.6	544.7	26.4%	5.0%	9.7%	3.2%
Illinois	1,832.1	666.1	36.4%	4.4%	11.9%	1.6%
Missouri	1,278.8	357.6	28.0%	3.1%	6.4%	2.4%
Michigan	1,125.1	249.1	22.1%	2.7%	4.5%	0.8%
Iowa	972.3	215.5	22.2%	2.3%	3.9%	2.6%
Colorado	719.7	98.2	13.6%	1.7%	1.8%	0.7%
West Virginia	651.9	234.7	36.0%	1.6%	4.2%	5.1%
Delaware	595.9	198.1	33.2%	1.4%	3.5%	7.4%
Rhode Island	297.5	157.9	53.1%	0.7%	2.8%	4.4%
New Mexico	141.4	35.4	25.0%	0.3%	0.6%	0.7%
South Dakota	66.3	5.1	7.7%	0.2%	0.1%	0.3%
Total non-tribal	**$28,839.8**	**$4,811.7**	**16.7%**	**69.4%**	**86.0%**	**2.4%**
Tribal	**12,735.4**	**781.0**	**6.1%**	**30.6%**	**14.0%**	**0.4%**
U.S. Total	**$41,575.2**	**$5,592.7**	**13.5%**	**100.0%**	**100.0%**	**2.7%**

Notes:

* Gaming revenues by state for calendar year 2002.

** Gaming taxes by state for fiscal year 2002.

*** Gaming taxes and total state and local taxes by state for fiscal year 2002.

Sources:

Gaming revenues and taxes, Terri C. Walker Consulting, *The2005 Casino and Gaming Market Research Handbook.*

State and local government tax revenues by state, *Statistical Abstract of the United States 2006*, Table 430.

Table 8. Estimated Taxes Paid by Mining in Nevada ($000)

	2001	2002	2003	2004

Revenue:				
Ad valorem property tax	$21,762	$22,000	$18,480	$17,000
Sales and use taxes	$48,257	$37,615	$43,350	$43,170
Business taxes	$900	$800	$700	$3,710
Net proceeds tax	$21,355	$25,645	$38,796	$39,557
Total	**$92,274**	**$86,060**	**$101,326**	**$103,437**
NPOM Tax Distribution:				
Local Government	$11,380	$13,658	$20,139	$21,808
State General Fund	$9,974	$11,987	$18,657	$17,749
Total	**$21,354**	**$25,645**	**$38,796**	**$39,557**

Sources: Nevada Department of Taxation, various industry sources and the 2004 Economic Overview prepared for the Nevada Mining Association by John L. Dobra.

Table 9. Gross Proceeds of Mines and Net Proceeds of Mines Valuations, 2000-2004 ($000)

Year	Gross Proceeds	Net Proceeds
2000	$2,667,930	$ 601,362
2001	2,471,846	438,013
2002	2,702,274	533,729
2003	2,896,813	784,220
2004	3,281,803	899,947

Sources: Nevada Department of Taxation

Table 10. Annual Mineral Production in Nevada, 1972 – 2004

Year	Gold			Aggregate			Other	Total
	Quantity	Price	Value	Quantity	Price	Value	Minerals*	
	K oz	$/oz	million $	K tons	$/ton	million $	million $	million $
1972	420	59	25.0	14,000	1.21	17.0	138.0	180.0
1973	260	98	30.0	16,000	1.25	20.0	152.0	202.0
1974	299	160	50.0	10,900	1.65	18.0	192.0	260.0
1975	333	162	54.0	9,900	2.12	21.0	184.0	259.0
1976	288	125	36.0	11,600	2.24	26.0	172.0	234.0
1977	324	148	48.0	11,900	2.27	27.0	196.0	271.0
1978	261	193	50.0	11,500	2.43	28.0	172.4	250.4
1979	250	308	77.0	12,100	2.31	28.0	147.5	252.5
1980	274	613	168.0	9,800	2.35	23.0	199.8	390.8
1981	525	460	241.0	7,300	2.47	18.0	263.5	522.5
1982	738	376	278.0	7,300	2.19	16.0	249.8	543.8
1983	914	424	388.0	8,800	2.50	22.0	230.1	640.1
1984	998	361	360.0	9,800	2.86	28.0	283.3	671.3
1985	1,276	318	405.0	10,800	3.43	37.0	251.4	693.4
1986	2,100	368	773.0	13,700	3.14	43.0	175.8	991.8
1987	2,680	448	1,200.0	13,900	4.03	56.0	198.9	1,454.9
1988	3,676	438	1,611.0	15,400	4.22	65.0	370.0	2,046.0
1989	5,020	385	1,946.0	20,000	4.25	85.0	464.0	2,495.0
1990	5,810	380	2,209.0	26,000	4.50	117.0	530.8	2,856.8
1991	5,770	370	2,133.0	23,000	4.52	104.0	428.9	2,665.9
1992	6,550	344	2,253.0	24,000	4.50	108.0	391.2	2,752.2
1993	6,700	360	2,412.0	25,000	4.48	112.0	438.4	2,962.4
1994	6,800	384	2,610.0	28,000	4.50	126.0	454.7	3,190.7
1995	6,760	384	2,600.0	28,000	4.50	126.0	484.0	3,210.0
1996	7,000	390	2,708.0	30,000	4.50	135.0	602.6	3,445.6
1997	7,850	325	2,591.0	28,000	4.50	126.0	639.2	3,356.2
1998	8,860	294	2,606.0	26,500	4.49	119.0	584.3	3,309.3
1999	8,260	280	2,305.0	29,000	4.48	130.0	503.4	2,938.4
2000	8,590	280	2,395.0	28,000	4.50	126.0	499.1	3,020.1
2001	8,125	272	2,275.0	35,000	4.50	157.5	447.4	2,879.9
2002	7,732	310	2,397.0	35,300	4.50	158.9	396.0	2,951.9
2003	7,318	363	2,660.0	37,000	4.50	166.5	386.6	3,213.1
2004	6,942	410	2,846.0	40,000	4.50	180.0	482.9	3,508.9

* Other mineral resources include silver, copper, barite, gypsum, geothermal energy, and petroleum.

Source: Nevada Bureau of Mines and Geology, *Annual Mineral Production in Nevada , 1972-2004* (summary),http://www.nbmg.unr.edu/dox/dox.htm.

Table 11. 2006 Statewide Property Tax Rates, Assessed Values and Taxable Values

Entity	Rates	Assessed Values (000s)	Taxable Values (000s)	Estimated Tax Revenues
Clark County	3.0782	$ 64,498,993	$184,282,837	$1,985,408,003
Washoe County	3.5492	$ 11,979,349	$ 34,226,712	$ 425,171,055
15 Other Counties	3.0112	$ 9,298,007	$ 26,565,734	$ 279,981,587
State	0.1700	$ 85,776,349	$245,075,283	$ 145,819,793

Source: Nevada Controller Comprehensive Annual Financial Report, Nevada Department of Transportation

Table 12. Ten Largest Taxpayers in State of Nevada

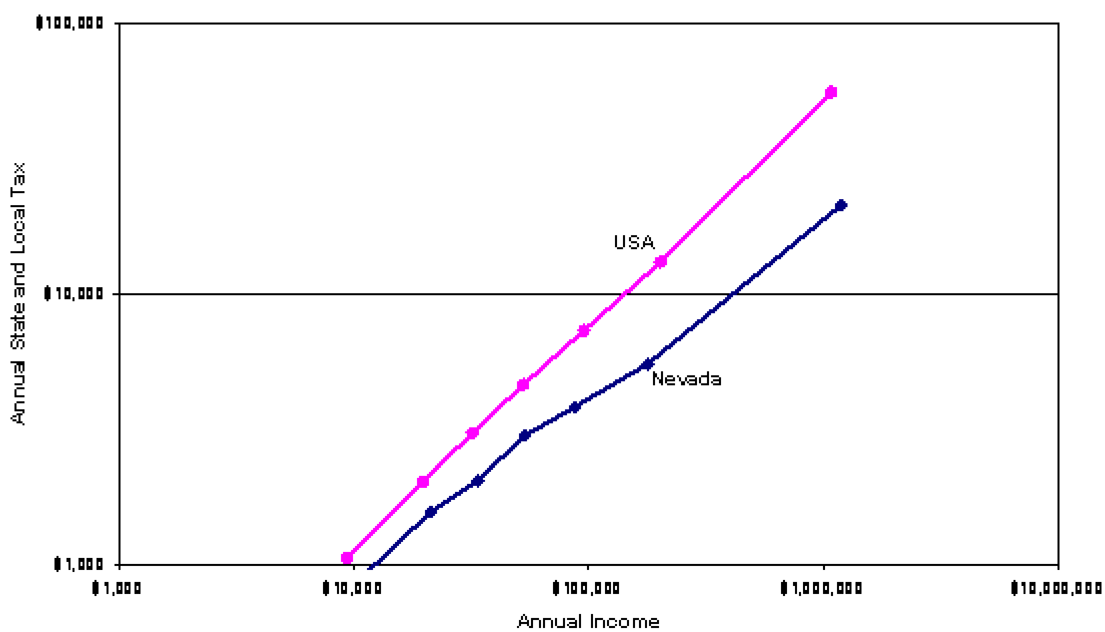
State of Nevada:	Assessed Value (000s)	% of Assessed Value
1. MGM Mirage	N/A	2.08
2. Mandalay Resort Group	N/A	1.47
3. General Growth Properties	N/A	1.38
4. Caesars Entertainment	N/A	1.17
5. Nevada Power Company	N/A	0.70
6. Harrah's	N/A	0.58
7. Venetian Casino Resort	N/A	0.48
8. Boyd Coast Properties	N/A	0.47
9. Sierra Pacific Power Co.	N/A	0.46
10. Pulte Homes	N/A	0.38

Clark County:	Assessed Value (000s)	Assessed Value % of
1. MGM Mirage	$3,244,575	5.03
2. Harrah's Entertainment	$1,383,217	2.14
3. General Growth Properties	$1,240,866	1.92
4. Nevada Power Company	$ 656,433	1.02
5. Boyd Gaming	$ 506,072	0.78
6. Venetian Hotel and Casino	$ 476,090	0.74
7. Station Casinos	$ 441,316	0.68
8. Wynn Las Vegas	$ 405,070	0.63

9. Pulte Homes	$ 372,172	0.58
10. Focus Property Group	$ 280,671	0.44
WashoeCounty:	**Assessed Value (000s)**	**Assessed Value % of**
1. DP Industrial LLC	$ 98,562	0.82
2. Circus and Eldorado Jnt Vent	$ 65,115	0.54
3. Peppermill Casino	$ 45,885	0.38
4. Washoe Medical	$ 39,692	0.33
5. Eldorado Resorts	$ 38,707	0.32
6. International Game Technology	$ 34,430	0.29
7. Golden Road Motor Inn	$ 33,912	0.28
8. Harrah's Club	$ 31,390	0.26
9. FHR Corporation	$ 25,921	0.22
10. Lennar Reno LLC	$ 24,132	0.20

Figures

Figure 1. State & Local Tax Burdens by Income Group: Nevada and USA



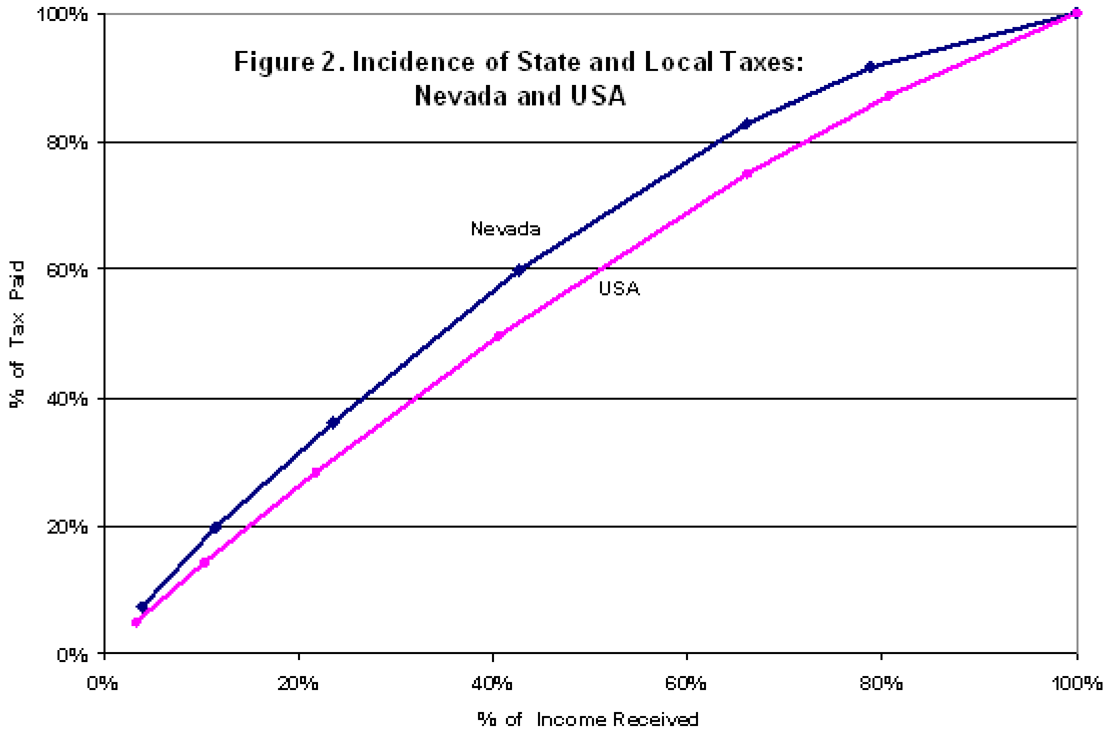
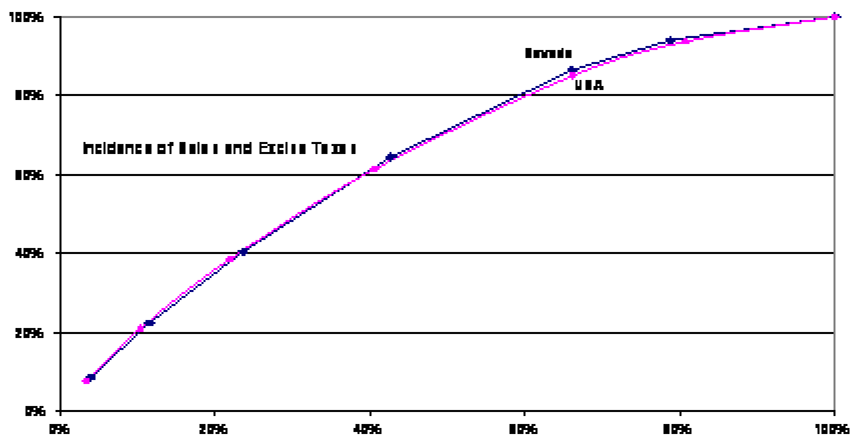


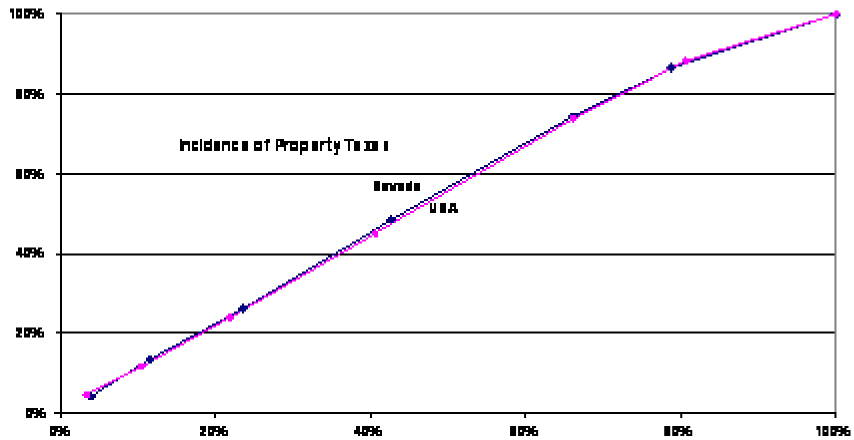
Figure 2. Incidence of State and Local Taxes: Nevada and USA

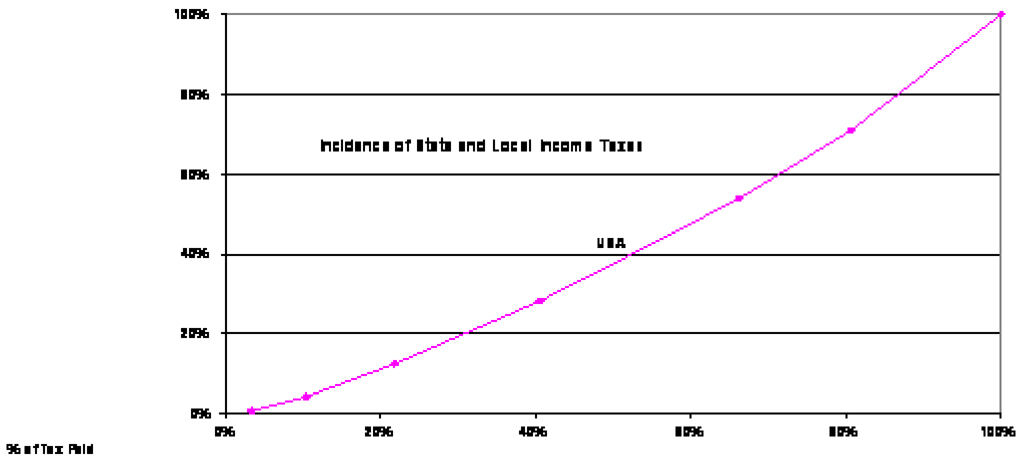


Incidence of Sales and Excise Taxes

% of Tax Paid

% of Tax Paid





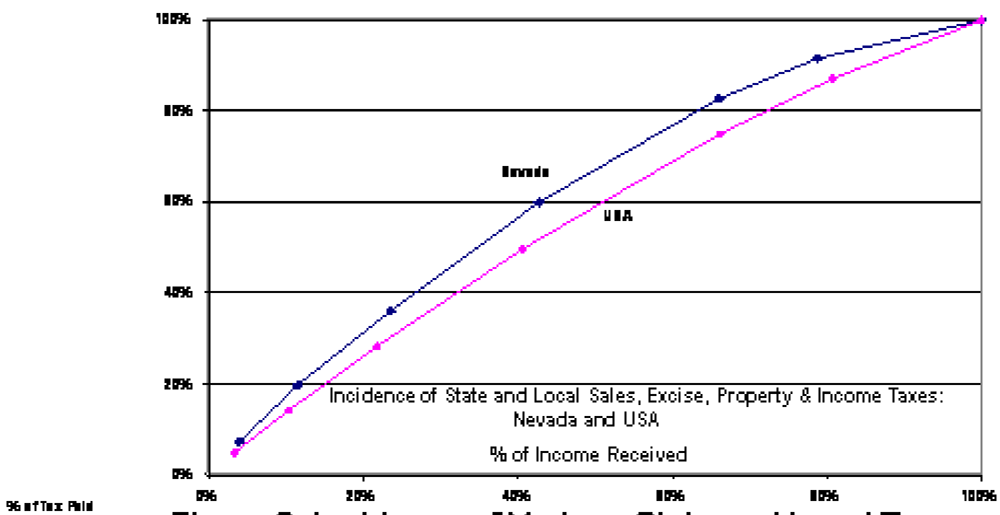


Figure 3. Incidence of Various State and Local Taxes

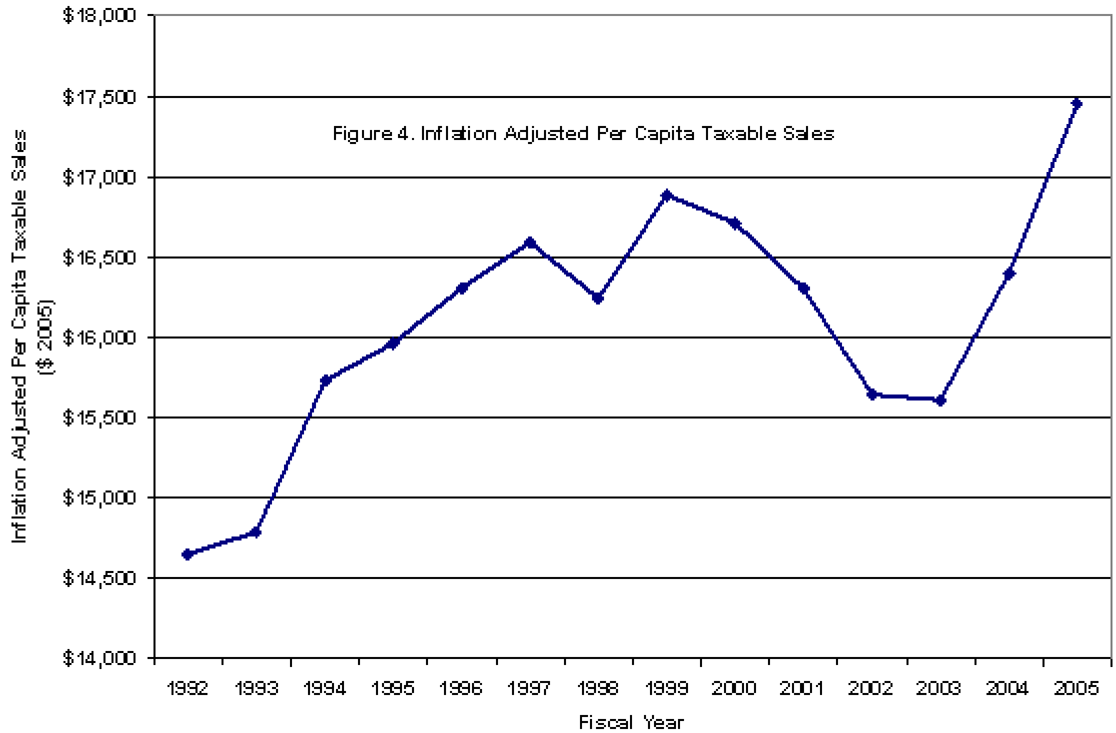


Figure 4. Inflation Adjusted Per Capita Taxable Sales
Inflation Adjusted Per Capita Taxable Sales ($ 2005)
$18,000
$17,500
$17,000
$16,500
$16,000
$15,500
$15,000
$14,500
$14,000
1992
1993
1994
1995
1996
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2003
2004
2005
Fiscal Year

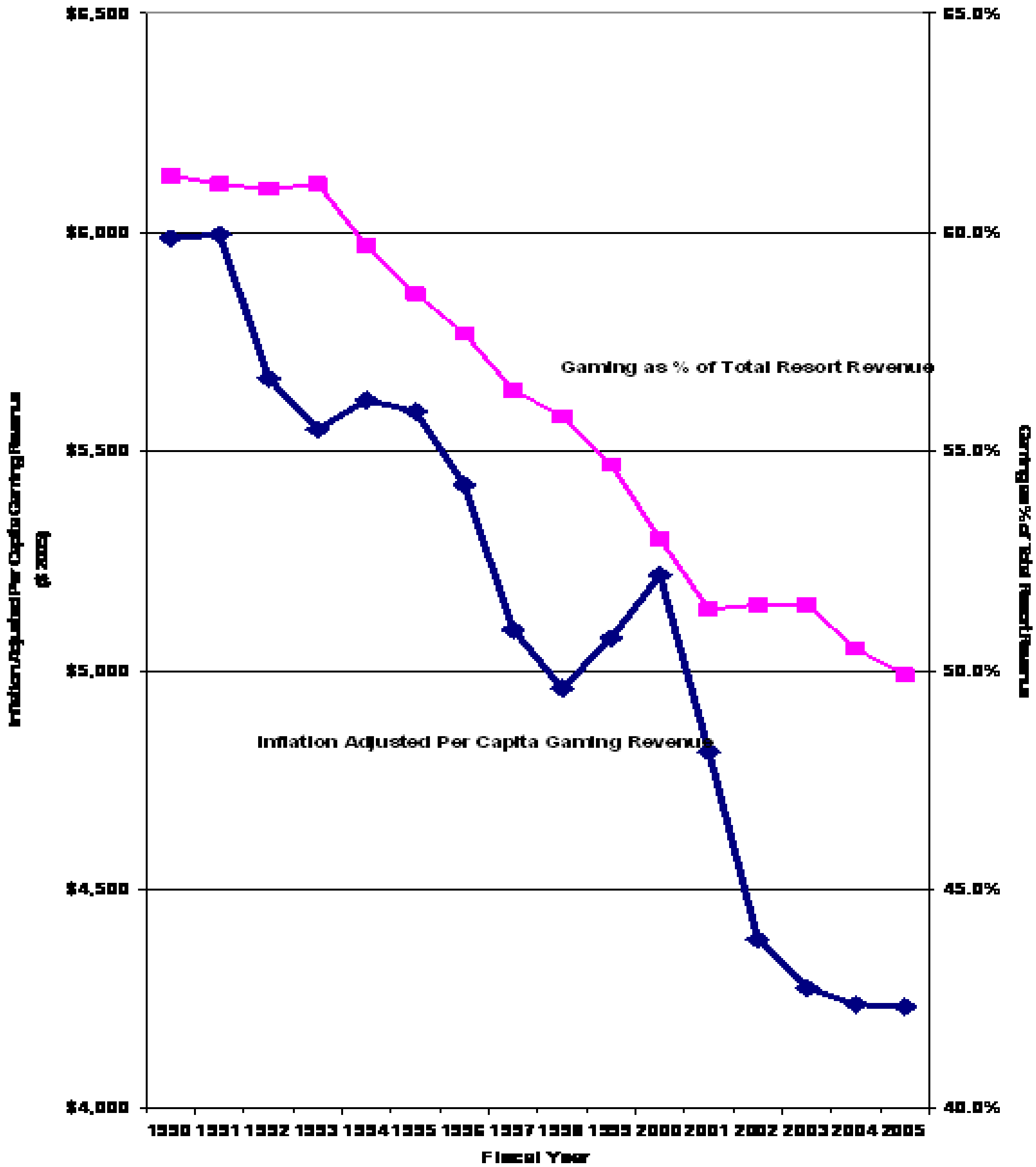
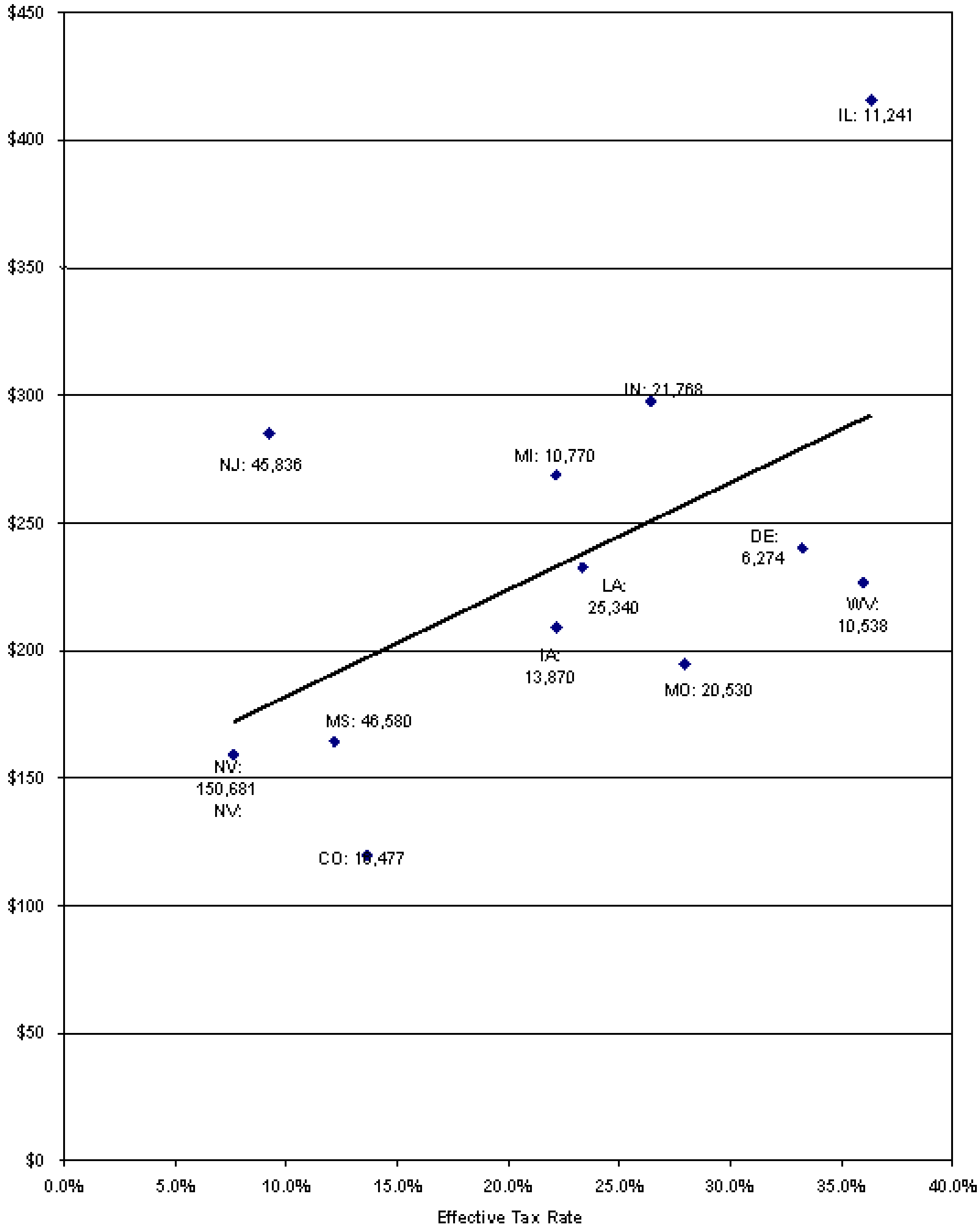


Figure 5. Gaming Revenue Trends

Figure 6
Average Daily Revenue per Position
v. Effective Tax Rate



*This report stems from the Justice & Democracy forum on the Leading Social Indicators in Nevada that took place on November 5, 2004, at the William S. Boyd School of Law. The report, the first of its kind for the Silver State, has been a collaborative effort of the University of Nevada faculty, Clark County professionals, and state of Nevada officials. The Social Health of Nevada report was made possible in part by a Planning Initiative Award that the Center for Democratic Culture received from the UNLV President's office for its project "Civic Culture Initiative for the City of Las Vegas." Individual chapters are brought on line as they become avaialble. For further inquiries, please contact authors responsible for individual reports or email CDC Director, Dr. Dmitri Shalin shalin@unlv.nevada.edu.