

Nevada tax revenues better than projected

By Sean Whaley, Nevada News Bureau

CARSON CITY – Despite ongoing volatility in Nevada's gaming industry, strong consumer buying is helping to keep the state's tax revenues on an even keel four months into the new two-year budget, state officials say.

Nevada's taxable sales increased by more than 10 percent in September, the first double-digit gain seen in the report since December 2010, which was helped by a large natural gas pipeline project in Northern Nevada. Before that, the last double-digit gain came in February 2006.

Car sales were up 9.4 percent in the September report, while business at bars and restaurants was up 14.5 percent and the accommodations category was up 21.6 percent.

Compared to the May 2011 Economic Forum projections, the general fund portion of the sales and use taxes is about 1.45 percent or \$2.9 million above their forecast for fiscal year 2012 through September, according to the Nevada Department of Taxation.

Gaming revenues have been a disappointment, however, due largely to the influence the card game baccarat, played by high rollers on the Las Vegas Strip, has had on the monthly casino win.

The September gaming win was down 5.9 percent compared to September 2010 due in large part to baccarat.

Michael Lawton, senior research analyst for the Gaming Control Board, said gaming percentage fee tax collections so far this fiscal year are 7.4 percent, or nearly \$16 million, below the

forum projections made in May.

The live entertainment tax collected on major casino shows is about \$6 million above projections, however, which reflects the increase in visitor volume seen in the casino industry, he said.

“Every indication we get from the operators is that the business models are good,” Lawton said. “Everyone knows visitation is up, hotel revenues are up, air traffic is up. It’s just the volatility of baccarat tends to rear its ugly head. We’re expecting it to come back in, like I said, October and November, to have a couple of strong months to finish off the calendar year.

“We’re only four months in so I don’t think we need to push the panic button yet,” he said.

Nevada state Budget Director Jeff Mohlenkamp said in a statement that overall tax revenues are tracking above projections. The budget office will continue to closely monitor the collections, he said.

“We are very pleased with the increases in sales tax revenues,” Mohlenkamp said. “For fiscal year 2011 we experienced increases of 5.3 percent over fiscal year 2010. Further, sales tax has increased on (a) year-over-year basis for 15 consecutive months and is on track to outpace projections during fiscal year 2012.”

The 2012 fiscal year began July 1. Nevada’s legislatively approved budget runs for two years, through June 30, 2013. Sales and gaming taxes together make up about 58 percent of the revenue needed to support Nevada’s \$6.2 billion, two-year general fund budget.

Nevada’s fiscal position appears to mirror that of many other states, according to a new report from the National Association of State Legislatures.

The organization's "State Budget Update: Fall 2011" analysis shows that only four states, California, Missouri, New York and Washington, are reporting a new budget gap since the fiscal year began. Fifteen states had reported budget gaps at this time in 2010.

"Better revenue performance is driving the improvement in state finances," the report said. "Collections in most states have stabilized or are growing, and the general revenue outlook for the remainder of the fiscal year reflects confidence in continued modest growth."

The report said of Nevada: "Nevada continues to experience economic challenges related to high unemployment and a weak housing market. Although these conditions have been considered in the state's revenue forecast for the current biennium, continued weakness in employment could affect sales tax and payroll tax revenues."

The Nevada Economic Forum, a panel of five financial experts who set the tax projections that must be used to balance the state budget, will meet Dec. 13 to hear an update on the state's tax collections. It cannot change the projects made in May that were used to finalize the current budget, however.