

### *SALES TAX ON SERVICES: AN OVERVIEW OF THE CRITICAL ISSUES*

The imposition of a sales tax on services has been discussed in Nevada for a number of years. But the discussion has become more intense because of the impact of the Great Recession on the state's revenues.

The debate is largely focused on what kind of tax structure the state should have. So we thought that a presentation of the critical issues surrounding a sales tax on services might be of interest to our readers. We are not advocating a pro or anti sales tax position, just simply identifying some of the questions the Legislature will be grappling with as it deliberates the sales tax on services question.

A variety of states apply taxes to a wide range of business inputs and intermediate goods, particularly in the service sector where few services are taxed on final consumption. And elected officials around the country have been willing to enact industry-specific exemptions. Such an approach may make more sense than an across-the-board exemption for all services that happen to be purchased by both businesses and households.

"Pyramiding" (i.e., the application of tax to prior tax amounts in successive commercial transactions) is one problem often cited by the opponents of a sales tax on business-to-business ("B2B") services. The argument is that taxing more services can actually exacerbate the problem of potential tax pyramiding.<sup>1</sup> The issue of pyramiding can be illustrated with the following example:

*An engineering firm purchases computer graphic services from an outside vendor. This service is subject to tax at a 6.5% rate. The sales tax on the purchased graphic services will be embedded in the price of the engineering firm's services. The engineering firm's services are subject to the 6.5% sales tax as well. The result is a potential overall sales tax rate of 13.4% on the purchased graphic services, as shown in the table below.*

|   |              |
|---|--------------|
| Graphic Services Price                    | \$5,000      |
| <i>Assumed Sales Tax</i>                  | 6.5%         |
| <i>Sales Tax Paid by Engineering Firm</i> | \$325        |
| Cost included in Engineering Fees         | \$5,325      |
| <i>Assumed Sales Tax</i>                  | 6.5%         |
| <i>Tax On Embedded Cost</i>               | \$346        |
| <b>Total Sales Tax</b>                    | <b>\$671</b> |
| <b>Resulting Sales Tax Rate</b>           | <b>13.4%</b> |

**Note: Pyramiding has been overcome on the sales tax of goods in Nevada by allowing an exemption to businesses that have a valid business license.**

The other issue frequently cited with regard to the sales tax on services is the inequity created when the sales tax applies to "necessities", which account for a greater share of income of low-income persons and households. This problem has been reduced in recent years as states have removed the tax from the sales of food and other essential items. *Many economists object to the application of the tax to business inputs, suggesting instead that*

<sup>1</sup> Eads, J. *State Sales Taxes and Services. A Presentation to the State of South Carolina, Tax Realignment Commission. January 6, 2010. Columbia, South Carolina.*

*the sales that should be taxed are those to ultimate consumers*<sup>2</sup>. As noted in this herein, this concern has led to various issues related to exemptions, definitions of a business service and the share of a sale to be taxed.

## **NATIONAL TRENDS**

Many state economies, with significant service sectors, have considered the expansion or broadening of the tax base to include (some) services. Thus, the current discussion is not new to Nevada. The discussion for Nevada is particularly important if such a policy option eliminates other potential taxing alternatives that may be less conceptually sound. Summarizing in very general terms the public finance literature in a recent study by Mazerov (2009), "Levying sales taxes on services makes state tax systems fairer, more stable, more economically neutral, and easier to administer"<sup>3</sup>. As with any new tax option, there are, of course, administrative and legal details to be instituted if such a policy is followed.

The taxing services can be implemented in two different ways:

- **Comprehensive Approach**: This approach applies to services the same language used to tax goods. Under most state sales tax laws, all sales of goods are taxable unless they are identified as exempt. At present, the sales tax laws of only Hawaii, New Mexico and South Dakota implement the comprehensive approach. In all other states with a sales tax, services are subjected to sales taxation by being specifically enumerated as taxable<sup>4</sup>.
- **Enumerating Taxable Services**: One approach to enumerating taxable services is to use standardized lists and definitions developed for other purposes. For example, the North American Industry Classification System ("NAICS") and the North American Product Classification System ("NAPCS") could be referenced to establish the state sales tax-base. In addition, using NAICS or NAPCS could make it easier to assess the revenue impact of taxing services since state-by-state data on the dollar volume of sales of services are already categorized by NAICS and NAPCS<sup>5</sup>.

The comprehensive approach to services taxation offers several key advantages<sup>6</sup>:

- Since new services are constantly being invented, the comprehensive approach ensures that the revenue yield of the sales tax is maintained without a need to continually amend the law to encompass each new service.
- The comprehensive approach helps tax authorities sustain the taxability of a particular service if it is challenged by service providers. Should a dispute about taxability arise in a state using the comprehensive approach, the burden of proof is on the seller to demonstrate that it qualifies for an exemption.

The comprehensive approach to expanding taxation of services also has some potential disadvantages<sup>7</sup>:

- It will tend to include into the sales tax-base many services that policymakers might choose not to tax for economic, distributional or practical administrative reasons on more careful reflection. For example, many B2B sales of services are likely to become taxable under this approach.
- A comprehensive expansion of the sales tax-base is a significant administrative undertaking that may take some time to implement – by some accounts a minimum of 12-18 months. The sheer number of services and vendors that become taxable under the comprehensive approach may strain the current administrative resources of state tax departments.

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<sup>2</sup> *Ibid.*

<sup>3</sup> Michael Mazerov (2009) *Expanding Sales Taxation of Services: Options and Issues*, Center on Budget and Policy Priorities.

<sup>4</sup> Mazerov, M. *Expanding Sales Taxation of Services: Options and Issues*. Center on Budget and Policy Priorities. July 2009.

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

<sup>7</sup> *Ibid.*

Per Mazerov (2009), for policymakers in most states the above noted disadvantages of the comprehensive approach outweigh the advantages. While most states have expanded their taxation of services to some extent over the years, only South Dakota did so comprehensively<sup>8</sup>. In every other state that has expanded its sales tax-base to include more services, policymakers have done so by enumerating a group of services to tax. The conclusions presented in Mazerov's study represent general findings and are not state-specific. It needs to be noted that under either approach the administrative resources of the Nevada Department of Taxation could potentially be strained.

That said, it can be argued that Nevada might actually benefit, to an extent, from the comprehensive approach to taxing services. The following should be considered as it relates to Nevada:

- The advantage in Nevada is that most businesses are in the state business license system (unlike many other states). Therefore, the database of businesses subject to the collection of service tax already exists with a corresponding reporting system. This allows Nevada state administrators flexibility in creating rules and procedures in the collection of the tax, as is already done through the Nevada Administrative Code. It would likely be easier to deal with major service categories rather than a long list of services. If a business feels an exemption is warranted then it can go to the legislature to solicit an exemption, as is currently being done.
- Goods are taxed in Nevada unless exempted by the legislature. This is opposed to only taxing a list of specified goods. A new category or type of good is automatically taxable with no legislative action, thus, avoiding time-consuming efforts of the addition of new good types or categories to the list of items subject to tax by the legislature each legislative session.
- Finally, Nevada currently has a comprehensive approach to taxing goods with legislated exemptions. Thus, questions of whether the state would be faced with converting the comprehensive approach for goods to a specific list, or whether it would stay with a dichotomy of methods in the application of taxes between goods and services are likely to arise.

### A. Administrative Costs

It's very difficult to quantify the trends in administrative effectiveness of the operation of the sales taxes. Few states are able to provide figures of cost of administration of the sales taxes, and even when they do, the results reflect somewhat arbitrary allocations of common costs. The table below summarizes the average cost of administration of the tax as a percentage of revenue from the tax for a sample of states (from *Due, J. F. and Mikesell, J. L. (1994). Sales Taxation: State and Local Structure and Administration. 2<sup>nd</sup> Edition. The Urban Institute Press. Washington, D.C.*)

| State                  | Costs of Administration of Sales Tax, as Percent of Revenue from the Tax, 1991-93 |
|------------------------|---|
| California             | 0.87%   |
| Idaho                  | 0.80%   |
| Mississippi            | 1.00%   |
| Nebraska               | 1.00%   |
| North Carolina         | 0.68%   |
| North Dakota           | 0.50%   |
| South Dakota           | 0.41%   |
| Washington             | 0.70%   |
| <b>States' Average</b> | <b>0.75%</b>  |

Note: a low figure is not necessarily a desirable target because it could indicate inadequate audit and enforcement procedures and, thus, reflect a situation where substantial revenues are sacrificed in order to cut costs.

<sup>8</sup> Please note that Hawaii's and New Mexico's laws were written from the outset to tax the majority of services.

## B. Tax-Base and Rate

How much revenue is generated by a sales tax on services depends on both the percentage tax rate and the tax-base — the goods and services that are subject to taxation. Many states exempt from taxation categories of goods viewed as necessities of life, such as food and medicine. In addition to taxing goods and a few services purchased by households at retail stores, sales taxes often apply to B2B purchases<sup>9</sup>.

That said, according to the Federation of Tax Administrators, a majority of states apply their sales tax to less than 33% of 168 potentially-taxable services. Five of the 45 states with sales taxes impose them on fewer than 20 services<sup>10</sup>.

For the U.S., the traditional sales tax-base — purchases of durable and non-durable goods with the exception of groceries — fell from 39% of household consumption in 1970 to 32% in 2007, i.e., sales taxes are only collected from 32% of households' consumption. Over the same interval, consumption of services (excluding housing) rose from 31% to 45% of total household purchases<sup>11</sup>.

Additionally, several economic and demographic factors suggest that household spending will continue to shift toward services for the foreseeable future. For example, spending on health and elder care services seems likely to continue to grow as baby boomers age.

As society becomes more affluent, the desire for more leisure time grows. The desire for more leisure time makes households increase their spending on services relative to spending on goods. Families, for example, hire housekeepers and lawn care services to obtain more leisure time, they use health club memberships, play video games online, go to movies and various sporting and cultural events, etc.

Therefore, it seems likely that sales of taxed services will continue to represent a growing share of total sales to households and businesses in the U.S. economy, and sales of taxed goods are likely to continue their relative decline.<sup>12</sup>

In his study of expanding sales taxation of services, Mazerov (2009) estimated that the annual, nationwide revenue yield from taxing all "feasibly-taxable" services purchased by households *except health care, education, housing, transit, legal, funeral and certain banking and insurance services* would be on the order of **\$87 billion**. It needs to be noted that "new revenue" from taxing household services would be less than this, since most states do tax services to some extent<sup>13</sup>.

National estimates as well as estimates for Nevada and selected Southwest states presented in Mazerov's study are provided in the table below.

|                                  | Estimated Purchases of "Feasibly-Taxable" Services (Millions) | January 1, 2007 State Sales Tax Rate | Maximum Revenue from Taxing Services (Millions) | FY 2007 State General Sales Tax Revenue (Millions) | Revenue from Services as % of FY 2007 Revenues |
|----------------------------------|---|--------------------------------------|---|--|--|
| U.S.                             | \$1,621,600   | 5.387%                               | \$87,358  | \$239,560  | 36%  |
| <b>Nevada</b>                    | <b>\$14,189</b>   | <b>6.500%</b>                        | <b>\$922</b>                                    | <b>\$3,213</b>                                     | <b>29%</b>                                     |
| <i>Selected Southwest States</i> |   |                                      |   |  |  |
| California                       | \$211,964   | 6.250%                               | \$13,248  | \$32,669   | 41%  |
| Arizona                          | \$29,075  | 5.600%                               | \$1,628   | \$5,640  | 29%  |
| Utah                             | \$11,097  | 4.750%                               | \$527   | \$1,954  | 27%  |

These estimates show that full taxation of "feasibly-taxable" services could have generated sales tax revenue equal to 29% of FY 2007 sales tax collections in Nevada. The total revenue yield in Nevada would have been

<sup>9</sup> Mazerov, M. *Expanding Sales Taxation of Services: Options and Issues*. Center on Budget and Policy Priorities. July 2009.

<sup>10</sup> Federation of Tax Administrators, *Sales Taxation of Services: 2007 Update*, October 2008; [www.taxadmin.org/fta/pub/services/services.html](http://www.taxadmin.org/fta/pub/services/services.html).

<sup>11</sup> Mazerov, M. *Expanding Sales Taxation of Services: Options and Issues*. Center on Budget and Policy Priorities. July 2009.

<sup>12</sup> *Ibid.*

<sup>13</sup> *Ibid.*

approximately \$922 million per year. As mentioned above, these projections need to be adjusted downward to account for those services purchased by households that Nevada already taxes (e.g., tuxedo rental, auto maintenance (the parts and not the labor component) and painting, auto rust proofing, amusement park admissions, cultural events admissions, extended services contracts). **Only after these adjustments, can revenue estimates be made that demonstrate the potential gains in Nevada from broadening the sales tax-base.**

Some examples for Nevada could potentially include the following (the list is not all-inclusive):

- ✓ **Construction/Installation Services:** Installing, repairing, cleaning, improving, constructing and decorating real or personal property for consumers; constructing and improving new or existing buildings and structures; clearing land and moving earth; landscape maintenance and horticultural services (excluding farmers).
- ✓ **Miscellaneous Activities:** Sales of extended warranties; renting or leasing tangible personal property; towing and parking automobiles; telephone services, etc.
- ✓ **Personal Services:** Barber shops and beauty parlors, carpet and upholstery cleaning, dating services, debt counseling, health clubs, tanning parlors, reducing salons, laundry and dry cleaning services, massage services, personal instruction (dance, golf, tennis, etc.), swimming pool cleaning & maintenance, water softening and conditioning, etc.
- ✓ **Professional Services:** accountants, engineers, architects, lawyers, medical services, medical test laboratories, etc.
- ✓ **Recreation Services:** Day trips for sightseeing; amusement and recreational businesses, including golf, skiing, billiards, bowling and similar activities.
- ✓ **Real Estate-Related Services:** appraisal fees, closing or settlement fees, title search and title insurance services, real estate brokers, property management services, document preparation services, inspections, investment counseling, etc.

(Note: Economic theory holds that the distortion grows as the tax rate increases. If the choice is between increasing the tax rate at which B2B sales of goods are taxed; and taxing some B2B sales of services in order to hold down the tax rate, the latter could actually have a less adverse impact on the efficient allocation of resources<sup>14</sup>.)

### C. Taxing B2B Services

#### 1. Disadvantages

Economists generally advise states not to tax B2B sales. Based on RCG's research on the topic in the literature, the following issues with B2B sales taxation<sup>15</sup> were found:

- **Inconsistency with the purpose of the sales tax:** The sales tax is intended to be a tax on consumption. Since businesses do not consume but produce, taxing business inputs appears to be inconsistent with the underlying rationale for the sales tax.
- **Tax pyramiding:** As noted above, pyramiding is sometimes described as imposing a "tax on a tax", a situation that occurs when a business tries to recover the sales tax paid on an input by passing this cost into the final selling price of an item that is itself subject to sales tax. If that good or service is an input into a second business's production process, then further pyramiding can occur before a sale to a final consumer takes place. Tax pyramiding potentially has a number of negative consequences:

<sup>14</sup> *Ibid.*

<sup>15</sup> As discussed in further detail in Mazerov, M. *Expanding Sales Taxation of Services: Options and Issues*. Center on Budget and Policy Priorities. July 2009.

- **Hidden and regressive sales taxation:** When a household consumer purchases a good or service that embodies already-taxed inputs, a significant amount of the paid sales tax can be hidden in the purchase price of the item, rather than be explicitly identified on the cash register receipt. There is also some evidence that the hidden sales taxes are even more regressive than the visible sales tax added at the cash register.
- **Artificial incentives for vertical integration.** Tax pyramiding can lead to an inefficient allocation of resources. Taxation of a good or service that is a major cost item for a business can induce the business to produce the good or service in-house using its own employees (whose services to the employer are nearly always exempt from sales tax), even when an independent producer can provide the good or service more efficiently. Such tax-induced "vertical integration" can lead to unequal sales tax burdens among competitors within an industry as well as between industries. An artificial incentive for vertical integration can be particularly harmful to small businesses.
- **Adverse effects on state "competitiveness."** Taxation of business inputs could potentially impair the competitiveness of businesses and potentially impede state economic development.
  - **Administrative complications.** Taxing business purchases of services can create some difficult administrative problems that are less likely to arise if sales taxes are confined to household services:
    - **Multiple points of use.** Services like advertising, telecommunications and legal services are often purchased for company-wide use. When that use occurs in multiple states, it is difficult to develop and administer rules to determine how and where such services should be taxed. In the absence of clear rules, businesses will develop their own ad hoc approaches to charging or paying the tax, and this can lead to audit disputes and litigation.
    - **More interstate transactions.** Businesses purchase services across state lines much more often than households do. The fewer B2B sales of services are taxed, the fewer use tax enforcement issues arise.

## 2. Advantages of Taxing Some B2B Services

In addition to the arguments that highlight potential challenges and difficulties with taxing B2B services, there are also some other facts that need to be considered that might justify taxing some B2B services.

- **Problems from pyramiding can be exaggerated.** Not all taxation of business inputs leads to sales tax pyramiding. There are major categories of household consumption that are not subject to sales taxes now and that seem likely to remain tax-exempt. Taxing inputs that are used to produce tax-exempt services does not lead to pyramiding. For example, states are prohibited by federal law from taxing sales of airline tickets. Therefore, households are not being subjected to "double taxation" if a state taxes an airline's purchases of accounting and legal services, even if the tax is passed on to the consumer in the price of the ticket. Similarly, states that do not want to tax educational services provided by colleges directly and in full could reasonably choose to obtain some sales tax revenue from college students by taxing the electricity, janitorial and food preparation services the college purchases from independent vendors.
- **Taxing business services might be less distorting than increasing the sales tax rate on goods.** Substantial taxation of business purchases of goods that are production inputs already occurs<sup>16</sup>. The higher the sales tax rate applicable to such purchases, the greater the potential interference with business decisions as whether to produce the input in-house and where to locate production. A state's revenue needs may be so great that in addition to considering new taxes on household services, policymakers are contemplating an increase in the sales tax rate. If that is the case, it may be preferable from an economic efficiency standpoint to expand taxation of B2B sales of services in order to avoid taxing B2B sales of goods at a higher rate.

<sup>16</sup> It is stressed here again that not all sales of goods to businesses are taxable.

- **Exempting all business services would facilitate tax evasion by the self-employed.** The number of self-employed persons in the United States is large and growing. Accordingly, there is increasing potential for such workers to purchase many goods and services on a sales-tax-free basis by claiming they are being purchased for business use when they are actually being purchased for personal use. The cost of preventing tax evasion, however, could exceed the economic benefits of exempting business purchases.
- **Some business purchases are disguised as employee compensation, etc.** Some business purchases of services are really a disguised form of providing compensation to employees and customers in the form of individual consumption directly paid for by the business (e.g., company-owned country club memberships, skybox rentals and season tickets at sports venues, "business" meals and rentals of "company" cars, "sales meetings" at resorts for customers, employees and their families, etc.). There is little justification for allowing such services to be purchased on a sales tax-exempt basis merely because they are being purchased by a business.

In essence, what it boils down is that the effectiveness of a sales tax on services depends on a variety of factors, as noted above, not the least of which is the type of economy a state has, i.e., services versus goods/manufacturing-oriented. Additionally, its effectiveness, like all other taxes, is highly dependent on the actual (e.g., independent economic clusters) economic diversification of a state. In other words, the level of diversification is a major determining factor in the long-term revenue potential of any tax.

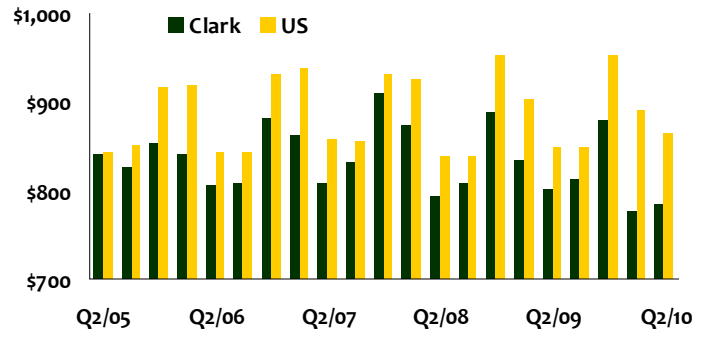
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| Indicator   | Region                        | Date             | Value           | Chart |
|---|-------------------------------|------------------|-----------------|-------|
| <b>RCG Employment Index</b>   | Clark County<br>United States | 2/2011<br>2/2011 | 89.6<br>95.2    |       |
| <p><b>Comment:</b> RCG's Employment Index is based on the employment to workforce ratio. Conditions in the labor market have deteriorated significantly since our base-period (December 1998 = 100), more so in Clark County than the U.S.</p> <p>Clark County is bumping along the bottom; however, we continue to believe that firms, nationally or locally, will not begin hiring in large numbers for sometime.</p>   |                               |                  |                 |       |
| <b>Non-farm Jobs</b>  | Clark County                  | 2/2011           | 793.5K<br>-0.6% |       |
| <p><b>Comment:</b> Total non-farm employment totaled 793,500 in February, .6% less than the prior year (equating to a loss of 5,100 jobs). Private non-farm employment (697,000 jobs) still decreased -.5% Y-O-Y.</p> <p>Employment growth remains negative, but has moderated significantly from last year.</p>  |                               |                  |                 |       |
| <b>Leisure/Hospitality Jobs</b>   | Clark County                  | 2/2011           | 252.5K<br>+0.6% |       |
| <p><b>Comment:</b> Clark County's export industry—Leisure &amp; Hospitality—had 252,500 jobs in February. Job growth was recorded, registering a 0.6% increase (1,400-job loss) over the same month last year.</p>  |                               |                  |                 |       |
| <b>Unemployment Rate</b><br><b>Unemployment Claims</b>  | Clark County<br>Clark County  | 2/2011<br>2/2011 | 13.7%<br>82.1K  |       |
| <p><b>Comment:</b> The unemployment rate was 13.7% in February, down 1.5 points above the 15.2% recorded during the same month last year. Largely due reductions the labor force, not strong job growth.</p> <p>82,113 approved unemployment claim filings (first payments) were recorded during the 12 months ending in February. This is the 8<sup>th</sup> month, annual claims were below 100k. The downward trend is good news for Southern Nevada (<i>Note: 12MMT = 12 month moving total</i>).</p> |                               |                  |                 |       |

| Indicator | Region | Date | Value | Chart |
|-----------|--------|------|-------|-------|
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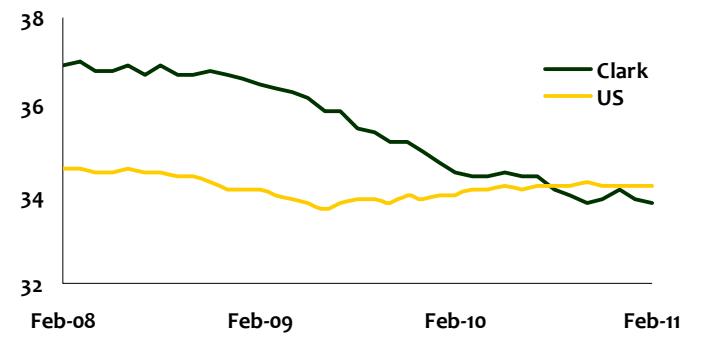
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|--|---------------|-------|-------|
| <b>Average Weekly Wages</b> (in 2010 \$) | Clark County  | Q2/10 | \$785 |
|  | United States | Q2/10 | \$865 |

**Comment:** As the chart indicates, average weekly wages for the U.S. & Clark County remain unstable. This will continue to lead to consumer uncertainty regarding spending, especially on discretionary products and services.



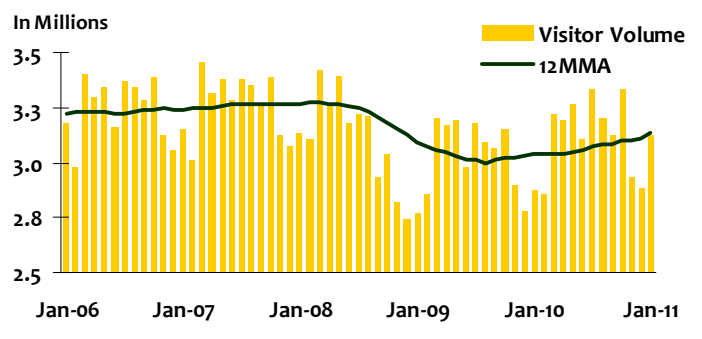
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|------------------------------------|---------------|--------|-----------|
| <b>Average Weekly Hours Worked</b> | Clark County  | 2/2011 | 33.8 hrs. |
|                                    | United States | 2/2011 | 34.2 hrs. |

**Comment:** Average weekly hours worked at the national level and local levels have stabilized, but are still no returning to pre-recession norms, which means that firms will not be hiring in large numbers in the near future— since they are not currently “over working” their current employees.



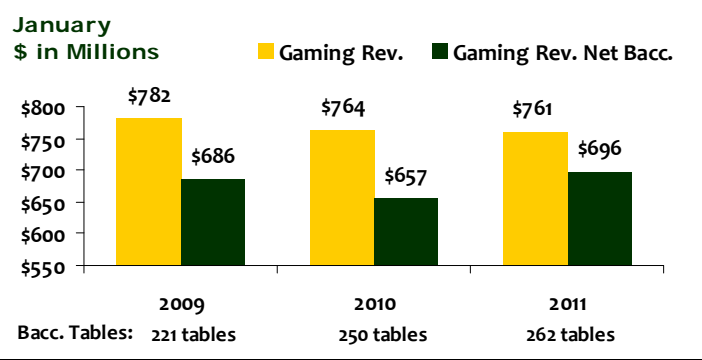
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| <b>Visitor Volume</b> | Las Vegas Valley | 1/2011 | 3.126M |
|-----------------------|------------------|--------|--------|

**Comment:** There were 3,126,364 visitors to the Las Vegas Valley in January, a rise of 8.6% relative to January 2010 and marking the 11<sup>th</sup> consecutive Y-O-Y increase in visitor volume.  
*(Note: 12MMA = 12 month moving average).*



|  |              |        |          |
|--|--------------|--------|----------|
| <b>Gaming Revenue Gam. Rev. Net Baccarat</b> | Clark County | 1/2011 | \$761.4M |
|  |              | 1/2011 | \$696.3M |

**Comment:** Gaming revenues in Clark County totaled \$761,354,000 in January, a -0.4% drop from January 2010.  
Adjusting gaming revenues by excluding baccarat revenues, gross gaming revenue totaled \$696,284,000, a 6.0% rise from January 2010, and 1.5% above January 2009's \$686,244,000.



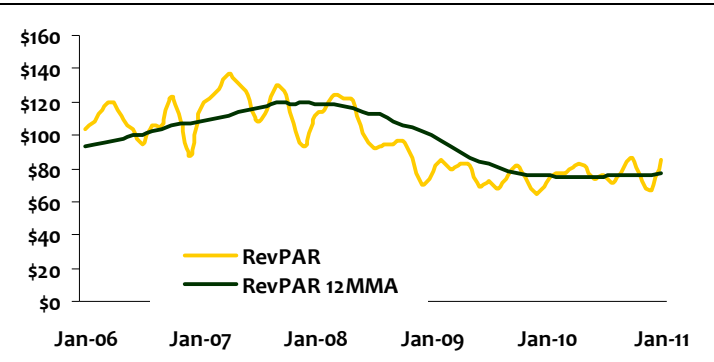
| Indicator | Region | Date | Value | Chart |
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|   |                  |        |         |
|---|------------------|--------|---------|
| <b>Hotel Revenue Per Available Room</b> | Las Vegas Valley | 1/2011 | \$84.70 |
|---|------------------|--------|---------|

**Comment:** Hotel revenue per available room (RevPAR) in the Las Vegas Valley were \$84.70 in January, a 19.4% improvement from January 2010.

As the national recovery solidifies, increases in occupancy will drive average daily room rates upward, which in turn, will improve RevPAR.

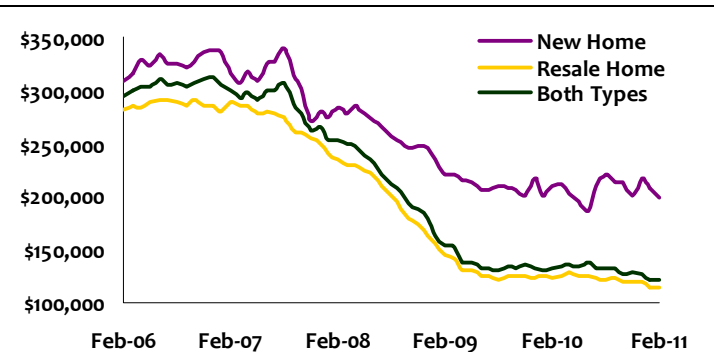
(Note: 12MMA = 12 month moving average).



|                          |              |         |                  |
|--------------------------|--------------|---------|------------------|
| <b>Median Home Price</b> | Clark County | 02/2011 | New: \$198.5K    |
|                          |              | 02/2011 | Resale: \$115.0K |

**Comment:** According to Home Builders Research ("HBR") data, when comparing February 2011 to February 2010, the median price for new homes dropped -5.2% Y-O-Y (from \$209,000). Median resale home prices continued to fall, reaching in \$115,000 in February (-7.2% Y-O-Y).

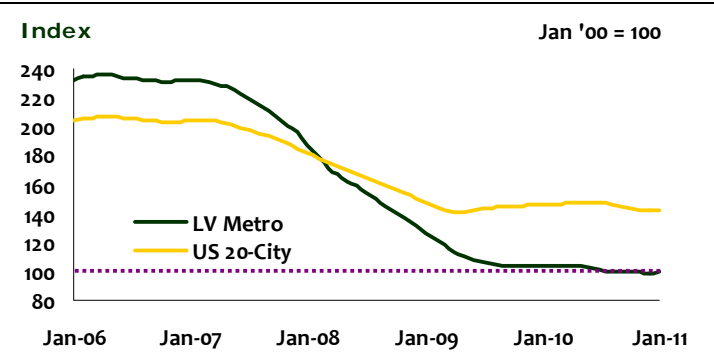
The overall weighted median price of both types was \$120,690, a -8.8% Y-O-Y drop.



|   |               |        |       |
|---|---------------|--------|-------|
| <b>Case-Shiller Housing Price Index</b> | Las Vegas MSA | 1/2011 | 99.3  |
|   | United States | 1/2011 | 141.9 |

**Comment:** Case-Shiller Index (January 2000 = 100) also reports downward pressure on home prices locally and nationally according. At 99.31, January marked the 4<sup>th</sup> month below an index value of 100 for Las Vegas, indicating prices are below that recorded in January 2000. Compared with January 2011, the Las Vegas Index fell -4.5%.

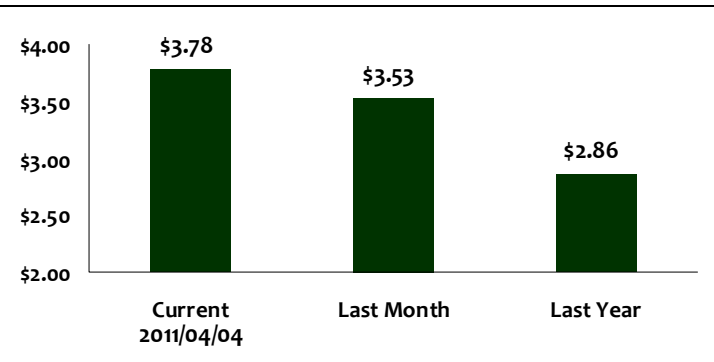
In comparison, the U.S. 20-city average fell -3% in January from last year.



|                          |                  |            |             |
|--------------------------|------------------|------------|-------------|
| <b>Average Gas Price</b> | Las Vegas Valley | 04/04/2011 | \$3.78/gal. |
|                          |                  | 04/04/2010 | \$2.86/gal. |

**Comment:** The average price of a gallon of regular gas was \$3.78 on April 4, 2011, 32% higher than the \$2.86/ gallon recorded last year.

Gasoline price, along with a variety of other commodity prices continue to rise rapidly. To-date, this doesn't seem to be impacting the rate of recovery like some of the other indicators like job growth and consumer spending, but it can't go on unabated before the nascent recovery is impacted.



## SOURCES

- **Nevada Department of Employment, Training & Rehabilitation:** *Nonfarm Jobs, Leisure & Hospitality Jobs, Employment (indexed by RCG), Unemployment Rate, Unemployment Claims, Average Weekly Wages, & Average Weekly Hours Worked.*
- **Las Vegas Convention & Visitors Authority:** *Visitor Volume, Hotel Occupancy, Average Daily Room Rate.*
- **Nevada Gaming Control Board:** *Gaming Revenue.*
- **Home Builder's Research:** *Median New Home Price.*
- **Greater Las Vegas Association of Realtors:** *Median Resale Home Price.*
- **Standard & Poors (S&P):** *Case-Shiller Housing Price Index.*
- **AAA's Daily Fuel Gauge Report:** *Gas Price.*

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## RCG Economics LLC

RCG Economics LLC is the most established & prominent Nevada-based urban economics, public policy & real estate consulting firm in the state. John Restrepo, principal of the firm, has been providing socio-economic, real estate market & public policy research services research in Nevada since 1988. RCG advises a variety of public & private organizations. The firm uses its deep expertise in regional economics & demographic modeling, market analysis & database management to assist its clients. RCG has prepared over 500 demographic & economic forecasts, highest & best use studies, market analyses, public policy & regional economic reports.

The firm's other services lines include financial advisory services, strategic planning & hospitality industry consulting. The firm is sought after by many of Nevada's most prominent companies & public agencies. RCG has offices at 3980 Howard Hughes Parkway, Suite 290 89169. We can be reached at 702-967-3188. RCG's website can be accessed at: [www.rcg1.com](http://www.rcg1.com).

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