



GOVERNOR'S FINANCE OFFICE

MAY 2025 FORECAST

FISCAL YEARS 2025-2027

Prepared by Dr. Mauricio Solorio Arteaga

STATE 2% SALES TAX

9130-3001

What Changed?

■ New Assumptions:

- **Tariff Uncertainty:** Ongoing tariff disputes have led to pervasive economic uncertainty, dampening consumer confidence and spending.
- **Inflation Expectations:** One-year inflation expectations rose by 0.5% to 3.6%, while longer-term expectations remain anchored at 3.0%.
- **Federal Reserve Stance:** The Federal Reserve has maintained interest rates at 4.25%-4.5% and any cuts in 2025 are unlikely to happen.
- **Labor Market:** Unemployment is projected to rise modestly.
- **International Tourism Outlook:** International tourism may weaken, as geopolitical tensions and economic uncertainty increase, potentially reducing visitor volumes. A weaker U.S. dollar may help offset some of these effects.

Source: [Federal Reserve Bank of New York](#) (2025)



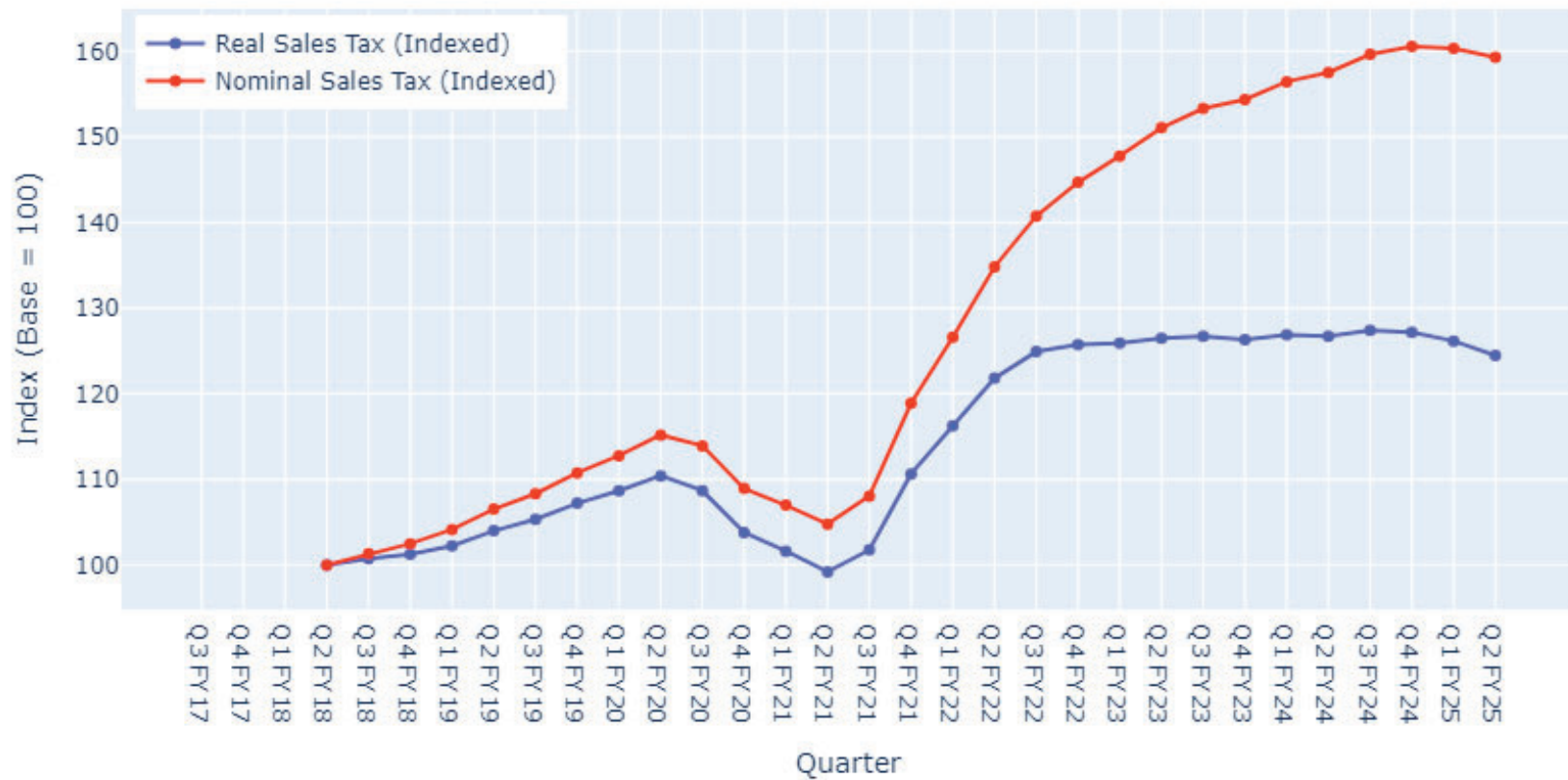
Key Model Drivers

- **Unemployment:** Expected to rise from 5.69% in FY25 to a peak of 6.55% in FY26, with a slight easing in FY27.
- **Tourism Volume:** Visitor numbers are projected to dip in FY26 (-4.4% YoY) before modest recovery in FY27.
- **Inflation:** Assumed to remain moderate, averaging ~2.8%, with a slight increase in FY26 due to lingering tariffs.

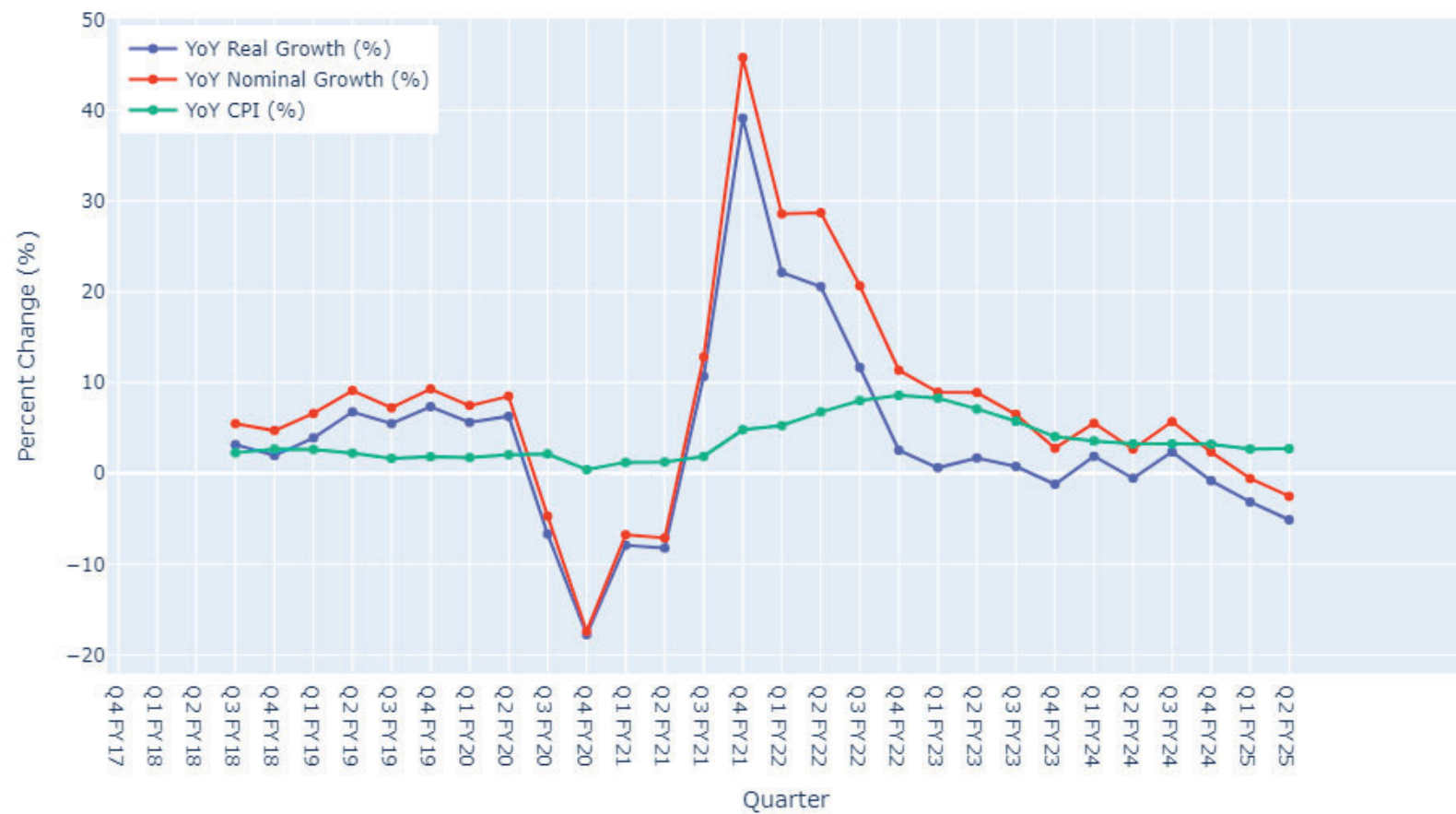
Main Drivers	FY25	FY26	FY27
Unemployment	5.69	6.55	6.53
Tourism	44.3 M	42.4 M	43.1 M
Inflation	2.83%	3.15%	2.54%



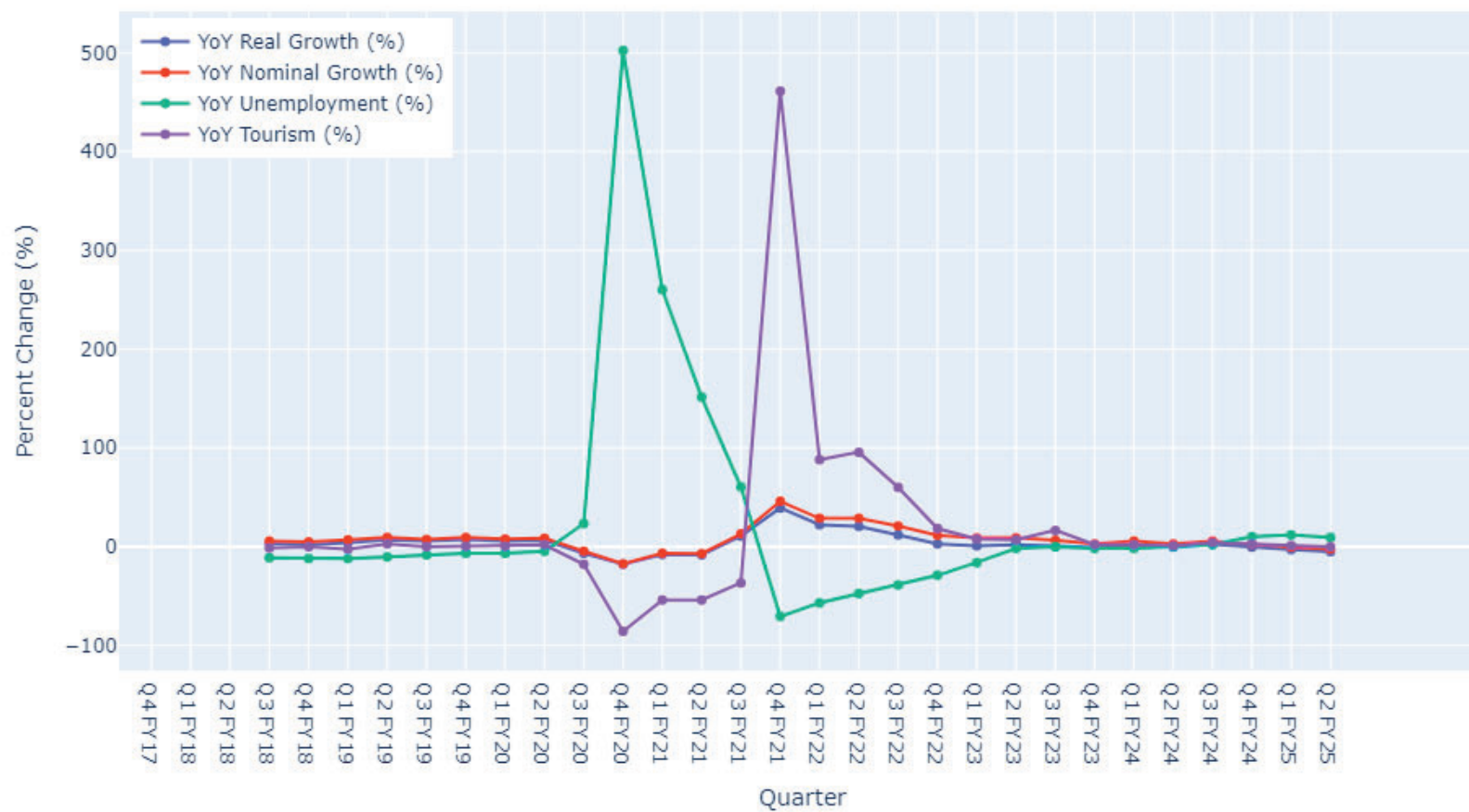
Indexed Growth: Real Sales Tax vs. Nominal Sales Tax



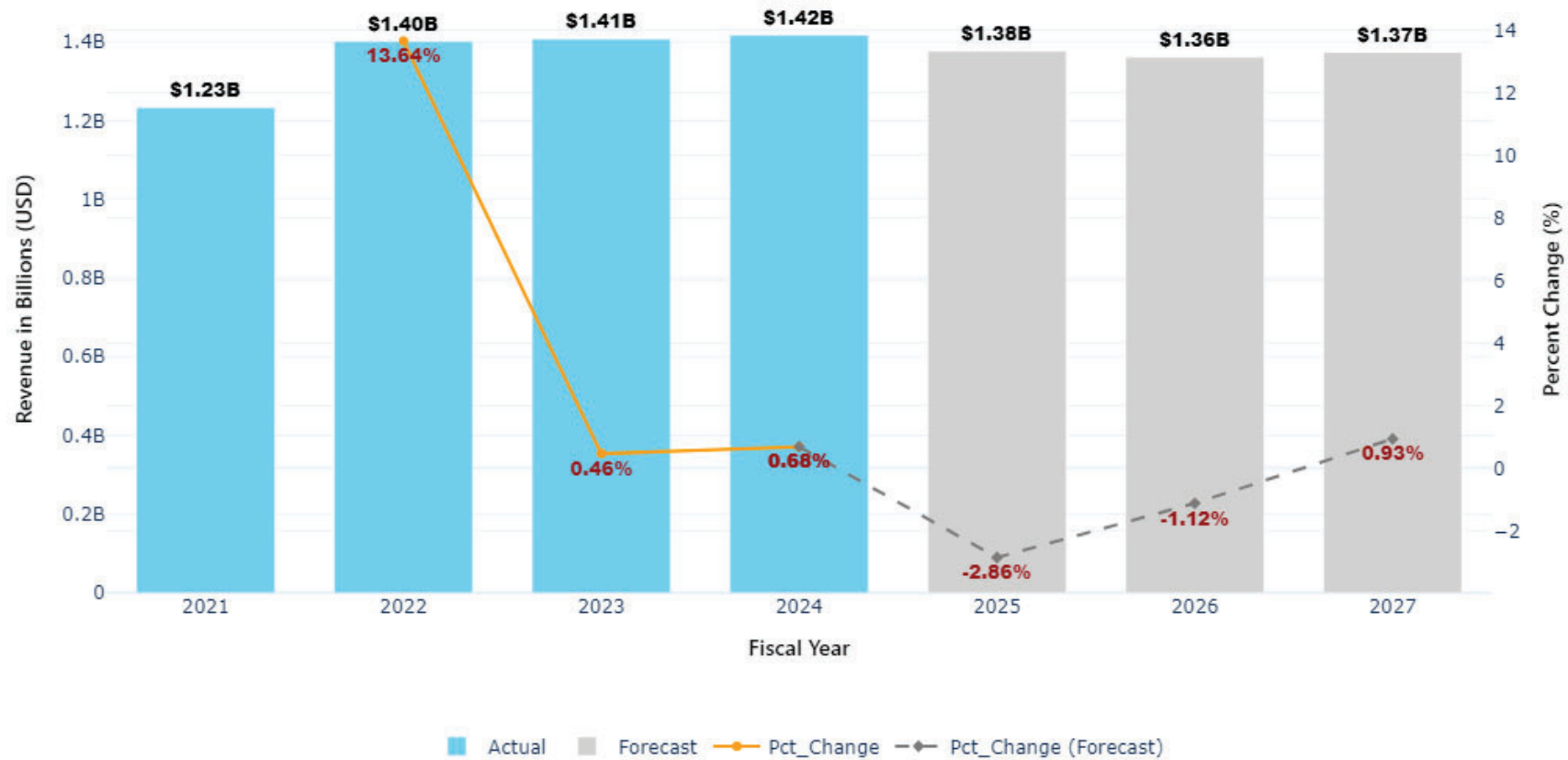
Year-over-Year Percent Change Comparison



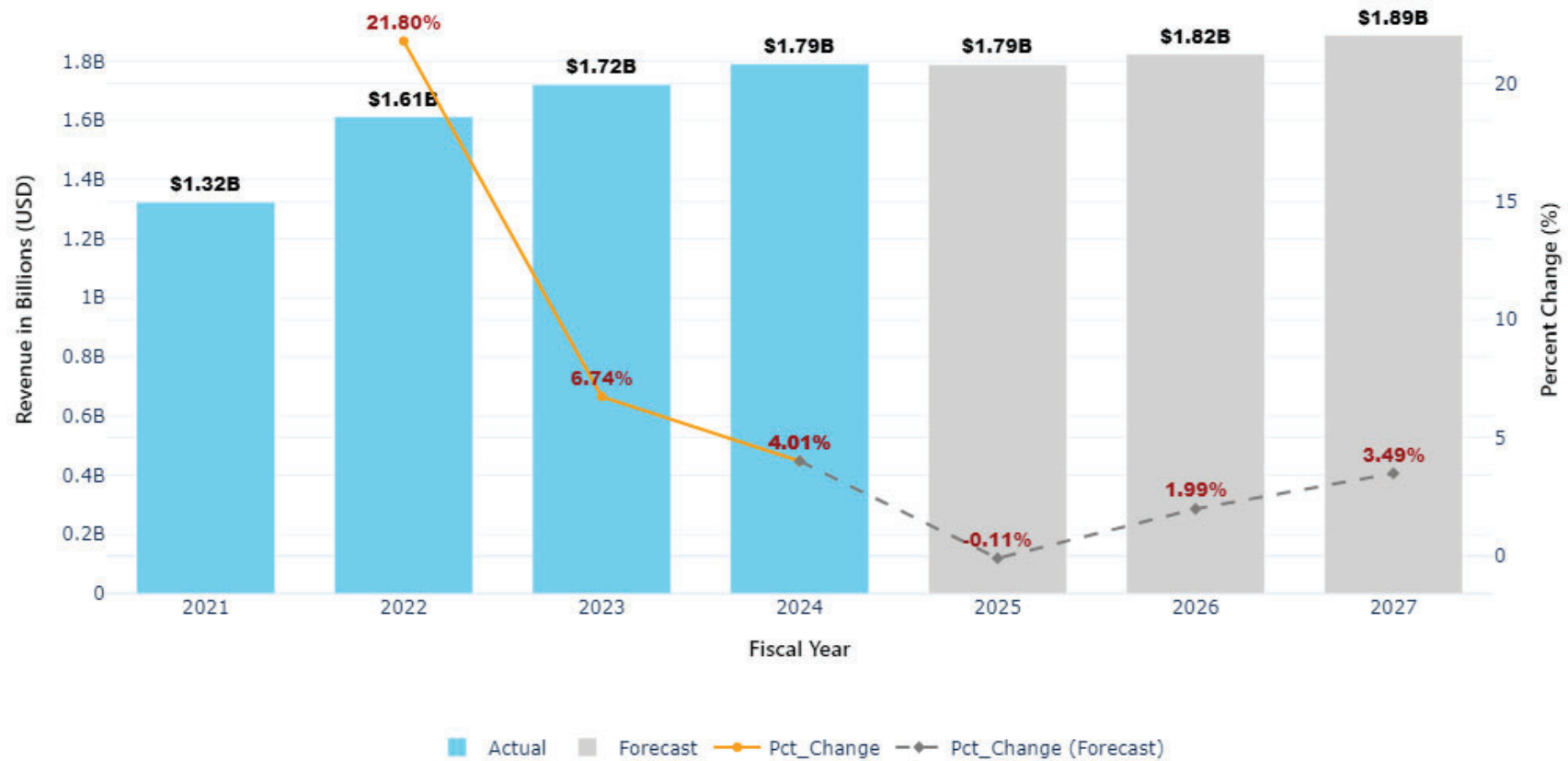
Year-over-Year Percent Change Comparison



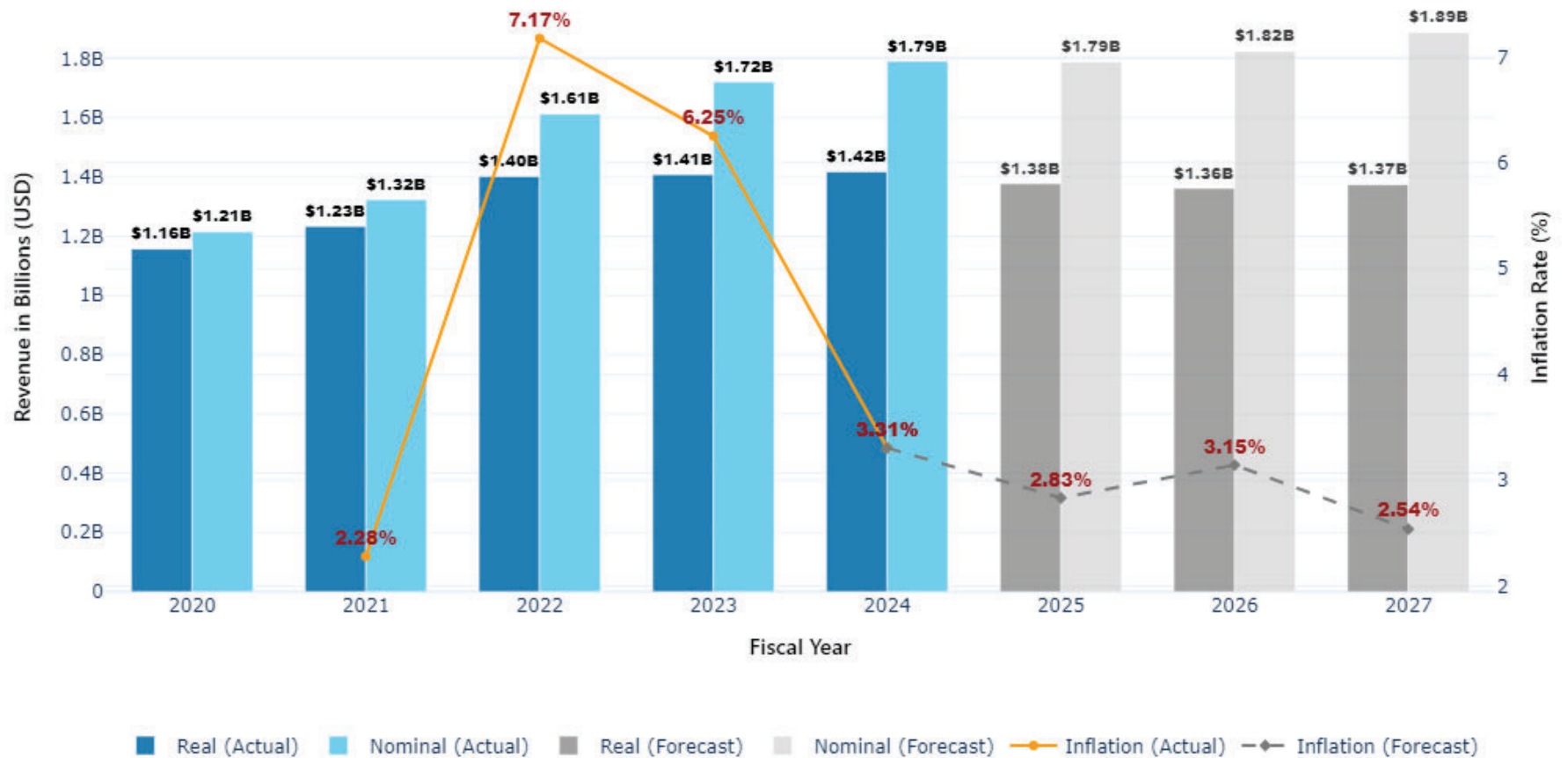
Real Sales Tax by Fiscal Year



Nominal Sales Tax by Fiscal Year



Nominal Sales Tax vs. Real Sales Tax and Inflation Rate by Fiscal Year



LIVE ENTERTAINMENT TAX - GAMING

9600-3031

What Changed?

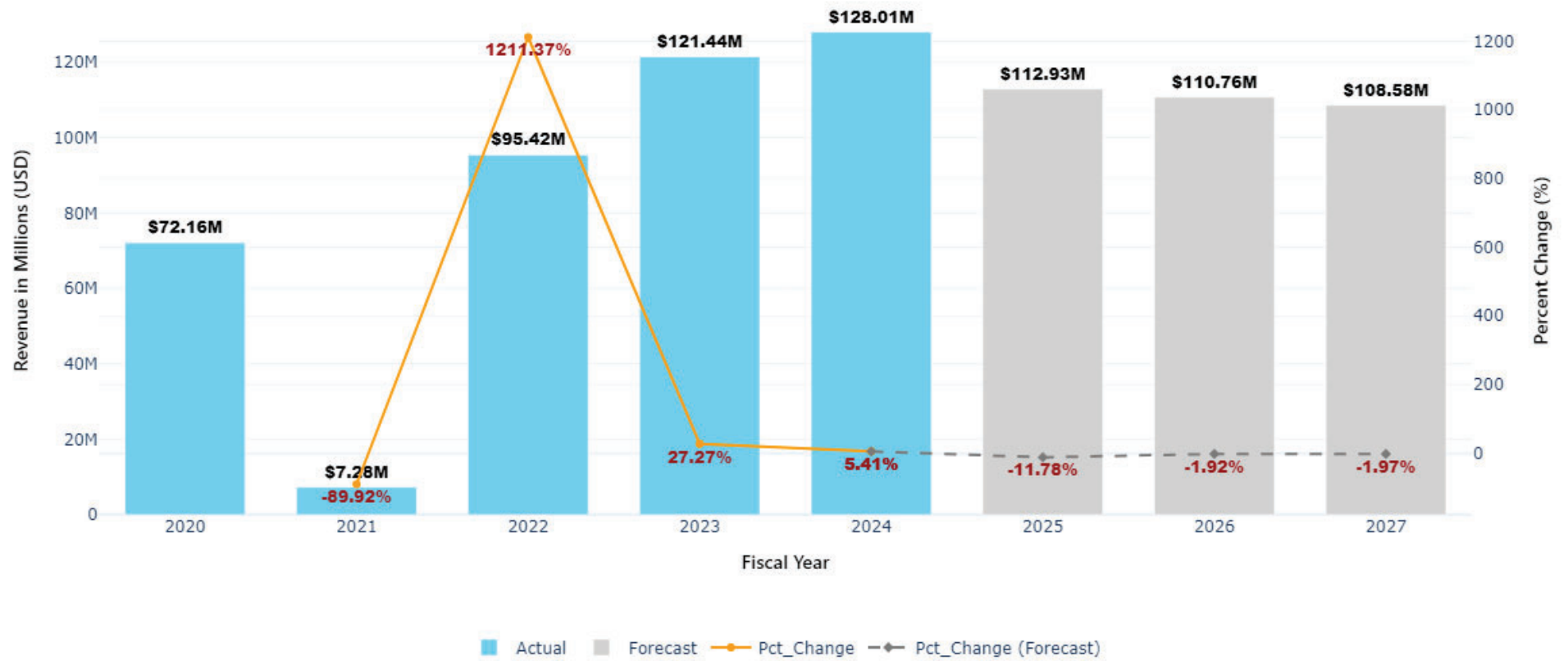
■ Previous Assumptions Still Hold:

- Revenues will continue to decline as competition from non-gaming venues grows.
- However, full recovery to pre-pandemic levels remains unlikely due to:
 - Persistent demand for alternative entertainment options.
 - Higher operational costs and elevated ticket prices.
 - Increased marketing efforts needed to sustain attendance.

■ Additional Assumptions:

- Slowing in tourism may further soften demand for gaming-related entertainment events.

LET_Gaming by Fiscal Year



LIVE ENTERTAINMENT TAX - NON-GAMING

9130-3031

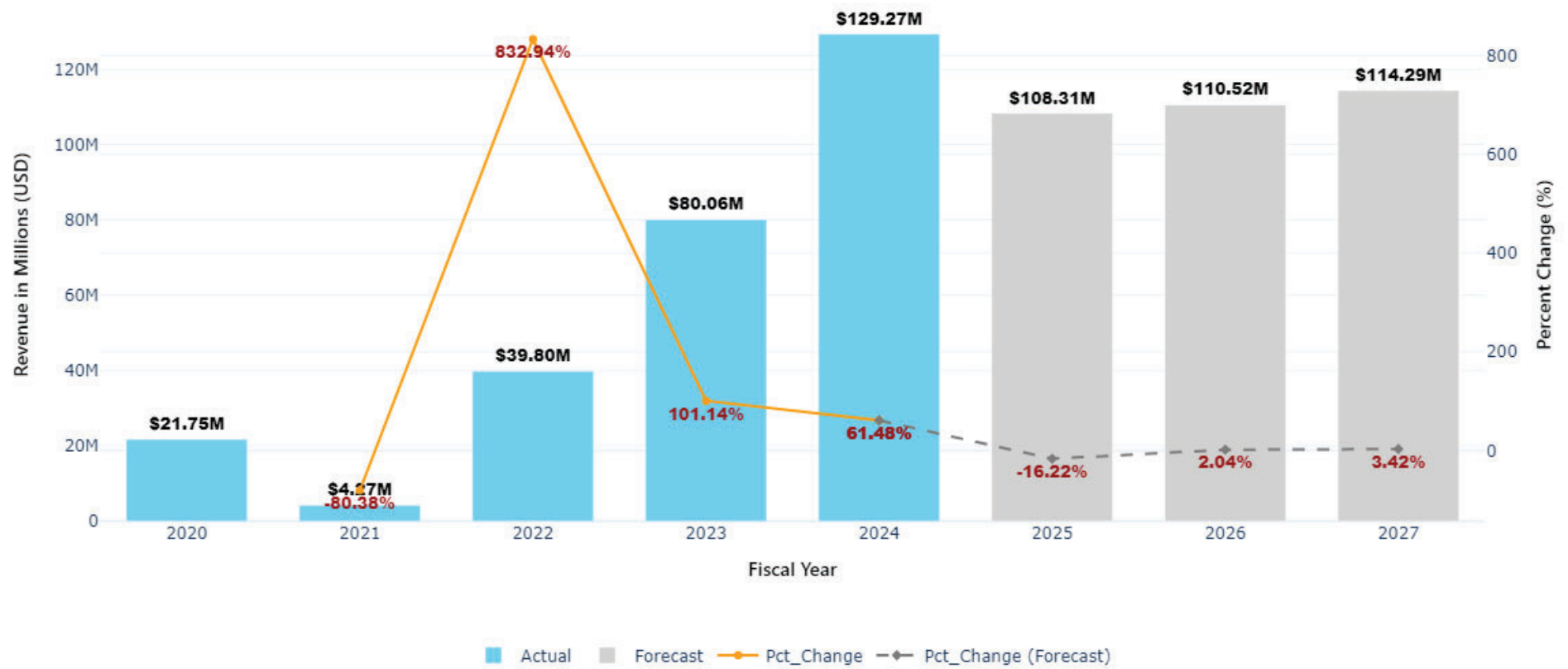
What Changed?

- **Previous Assumptions Still Hold:**
 - Non-gaming venue capacity constrains growth (~83,600 seats).
 - Major international events bring up to **100,000 attendees** per night.
 - Average ticket prices remain elevated.
- **Additional Assumptions:**
 - **Concert attendance remains resilient** in FY26 despite higher inflation and unemployment.
 - **Payment plans** for tickets have expanded access, with **60%** of major festival attendees using financing options.
 - **Emotional value** of live events supports demand: **86–90%** of fans say they will not cut back on concerts, even during economic downturns.
 - **Historical resilience:** Live music spending has historically grown ~7% even during recessions.

Sources: [People Magazine](#) (2025); [SoundVibe Magazine](#) (2025); [Music Business Journal](#) (2025); [Business Insider](#) (2025)



LET_NonGaming by Fiscal Year



GAMING PERCENTAGE FEE

9600-3041

What Changed?

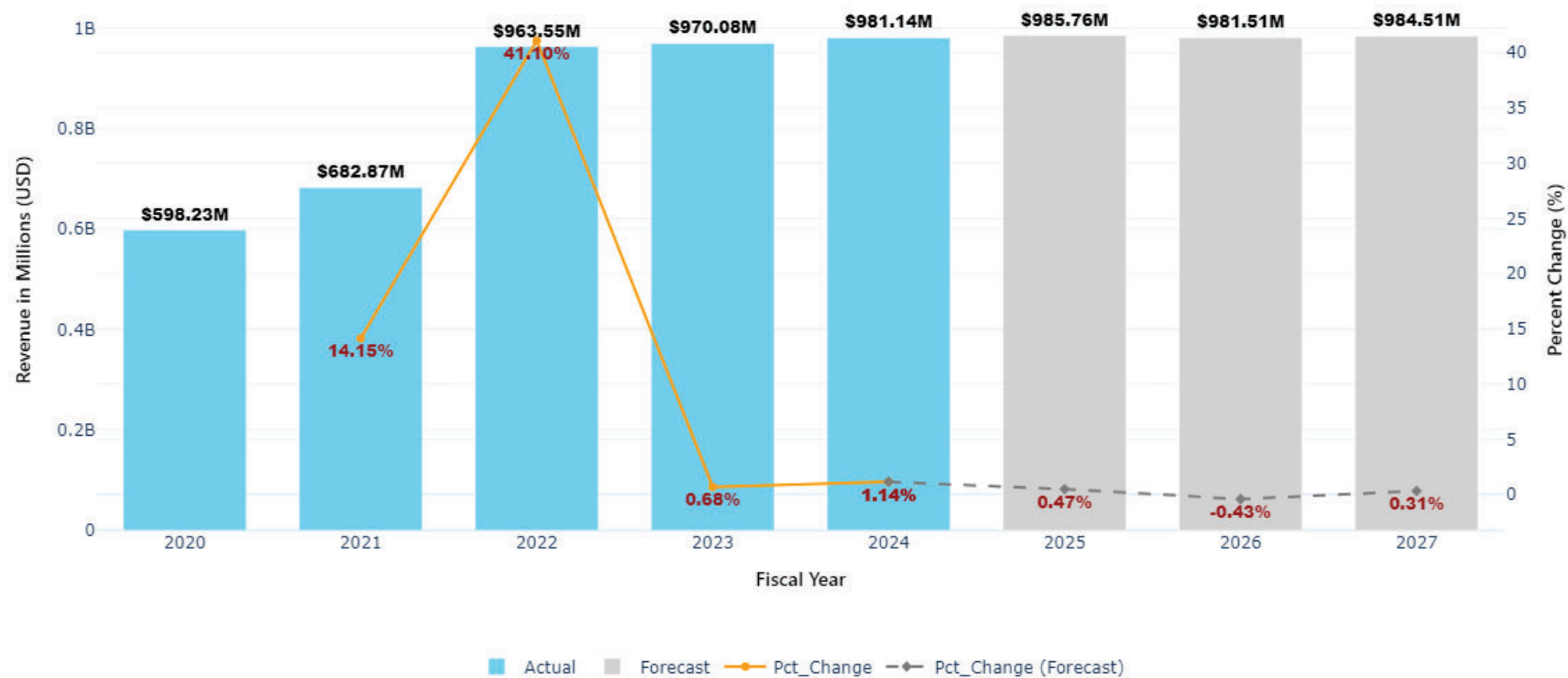
■ Previous Assumptions Still Hold:

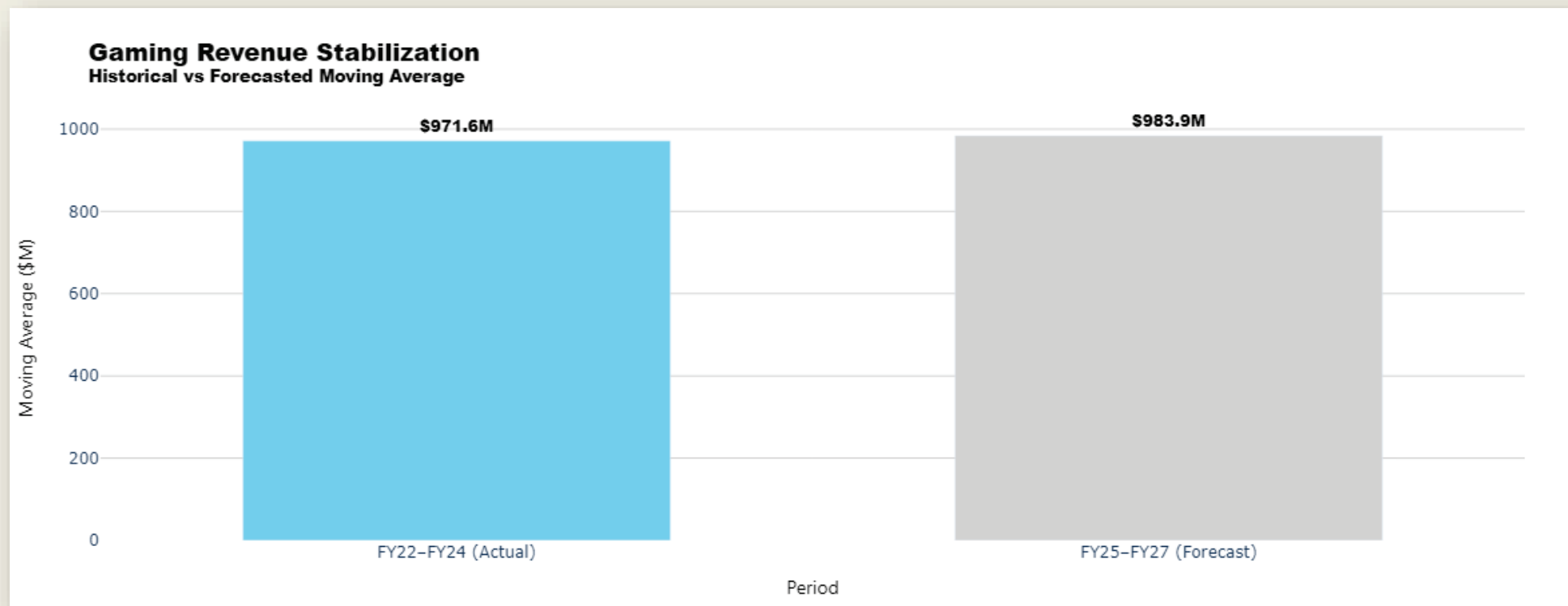
- 80% of visitors are assumed to participate in gambling.
- Average gamble amount is set at \$250 per visitor.
- Spending assumptions are uniform across visitors (no adjustments for demographics, purpose, or wealth).
- Economic shifts and competitive pressures are not fully modeled.

■ Additional Assumptions:

- A **slight decline** in gaming percentage win is anticipated in FY26 due to **slower tourism**.
- However, gaming revenues are expected to **remain close to the recent moving average** established between FY22 and FY24.

PctFee_Collections by Fiscal Year





The **percent increase** from the historical moving average to the forecasted moving average is approximately **1.27%**

INSURANCE PREMIUM TAX

9130-3061

What Changed?

■ Previous Assumptions Still Hold:

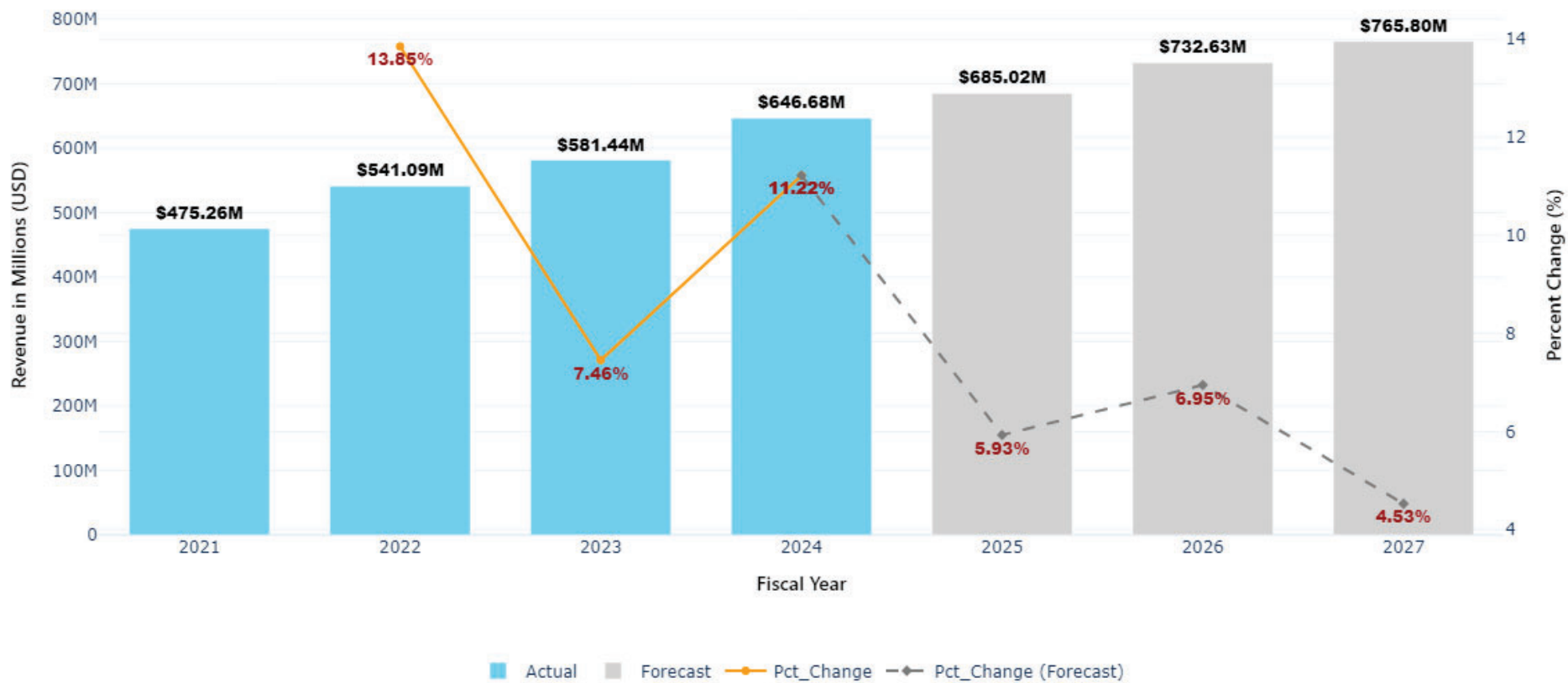
- Model primarily reflected the impact of increases in auto insurance premiums.
- Incorporated 5% growth in health insurance premiums.
- Included hospital tax and state-directed payments (SDPs), based on updated hospital revenue assessments.
- Adjusted for higher spending by managed care organizations (MCOs) tied to federal rate increases.

■ Additional Assumptions:

- If the **25% tariffs** on autos and auto parts remain in place, **auto insurance premiums** are expected to rise further due to higher repair costs and vehicle valuations.
- Potential **home insurance premium increases** are now factored in, given the heightened wildfire risks and high construction/repair costs due to tariffs.
 - Northern Nevada shares similar fire risk conditions with Southern California, raising the probability of localized insurance rate adjustments.



IPT_Gross by Fiscal Year



MODIFIED BUSINESS TAX - GENERAL BUSINESS

9130-3069

What Changed?

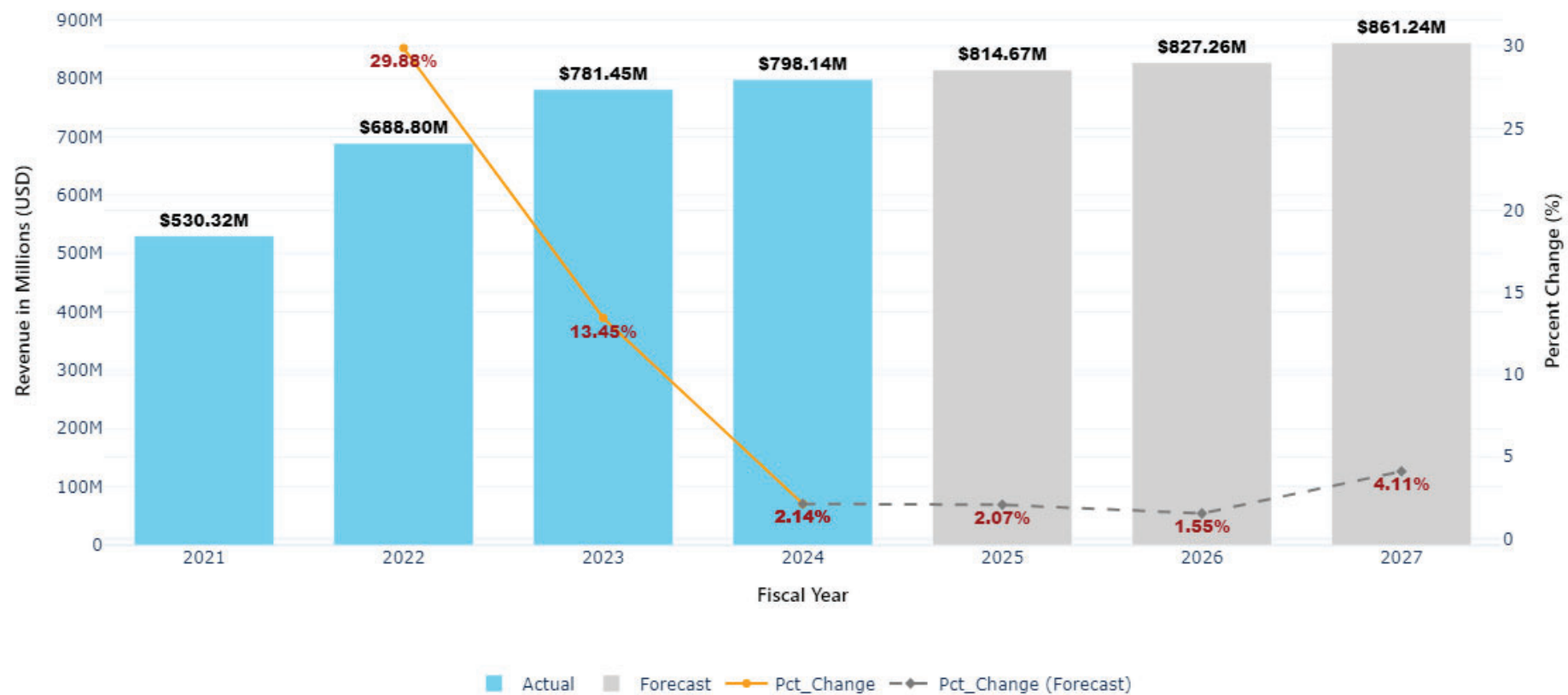
■ Previous Assumptions Still Hold:

- Forecast previously reflected economic growth driven by corporate tax cuts.
- Model adjusted to forecast gross tax revenue (before tax credits) rather than net tax revenue (after credits).

■ New Assumptions:

- **Employment** is expected to **remain relatively stable**, with some modest layoffs possible if tariffs on key imports remain in place.
- **Business expansion is likely to be limited** due to heightened economic uncertainty and risk aversion.
- **Revenue growth** will primarily result from a **combination of wage increases and stable employment levels**, rather than large-scale hiring or business expansions.

MBT_Collections_GB by Fiscal Year



REAL PROPERTY TRANSFER TAX

9130-3055

What Changed?

- **Previous Assumptions Still Hold:**

- Homeowners with historically low mortgage rates are unlikely to sell.
- New residential developments will slow due to high construction costs.
- Existing housing inventory will sell at above-market prices due to limited supply and strong competition.

- **Mortgage rate expectations have shifted:**

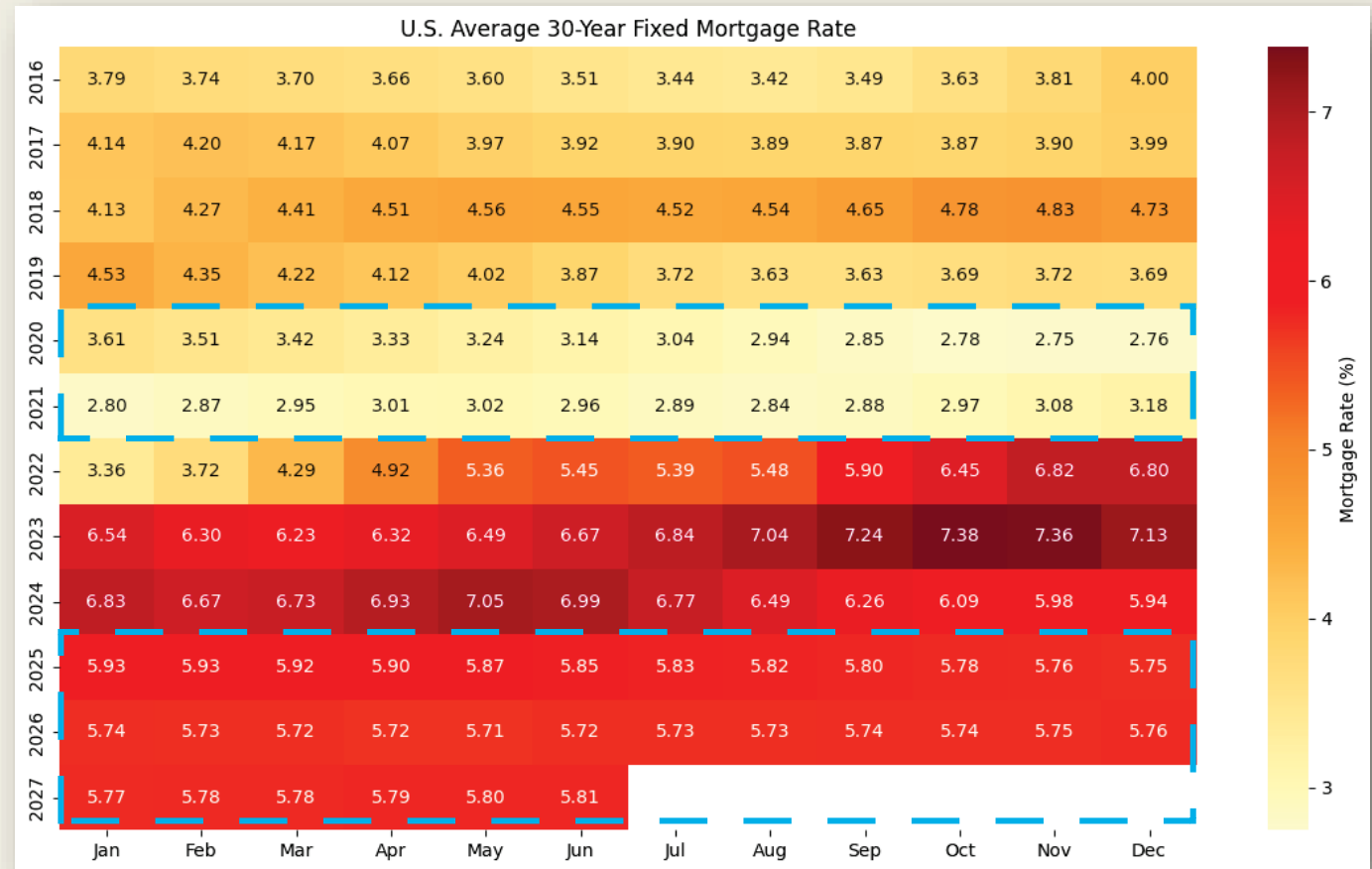
- Interest rates are no longer expected to stabilize around 5%.
- Due to persistent inflation pressures, elevated Treasury yields (remaining above 4%), and delayed Federal Reserve rate cuts, **mortgage rates are now projected to stabilize between the low-6% and mid-6% range** throughout the next biennium.

- Higher mortgage rates are expected to continue **suppressing real estate transaction volume**, particularly among rate-sensitive buyers.

November 2024 – Mortgage Rates Forecast

Date	30 Year Fixed Rate Mortgage
FY2016	3.80
FY2017	3.85
FY2018	4.15
FY2019	4.43
FY2020	3.53
FY2021	2.90
FY2022	3.75
FY2023	6.28
FY2024	7.02
FY2025	6.08
FY2026	5.76
FY2027	5.76

Biennium Ave Rate:
5.68%



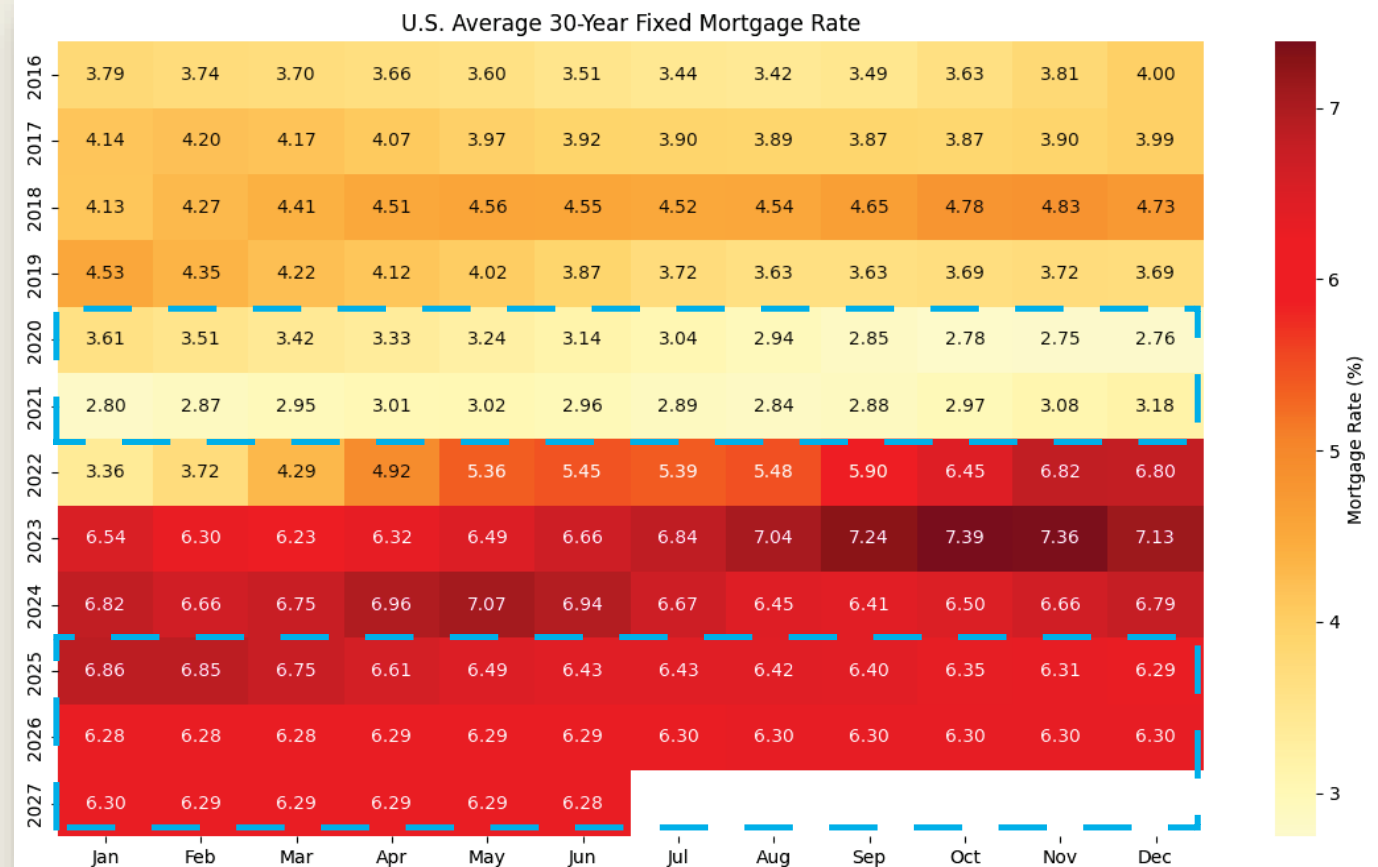
Source: Freddie Mac; Moody's Analytics Forecasted



May 2025 – Mortgage Rates Forecast

Date	30 Year Fixed Rate Mortgage
FY2016	3.80
FY2017	3.85
FY2018	4.15
FY2019	4.43
FY2020	3.53
FY2021	2.90
FY2022	3.75
FY2023	6.28
FY2024	7.02
FY2025	6.62
FY2026	6.33
FY2027	6.30

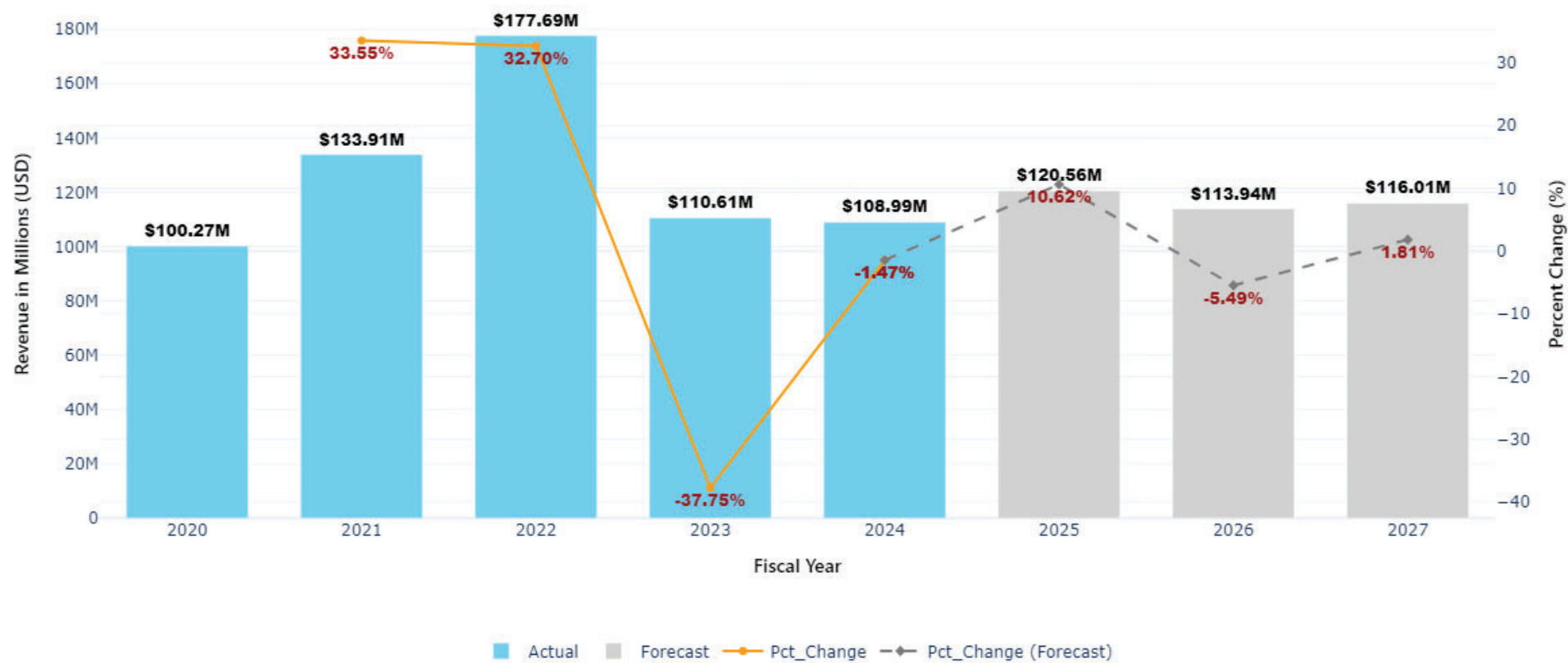
Biennium Ave Rate:
6.41%



Source: Freddie Mac; Moody's Analytics Forecasted



RPPT by Fiscal Year



THANK YOU



Mauricio Solorio, Ph.D.

Executive Branch Economist

Governor's Office of Finance

209 East Musser Street, Room 200

Carson City, Nevada 89701

Office (775) 684-0261 | Cell (775) 842-2279

msarteaga@finance.nv.gov

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