



NEVADA DEPARTMENT OF TAXATION  
Division of Assessment Standards

# Nevada Property Tax: Elements and Application

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## Historical Overview

*“The subject of taxation is not necessarily so abstract and technical that it is devoid of interest to the ordinary citizen. It has its human interest.”*

*Romanzo Adams,  
Taxation in Nevada, A History, 1918*

Nevada has a history rich in adapting the system of taxation to meet the needs of her people. The early history of the tax system in Nevada reflects the heavy reliance on property taxes; the relative economic importance of mining within the state, and the experience with property tax systems of the eastern United States that the miners brought with them.

Prior to 1901, the property tax system relied wholly on county assessors, guided by general laws and motivated by a system of incentives, including commissions and penalties, to enforce a fair and equal property tax. Equitable results varied, and the need became apparent that a centralized agency was necessary for continuity of decision-making and to ensure that equity and fairness were maintained throughout the state. Checks and balances were imposed when the State Board of Assessors was created in 1901. The centralized state agency provided additional oversight and guidance to county officials, and was responsible for establishing the value of property of an interstate or intercounty nature.

Tax System turns modern in the '70's



### *Reorganization*

Prior to 1975, the Division of Assessment Standards was responsible for oversight of the property tax system, and was a direct operating arm of the Nevada

Tax Commission. The Commission was composed of nine members who directed the work of the Division and also acted as the State Board of Equalization for appeals.

Based on the findings of the Governor's Tax Assessment and Equity Study committee, several proposals were made to improve the property tax system. AB 317, enacted into law in 1975, reduced the number of Tax Commission members from 9 to 7. The bill changed the language of the requirements for serving on the Commission so that business experience would be more general and not necessarily related to specific industries. In addition, the bill created the Department of Taxation headed by a chief administrative officer with the title executive director, appointed by the Governor.

AB 317 gave the executive director the authority to make final decisions on matters coming within the jurisdiction of the Department of Taxation, but provided for an appeal process before the Tax Commission. Many of the powers, authorities, and responsibilities of the Tax Commission were transferred to the Department, however, the Tax Commission remains the statutory head of the Department. Some of the transferred duties included assistance to county assessors in the appraisal of property, development of assessment standards, conducting ratios studies and carrying on a program of in-service training.

The Tax Commission was also separated from the State Board of Equalization and different individuals appointed to each board thus providing an additional check and balance in the system. Prior to the change, there was a perceived conflict of interest for the Commission members to serve in both a rule-making and adjudicatory capacity with regard to first establishing property values and then hearing the appeals on those values. Separation of the two bodies eliminated the perception of any bias during appeals. The State Board of Equalization became responsible for all appeals of value established by the Tax Commission and for appeals from the County Boards of Equalization.

### ***New Parceling System***

The bill also provided for a parcelling system so that all land in the state could be described. Prior to 1975, assessors were not required to maintain a complete set of maps. Under AB 317, approved May 27, 1975, NRS 360.280 was amended to require assessors to "maintain a complete set of maps to accurately describe and illustrate all parcels of land as provided in chapter 361 of NRS." In addition, the bill provided that not later than July 1, 1979, the parcelling system would be completed.

All land was to be described according to a parcel numbering system, and the department was to assist any county that did not have the capacity to prepare such maps. The Department was to ensure that the

maps were properly updated. (Section 51 of the bill). See NRS 361.189 through 361.220. The purpose of these laws was to standardize mapping practices, to ensure assessors are able to account for all of the rights, title and interest inherent with the taxpayers' ownership or use of real property. As a result, most county offices today use computer-aided drafting and design or GIS systems. The standard model was adapted from California's map-book and page system.

The definition of a parcel of land for assessment purposes is described as "a contiguous area of land under one ownership and in one general use." It is identified using an assessor's parcel number (APN). A parcel of land for assessment purposes can be a different parcel from that of a lot or a series of lots plotted on subdivision maps and other plats. The assessor's parcel consists of the largest area of land that the assessor can legally and practically "parcel" (assign an APN). This "parceled" area of land may have been conveyed by one or several deeds; it may contain numerous lots or only a fraction of a lot. Examples of parcels described for assessment purposes by an APN are:

- Several subdivision lots covered by an office or other buildings and in one ownership;
- An entire block subdivided in lots but used as a unit and in one ownership;
- An area covered by an industrial plant and in one ownership. It might consist of several subdivision lots or even parts of two or more subdivisions.
- An area covered by a store building with a parking lot used in connection with the business and in the same ownership.
- There are instances when two separate properties under one ownership can be considered as two separate parcels. This occurs when each property has a residence situated on the lot. A distinct parcel number is assigned to each property even though the properties are under only one ownership or are lots in a new subdivision held by one owner whose intent is to sell these lots individually.

### ***Professional Assessing Officials***

The Governor's Tax Assessment and Equity Study committee recommended that "it would be better to have assessors and their staff attend school to become better qualified, and that before reelection, assessors must become certified as competent by the Nevada Tax Commission." (Dr. Glen Atkinson, reporting to the Assembly Taxation

Committee, March 13, 1975).

The Division of Assessment Standards today administers the appraiser certification program, including developing and administering the certification examination, which tests the knowledge of appraisal principles and property tax law of those persons who perform appraisals for property tax purposes; and granting appraisal certificates to every applicant who passes the exam. The Division also maintains the training records for all certified appraisers and independent contractors.

In connection with this program, the Appraiser Certification Board may recommend to the Division that the certificate of any person who fails to complete or carry forward the minimum number of continuing education hours may be suspended or revoked. In addition, the Board advises the Division what courses may be accepted for credit as continuing education.

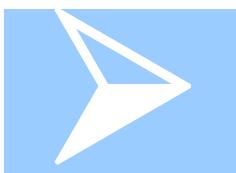
### ***Monitoring Assessment Work***

The viability of a property tax depends on the accuracy of county assessors in estimating taxable value, and a ratio study provides a means for evaluating the accuracy of those appraisals. The requirement to study and measure assessment accuracy began in 1965 with S.B. 15. The requirements in the statute were changed several times in subsequent years, with the most substantial changes made in 1973 and 1975. Today, NRS 361.333(1) requires the Department to determine the ratio of assessed value of each type or class of property for which the county assessor has the responsibility of assessing to:

- (1) the assessed value of comparable property in the remaining counties; and
- (2) the taxable value of that type or class of property within that county.

### **Tax Relief in 1979 and the Tax Shift of 1981**

#### ***California's Prop 13***



In 1978, California voters staged what has been described as a property tax revolt by approving a statewide ballot initiative known as Proposition 13. In a challenge to Prop 13 before the U.S. Supreme Court, the Court described the initiative as follows:

“Proposition 13 followed many years of rapidly rising real property taxes in California. From fiscal years 1967-68 to 1971-2,

revenues from these taxes increased on an average of 11.5 percent per year. In response, the California Legislature enacted several property tax relief measures, including a cap on tax rates in 1972. The boom in the State's real estate market persevered, however, and the median price of an existing home doubled from \$31,530 in 1973 to \$62,430 in 1977. As a result, tax levies continued to rise because of sharply increasing assessment values.

On election day in 1978, Prop 13 received a favorable vote of 64.8 percent and carried 55 of the State's 58 counties. Prop 13 led to a tax cut of approximately \$7 billion in the first year. Real property taxes were capped at 1% of a property's "full cash value." "Full cash value" was defined as the assessed valuation as of the 1975-76 tax year, or "thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The assessment "may reflect from year to year the inflationary rate not to exceed 2 percent for any given year."

Over time, this acquisition-value system created dramatic disparities in the taxes paid by persons owning similar pieces of property. Property values in California inflated far in excess of the allowed 2% cap on increases in assessments for property that is not newly constructed or that has not changed hands. As a result, longer-term property owners pay lower property taxes reflecting historic property values, while newer owners pay higher property taxes reflecting more recent values. For that reason, Prop 13 has been labeled by some as a "welcome stranger" system – the newcomer to an established community is "welcome" in anticipation that he will contribute a larger percentage of support for local government than his settled neighbor who owns a comparable home. " (See Nordlinger v. Hahn (1992) 120 L. Ed. 2d 1).

### ***Tax Reform Enacted in Nevada***

In the wake of California's Proposition 13, some major changes occurred in 1979 in response to the ballot initiative known as Question 6, which itself was a response to Prop 13 in California. In 1979, the Legislature passed S.B. 204 to provide property tax relief.

One of the main features of the bill was the provision of a lower limit on the tax rate from \$5.00 allowed by the constitution to \$3.64.

Essentially this reduction in the tax rate was paid for by replacing one mandatory school district levy of 70 cents with money appropriated to the Distributive School Fund, and a second school district levy of 80 cents would be reduced to 50 cents, with the difference to be state funded. Also, a medicaid levy of 11 cents would be state funded and the state tax of 25 cents would not be levied, for a total of \$1.36 reduction in the overall property tax rate.

S.B. 204 also provided that all household goods and furniture were exempt; provided for a process of requiring landlords to inform tenants of the amount of rent which represents property taxes; and provided for a limitation on expenditures by local governments, except school districts and other governmental accounting controls, such as a reasonable ending fund balance.

### *Tax Shift of 1981*

The incentive during the Tax Shift of 1981 was to provide additional property tax relief to homeowners, while still providing an adequate source of revenue for local governments. The tax shift reduced property tax collections by 50 percent and placed a greater reliance on sales taxes for revenues for local governments.

SB 69, one of three pieces of enabling legislation, changed the method of appraisal from market value to "taxable value." Taxable value adds the market value for land, based on the use to which it is actually put, rather than highest and best use, plus replacement cost new less depreciation for improvements. "Taxable value" remains the standard of valuation today.

As defined in NRS 361.227, the taxable value of vacant land is limited to the full cash value, based on the actual current use of the land. If the property is improved, taxable value is equal to the full cash value of the land plus the replacement cost new less depreciation of the improvements. Depreciation is set at the rate of 1.5 percent per year for each year of adjusted actual age of the improvement, up to a maximum of 50 years.

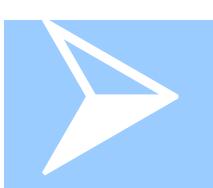
A.B. 369 was a second piece of enabling legislation. The bill provided for monthly reporting instead of quarterly reporting of the sales tax; the City-County Relief tax portion of the sales tax was made mandatory rather than optional; and it provided for increased rates. The third piece of enabling legislation was S.B. 411, which provided for revenue expenditure capping measures, regulatory fee limitations, state involvement in the audit process, limitations on the scope of enterprise

and reserve fund accounting, and increasing Department of Taxation authority with regard to local government budgets.

## Administrative Roles

The Nevada Tax Commission (Commission), the Nevada Department of Taxation (Department), County Assessors, Treasurers, and Commissioners, the State and County Boards of Equalization (State Board / County Board), the Committee on Local Government Finance (CLGF), and the Appraiser Certification Board (ACB) each have an important role to play in administering the property tax system.

### Nevada Tax Commission



The Commission consists of eight members appointed by the Governor; and at least 5 of the members must have ten years of experience in various fields of business including real property, utilities, agriculture, finance, and mining. The Commission is responsible for prescribing regulations to carry on the business of the Commission and the Department. (NRS 360.090). Decisions of the Department may be appealed to the Commission, and the Commission may review any decisions of the Department. (NRS 360.245). The Commission may confer with, advise and direct county officials with regard to the preparation of the tax roll, collection of taxes and other revenues. (NRS 360.250).

The Commission also adopts the formulas used by the Department to establish the taxable value of centrally-assessed properties, and certifies the values of centrally-assessed properties appraised by the Department. (NRS 361.320). The Commission establishes the unit values to be used for agricultural land and mobile homes (NRS 361.325), as well as the standards and schedules to be used for the valuation of personal property. (NRS 361.227). The Commission may also take equalization action if it finds that any class of property is assessed at less or more than the proper percentage provided by law. (NRS 361.333).

Pursuant to NRS 361.4547, the Commission certifies to the board of county commissioners of each county, the combined tax rate necessary to produce the amount of revenue required by the approved budgets.

## Nevada Department of Taxation



The Department exercises general supervision and control over the entire revenue system of the State. (NRS 360.200). In terms of the property tax, the Department directly appraises the property of an interstate or intercounty nature (NRS 360.210; 361.320); determines the net proceeds of minerals (NRS 362.100); and bills, collects and distributes the property tax for centrally-assessed property and net proceeds taxes. The Department also appraises and assesses all mine facilities and equipment, (NRS 362.100) but does not bill, collect, and distribute the property tax for mine facilities. Instead, the assessed values of mine property are transmitted to the counties, who then bill, collect, and distribute the property tax.

The Department may assist and consult with County Assessors in appraising property and developing and maintaining standard assessment procedures. (NRS 360.215). The Department annually conducts a ratio study to determine whether property values are equalized among the counties. (NRS 361.333) In addition, the Department conducts the certification and continuing education program of property tax appraisers at county and state levels. (NRS 361.221).

The Department also administers the provisions of the Local Government Budget and Finance Act (NRS 354.470 to 354.626, inclusive), including overseeing the revenue limitations, indebtedness, budgets and audits of local governments. The Department establishes and monitors the maximum allowed revenue a local government may receive from property taxes; calculates and prepares property tax rates to be certified by the Nevada Tax Commission; prepares and publishes the Property Tax Rate Report (Redbook) for local governments; and reviews and approves final budgets submitted by local governments and determines whether the proposed tax rates exceed the allowed rate. (NRS 361.4547).

## County Assessors



The County Assessor is an elected official who discovers, lists, and determines the taxable value of all real and personal property in his county, except property to be valued by the Department. (NRS 361.260). For real property not reappraised in the current year, the Assessor also determines an assessed value by applying land and improvement factors approved by the Commission. (NRS 361.260; 361.261). The Assessor establishes standards for appraising and reappraising land. (NRS 361.260).

The County Assessor produces and publishes the assessment roll, and notifies each taxpayer of the assessed value of his property. (NRS 361.300). He certifies the tax roll to the Commission that he has complied with the regulations of the Tax Commission (NRS 360.250), and provides a copy of the tax roll to the State Board of Equalization. (NRS 361.390). The County Assessor adopts and uses the manuals and regulations prescribed by the Commission; keeps assessment rolls in the form and manner prescribed by the Department; requires the appropriate property statement forms to be used by taxpayers; and maintains a complete set of maps describing all parcels of land within his county. (NRS 360.280).

The County Assessor produces a variety of reports for the Department, including a segregation report showing actual and projected assessed values for each taxing entity within the county for budgeting purposes; and a statistical analysis of the roll after all appeals have been heard. (NRS 361.390). He also defends values established by him before the County and State Boards of Equalization in the event of an appeal.

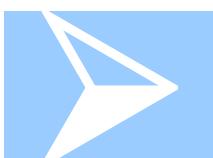
## Nevada State Board of Equalization



The State Board consists of five members appointed by the Governor. At least one member must be a certified public accountant; one member must be a property appraiser with a professional designation; and one member who is versed in the valuation of centrally assessed properties. (NRS 361.375).

The State Board hears both appeals from the decisions of County Boards of Equalization and direct appeals of values certified by the Commission or the Department, and values established by the county assessor that could not otherwise be heard by the County Board. (NRS 361.360; 361.400; 361.403). The State Board may adopt regulations governing its own procedures and practices, but does not adopt regulations regarding the valuation of property, which is the prerogative of the Commission.

## County Boards of Equalization



County Boards of Equalization (County Board) consist of three members or five members depending on the population of the county. The Board of County Commissioners appoints the members of the County Board. The County Board may change and correct any valuation of the county assessor found to be incorrect, as well as hear all protests with regard to locally assessed properties and the value of mines appraised by the Department.

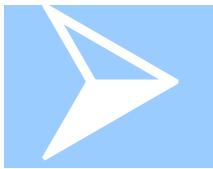
## County Treasurers



The County Treasurer is an elected official who bills and collects all taxes assessed upon the real property tax roll. (NRS 361.480; 361.475). In certain cases, the County Assessor bills and collects property taxes for personal property. (NRS 361.483; 361.5605). The County Treasurer manages the collection of delinquent taxes, and the seizure and sale of property in the event taxes remain unpaid. (NRS 361.5648 through 361.595).

The County Treasurer administers any claims for the postponement of payment of the property tax. (NRS 361.736 through 361.7898). The County Treasurer remits a portion of the property tax to the State (NRS 361.745) and apportions the taxes received among the various funds and local governments within the county. (NRS 361.755).

## County Commissioners



The Board of County Commissioners consists of elected officials who are required to provide the County Assessor “suitable books” for the tax list. (NRS 361.255). In modern day terms, this is generally interpreted to mean that certain supplies and computer programs must be provided. The members of the County Board of Equalization are appointed by the County Commission (NRS 361.340), and the County Commission may provide for additional panels of the County Board of Equalization. The County Commission may correct clerical errors and overassessments on the tax roll. (NRS 361.767; 361.768).

The County Commission, as the governing body of the county, also adopts tentative and final budgets pursuant to NRS 354.597 and 354.598 and the regulations of the Committee on Local Government Finance. The County Commissioners must also provide in the budget a reasonable amount of money and levy a tax to provide for the payment of interest with respect to judgments which may be secured against the county. (NRS 361.425). In the event the combined tax rate adopted by the various governing boards of local jurisdictions exceeds the limit imposed by NRS 361.453, the chairman of the County Commission convenes a meeting of all the governing boards to establish a combined tax rate that conforms to the statutory limit. (NRS 361.455). Once the combined tax rate has been certified by the Tax Commission, the County Commissioners levy the tax rate. (NRS 361.460).

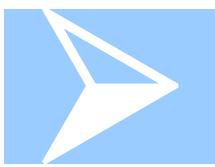
## Committee on Local Government Finance



The Committee on Local Government Finance (CLGF) consists of 11 members. The Nevada League of Cities, the Nevada Association of County Commissioners, the Nevada School Trustees Association each appoint three members and the Nevada State Board of Accountancy appoints two members.

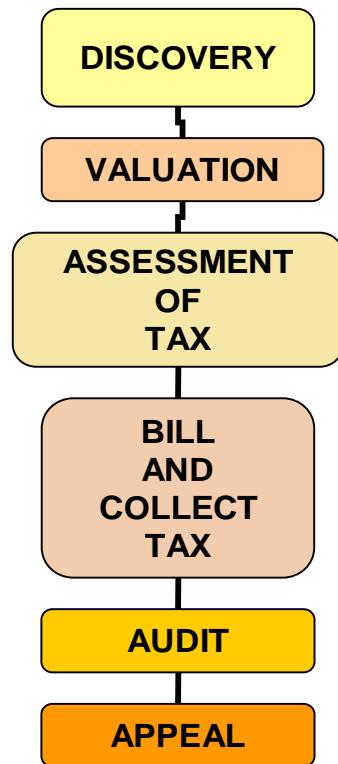
CLGF has the authority to promulgate regulations with regard to the Local Government Budget and Finance Act (NRS Chapter 354) as well as NRS Chapter 350, Municipal Obligations. CLGF monitors the fiscal health of local jurisdictions through a variety of reports submitted to the Department (NRS 354.665). CLGF reviews plans of corrective action to mitigate possible financial emergency submitted by local governments, provides observations and recommendations to the local governments, and periodically reviews the status of the financial operations of the local governments. (NRS 354.685).

## Appraiser Certification Board



The Appraiser Certification Board (ACB) consists of six members, three of whom are county assessors appointed by their peers and three from the Department appointed by the Commission. (NRS 361.221). ACB advises the Department with regard to the certification and continuing education of property tax appraisers. ACB reviews and approves courses for continuing education, and determines whether individuals have met the training requirements for certification.

**Table I: Steps in Property Tax Appraisal Administration**



**TASKS**

- Identify all taxable property
- Identify legal owners
- Classify property in terms of use
- Develop process to report property on an annual cycle
  
- Develop processes for determining appraised value
- Apply processes to property
  
- Taxable value is multiplied by assessment ratio to establish assessed value
- Property owners are informed of assessed value
- Set Tax Rates
- Bill taxpayer
- Collect revenue from taxpayer
- ✓ Determine if all taxable property is identified
- ✓ Determine if correct value is being estimated for property
- ❖ Informal processes to “question” facts of the appraisal
- ❖ Formal processes to “challenge” appraisal

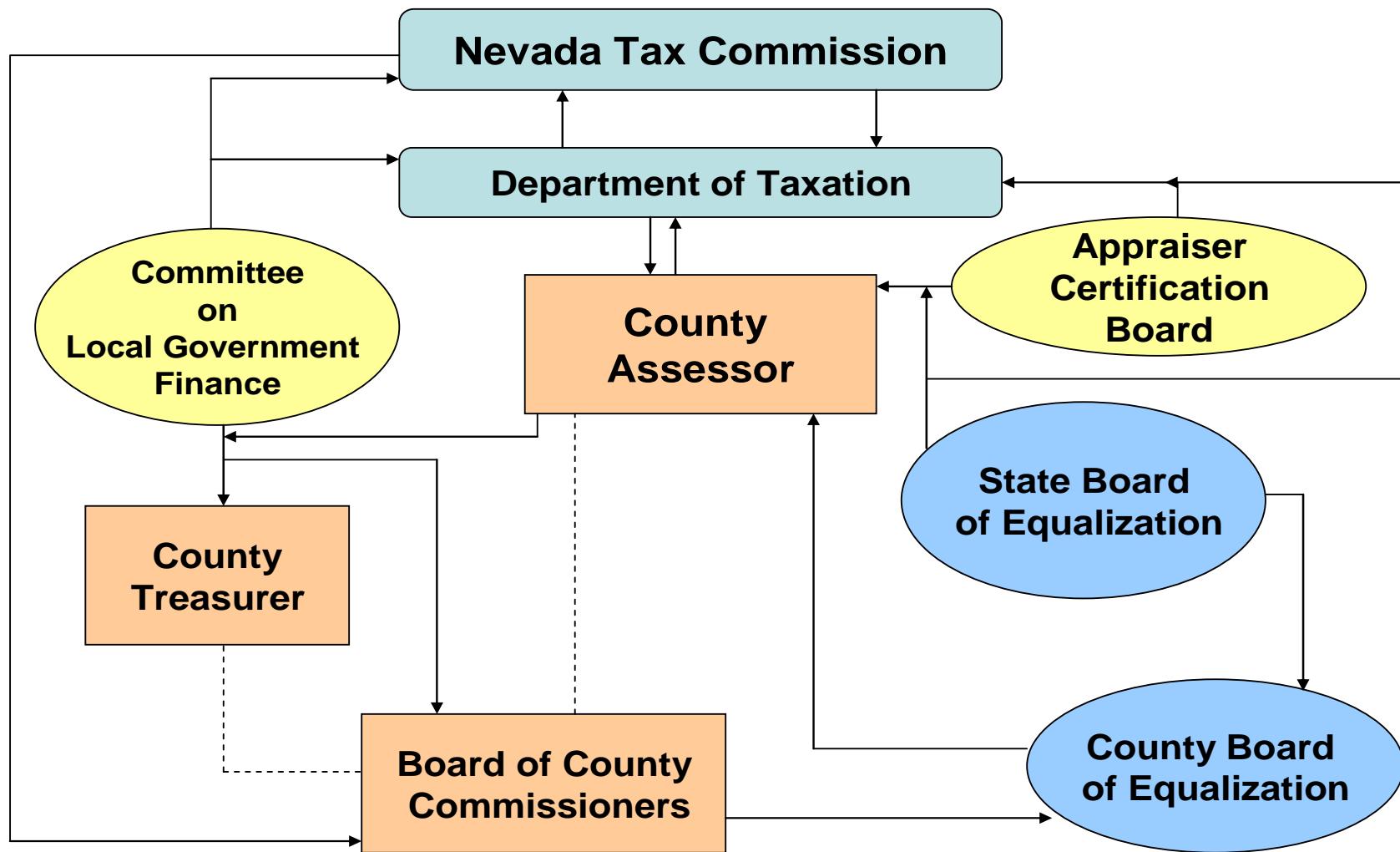


Table II: Organization Chart

2005 CALENDAR YEAR													
2004-2005 FISCAL YEAR													
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
Secured Roll	NRS 361.310(1): 05-06 Secured Roll is Published NRS 361.310(2): Changes may be made to 05-06 Secured Roll	NRS 361.310(2): Changes may be made to 05-06 Secured Roll	NRS 361.310(2): Changes may be made to 05-06 Secured Roll	NRS 361.310(2): Changes may be made to 05-06 Secured Roll	NRS 361.310(2): Changes may be made to 05-06 Secured Roll	NRS 361.310(2): Changes may be made to 05-06 Secured Roll	NRS 361.260(1): Property on 05-06 Secured Roll is Assessed; the lien date is 7-1-05.			NAC 361.238 (2)(b): 07-08 Secured Roll - Establish improvement value using Marshall/Swift		NRS 361.300 (3)(a): Publish List of all taxpayers on the 06-07 Secured Roll	
Discovery, List, Valuation -			NRS 361.318: Reports for centrally-assessed properties are due 3/31 for the 06-07 secured roll (lien date 7-1-06).		Department publishes Personal Property Manual for 06-07 Secured and Unsecured Rolls.		NRS 361.260(1): 06-07 Secured Roll Work year begins. Improvement costs based on Marshall/Swift in October, 2004.			NRS 361.320(1): NTC establishes centrally-assessed values for 06-07 Secured Roll and 05-06 Unsecured Roll.		NRS 361.310(2): 06-07 Roll Closes on day list is delivered for publication.	
			NRS 361.260(5): NTC adopts improvement factors for 06-07 Secured and Unsecured Roll.		Department publishes Ratio Study for property on 05-06 Secured and Unsecured Rolls.		NRS 361.260(7): 06-07 Land values are established based on sales occurring before 7-1-05		NRS 361.260(5): NTC adopts land factors for 06-07 year est. by county assessors	NRS 361.310(4): Log of all changes made to 05-06 Secured Roll delivered to Department.			
Discovery, List, Valuation - Unsecured Roll	NRS 361.260(1): Continuing discovery and placement of unsecured real or personal property on 2004-2005 Unsecured roll. It must have been in existence in county on July 1, 2004.	NRS 361.260(1): Continuing discovery and placement of unsecured real or personal property on 2004-2005 Unsecured roll. It must have been in existence in county on July 1, 2004.	NRS 361.260(1): Continuing discovery and placement of unsecured real or personal property on 2004-2005 Unsecured roll. It must have been in existence in county on July 1, 2004.	NRS 361.260(1): Continuing discovery and placement of unsecured real or personal property on 2004-2005 Unsecured roll. It must have been in existence in county on July 1, 2004. 04-05 Unsecured Roll closes.	NRS 361.260(1): 05-06 Unsecured Roll Work Year begins Lien date is 7-1-05.		NRS 361.260(1): Property on 05-06 Unsecured Roll is Assessed; the lien date is 7-1-05.						
Collection	NRS 361.483(5): 3rd installment of taxes due on first Monday in January for 04-05 Secured Roll (Lien date 7-1-04).		NRS 361.483(5): 4th installment of taxes due on first Monday in March for 04-05 Fiscal Year (Lien date 7-1-04).				NRS 361.265(3): Declarations of personal property due by July 31st for the 05-06 Unsecured Roll.	NRS 361.265(3): Declarations sent to taxpayers after July 15 have to be returned within 15 days.	NRS 361.265(3): Declarations sent to taxpayers after July 15 have to be returned within 15 days.	NRS 361.265(3): Declarations sent to taxpayers after July 15 have to be returned within 15 days.	NRS 361.265(3): Declarations sent to taxpayers after July 15 have to be returned within 15 days.	NRS 361.320(9): 05-06 Unsecured Centrally assessed Private carlines, unsecured, PET billed	NRS 361.320(9): 05-06 Unsecured Centrally-assessed taxes are due by December 15th.

2005 CALENDAR YEAR												
	2004-2005 FISCAL YEAR						2005-2006 FISCAL YR					
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Appeal	NRS 361.356(1) & NRS 361.357(1): Appeals of values on 05-06 Secured may be made to County Board of Equalization by January 15, 2005.	NRS 361.360 (3): Appeals of values on 04-05 Unsecured Roll made after 12-15-04 but before 4-30-05 may be heard by SBE if filed prior to 5-15-05.	NRS 361.360 (3): Appeals of values on 04-05 Unsecured Roll made after 12-15-04 but before 4-30-05 may be heard by SBE if filed prior to 5-15-05.	NRS 361.360 (3): Appeals of values on 04-05 Unsecured Roll made after 12-15-04 but before 4-30-05 may be heard by SBE if filed prior to 5-15-05.	NRS 361.360 (3): Appeals of values on 04-05 Unsecured Roll made after 12-15-04 but before 4-30-05 may be heard by SBE if filed prior to 5-15-05.							
	NRS 361.355(2): Appeals of values placed on 04-05 Unsecured Rolls between 5-01-04 and 12-15-04 may go to CBE	NRS 361.340(10): CBE ends on 2-28-05 for appeals of values on the 05-06 Secured and 04-05 Unsecured Rolls.	NRS 361.380(1): SBE session begins on 4th Monday for 05-06 Secured Roll direct from NTC and appeals from CBE. Appeals from CBE must be filed by 3-10-05.									
	NAC 361.743(1): Direct appeals to SBE of NTC certified values for 05-06 must be filed by 1-15-05.											
	NRS 361A.273(1): Appeals of conversions from ag land designation occurring between 7-1-04 and 12-16-04 may go to CBE.	NRS 361A.273(2): Appeals of conversions from ag land designation occurring between 12-16-04 and 7-1-05 may go to SBE if filed prior to 7-15-04.	NRS 361A.273(2): Appeals of conversions from ag land designation occurring between 12-16-04 and 7-1-05 may go to SBE if filed prior to 7-15-04.	NRS 361A.273(2): Appeals of conversions from ag land designation occurring between 12-16-04 and 7-1-05 may go to SBE if filed prior to 7-15-04.	NRS 361A.273(2): Appeals of conversions from ag land designation occurring between 12-16-04 and 7-1-05 may go to SBE if filed prior to 7-15-04.	NRS 361A.273(2): Appeals of conversions from ag land designation occurring between 12-16-04 and 7-1-05 may go to SBE if filed prior to 7-15-04.	NRS 361A.273(2): Appeals of conversions from ag land designation occurring between 12-16-04 and 7-1-05 may go to SBE if filed prior to 7-15-04.	NRS 361A.273(2): Appeals of conversions from ag land designation occurring between 12-16-04 and 7-1-05 may go to SBE if filed prior to 7-15-04.				
Budget	NRS 361.390 Assessor to file preliminary segregation report prior to Jan. 31	NRS 360.690: Department to provide preliminary revenue projections to local governments by Feb. 15	NRS 361.390 Assessor to file final segregation report prior to March 5. Dept. to provide final revenue projections to local govts by March 15	NRS 362.115: Taxpayers to file net proceeds revenue projection reports on 4-1; Dept reports to counties by 4-25. NRS 354.596: Tentative budget filed to Dept by 4-15.	NRS 354.596: Budget hearings held 3rd week in May for local jurisdictions	NRS 354.598: Final budget adopted by local governments by June 1 (June 8 for school districts); NRS 361.455: Tax rates adopted by NTC 6-25	NRS 387.1235: Department to provide estimate of local funds available to school districts to Dept. of Education by 7-15.					

## Elements of the Property Tax

*'Just principles of valuation of property for taxation are those which, in their application, will result in distributing the burden of taxation in due proportion among owners of different kinds of property. .... Any principle of valuation which is unjust in valuing houses would also be unjust if applied to the valuation of railroads'*

*Nevada Supreme Court, State v. Central Pacific R.R., 10 Nev. 47 (1875).*

The principle elements of the property tax consist of the tax rate and the tax base. The tax base is calculated by first appraising the value of property according to statutory requirements to determine "taxable value." "Taxable value" in turn is multiplied times the level of assessment. The resulting assessed value is the tax base against which a tax rate is applied to determine the total amount of taxes due. The elements of the property tax can be shown in this simple formula:

$$\begin{aligned} \text{Taxable Value} \times \text{Level of Assessment} &= \text{Assessed Value} \\ \text{Assessed Value} \times \text{Tax Rate} &= \text{Total Property Tax} \end{aligned}$$

### Element One: Taxable Value



The Constitution of Nevada provides the first guidance in how taxable value will be determined. Article 10, § 1 states:

1. The legislature shall provide by law for a uniform and equal rate of assessment and taxation, and shall prescribe such regulations as shall secure a just valuation for taxation of all property, real, personal and

possessory, except mines and mining claims, which shall be assessed and taxed only as provided in section 5 of this article. (*Italics added*).

In 1981, the Legislature determined that a just valuation of real property should no longer be based strictly on the full cash value of the total property. Instead, the value of real property was bifurcated into two components: full cash value of the land and replacement cost new less depreciation of the improvements, with the rate of depreciation set by statute. The resulting “taxable value” must not exceed the full cash value of the entire property. (NRS 361.227). Full cash value is defined as “the most probable price which property would bring in a competitive and open market under all conditions requisite for a fair sale.” (NRS 361.025).

### *The Cost Approach*



In general appraisal terms, the cost approach is sometimes called the summation approach. It is based on the idea that the value of an existing property is the value of the land plus the replacement cost of the improvements less depreciation. The cost approach is based on the principle of substitution, in which the value of an improvement tends to be set by the cost of acquiring an equally desirable and valuable substitute improvement, assuming that no costly delay is encountered in making the substitution.<sup>1</sup>

There are different kinds of costs, including historical acquisition cost, book cost, reproduction cost, and replacement cost. NRS 361.227 directs the use of replacement cost less depreciation (RCNLD) to appraise improvements for taxation purposes. Replacement cost is the cost of producing a building or improvement having the same utility, but using modern materials, design, and workmanship, as opposed to reproduction cost, which is the cost of producing an exact replica of a building or improvement using the same or very similar materials, design, and workmanship.<sup>2</sup>

The following regulations also apply:

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<sup>1</sup> See IAAO, Glossary for Property Appraisal and Assessment, International Association of Assessing Officers, 1997

<sup>2</sup> Ibid.

- The actual age of the property must be determined. (NAC 361.124).
- The total replacements made to an improvement must be considered. (NAC 361.127).
- The cost of replacement of an improvement must include all costs for labor, materials, supervision, contractor's profit and overhead, architects' plans and specifications, sales taxes and insurance. (NAC 361.128).
- The cost manuals published by the Marshall and Swift Publication Company or "other" recognized cost manuals or subscription services, if approved, must be used to determine costs. (NAC 361.128 (2)(b) and (3)).

In general appraisal applications, the cost approach requires estimates of land value, accrued depreciation, and the current cost of constructing the improvements. Depreciation is subtracted from current construction costs to obtain an estimate of improvement value. In appraisal, the concept of depreciation does not refer to accounting depreciation, based on the number of years used, but instead means the loss in value caused by physical deterioration, functional obsolescence, or changes in the economy or neighborhood, also called external or economic obsolescence.

Nevada law directs assessors to subtract depreciation at a set rate of 1.5 % of the cost of replacement for each year of adjusted actual age of the improvement, up to a maximum of 50 years. (NRS 361.227 (1)(b)). Limiting depreciation to 1.5% per year may or may not reflect actual market depreciation. Market depreciation is defined as the difference between the current construction cost and the market value of the structure, and is extracted from market sales data, which can vary from year to year and area to area. As property ages, the accrued depreciation dictated by statute at 1.5% may not be an accurate reflection of actual market depreciation.

Assessors then add the full cash value of land to the RCNLD of improvements. The full cash value of the land is determined by applying the sales comparison approach, if there are sufficient sales, or alternative methods if there are insufficient sales. (NAC 361.118; 361.119).

If the taxable value so derived exceeds the full cash value of the property as a whole, then Nevada law directs the appraiser to measure the additional obsolescence and reduce the taxable value downward (NRS 361.227(5)). The appraiser may use the comparative sales approach, the income approach, and the cost summation approach to measure the amount of obsolescence present.

## *The Sales Comparison Approach*



The sales comparison approach is used to estimate the value of land or the amount of obsolescence present by analyzing the sales prices of similarly situated property. In general, the sales comparison approach is the most reliable valuation approach when verifiable, valid sales data are available.<sup>3</sup>

NAC 361.118 requires that the sales prices or unit values of comparable properties be adjusted to reflect differences between the comparable properties and the subject property. Points of comparison between the subject and the comparable sales include the real property rights conveyed, financing terms, conditions of sale, market conditions, location, physical characteristics, size, zoning, and governmental restrictions, among others. The appraiser estimates the full cash value of the subject property based on the adjusted sales prices of the comparable properties.

## *The Income Capitalization Approach*



From an investment standpoint, the critical element affecting value is the earning power of the asset. The income capitalization approach is used to estimate market value because it converts the right to receive future earnings and benefits into an estimate of present value. The capitalization rate is extracted from actual income and sale price data of properties that have recently sold. The income approach is based on the principle of anticipation, in which the full cash value is the present worth of all the anticipated future benefits to be derived from the property.

## *Advantages and Disadvantages*



The reliability of all three approaches is dependent upon the quality of the data used in the development of the applicable valuation equations. The cost approach requires current and accurate estimates of cost data and accrued depreciation from all causes. In Nevada, this is generally obtained from the Marshall and Swift Publication Company. The advantage of the cost approach is that it is applicable to most improved properties.

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<sup>3</sup> IAAO, Standard on Mass Appraisal of Real Property, 1984, Section 4.2.

The income approach requires reliable income and expense data from the taxpayers, as well as objective evidence of the relationship between income and present value. If a representative income cannot be attributed or imputed to the subject property, then the income approach must be foregone. The income approach tends to reflect the behavior of investors and can be effective in the appraisal of properties that are purchased on the basis of their ability to generate income.

The sales comparison approach depends on whether enough sales data exists from which to determine trends in a statistically valid manner. This can be difficult in the case of special purpose properties where an insufficient number of comparable sold properties may exist. The sales comparison approach tends to be the most objective when adequate data on properties that have been sold are available.

## Element Two: Level of Assessment and Assessed Value



The level of assessment is also known as the "rate of assessment" and is generally expressed as the overall ratio of assessed value to market value. Whether assessments are at full value or a proportion thereof is usually a constitutional or legislative policy decision.

In Nevada, NRS 361.225 requires that all property subject to taxation be assessed at 35 percent of its taxable value. For example, restating the formula expressed in NRS 361.225:

$$\text{Taxable Value} \times \text{Level of Assessment} = \text{Assessed Value}$$

If the taxable value of a single family residence was estimated at \$200,000, the assessed value would be \$70,000 ( $\$200,000 \times .35 = \$70,000$ ).

## Element Three: The Tax Rate



The State of Nevada Constitution, Article 10, section 2, limits the property tax rate to 5 cents per \$1.00 of assessed value, which translates to \$5.00 per \$100 of assessed value. In the 1979 session, the Nevada Legislature set the property tax rate at no more than \$3.64 per \$100 of assessed value, where it remains to the present.

Pursuant to NRS 354.59811, local government entity property tax revenues are allowed to be increased by a maximum of 6% per year. The previous fiscal year's property tax revenue is multiplied by 106%. This amount is then divided by the projected assessed valuation for the upcoming fiscal year to determine the tax rate necessary to generate that amount of revenue. The NRS also provides for a "hold harmless" scenario, in which the new calculated tax rate cannot be less than the previous fiscal year's rate.

The tax rate is comprised of the following elements:

#### *School Operating Rate*

Pursuant to NRS 387.195, each county board of commissioners shall levy a tax of \$0.75 per \$100 of assessed valuation for the support of public schools within the county.

#### *General or Special Improvement Districts*

The majority of general improvement districts in the State of Nevada were created pursuant to the provisions of NRS 318. Some have been established under Special and Local Acts of the Legislature. Depending on the primary purpose for their existence, many of these districts have and exercise property taxing authority.

#### *Legislatively Approved Overrides*

At various times the Legislature has enacted additional property taxes to fund a number of particular programs on a statewide basis. For example, NRS 428.185 provides for each county to levy a property tax of 1.5 cents per \$100 of assessed valuation to fund the costs of providing medical treatment to indigent persons injured in automobile accidents. NRS 549.020 provides for a levy of not less than 1 cent per \$100 of assessed valuation to fund cooperative extension work in agriculture and home economics.

#### *Voter Approved Overrides*

Pursuant to NRS 354.5982, a local government may exceed the limitations of 354.59811 by proposing an additional property tax levy. The proposal must be placed on a general or special, but not primary election ballot. The question must state the proposed additional rate, the purpose, duration of the additional levy and an estimate of the amount of annual increase to the property tax bill for the owner of a new home with a fair market value of \$100,000. The duration of the levy, if approved,

cannot exceed 30 years; and may be discontinued before it expires. For example, on 11/7/2000, the citizens of Churchill County approved an override of 2 cents for 7 years to fund purchases of fire equipment.

#### *State Debt Rate*

Pursuant to AB371, an initial property tax of 5 cents per \$100 of assessed valuation was levied for state purposes. In the ensuing years, the rate has fluctuated somewhat, depending on the state's need to fund debt service on its capital improvements projects throughout the state. At the present time, the state debt rate is 15 cents per \$100 which is included in the statutory cap; and 2 cents, enacted by SB507 (2003), which is outside the cap. 1 cent is added to the "regular" 15 cents; while the second penny is used to fund the debt service for bonds issued specifically for state projects for the conservation of the state's natural resources.

#### Process to Establish Rate if Combined Tax Rate Exceeds the Statutory \$3.64 Cap

Pursuant to NRS 361.455, the chairman of the county board of commissioners convenes a public meeting of a majority of the governing boards of all affected local governments on or before June 13 of each year for the purpose of establishing a combined tax rate which conforms to the statutory limit. After discussions regarding changes to tax rates, each affected governing board must unanimously approve the changes. Immediately following the meeting the county clerk advises the Department of the results. If no agreement can be reached, or no quorum exists for one or more of the affected local government entities, then the Department reviews the record of the discussions and the budgets of the affected entities and makes a recommendation to the Nevada Tax Commission.

The Nevada Tax Commission is mandated statutorily to meet on June 25 each year to certify the property tax rates for the succeeding fiscal year. Prior to the certification vote, the Commission will determine the property tax rates for the entities in any county which exceed the statutory cap; considering any local government testimony and the Department's recommendation. Any local government entity affected by a tax rate adjustment made by the Commission files a copy of its revised final budget by July 30.

**Table III:**  
**Property Tax Distribution For FY 2004-2005**

COUNTY	TOTAL ASSESSED VALUE *	PROPERTY TAX REVENUE DOLLARS PROJECTED							FY2004-05 AVERAGE CO. WIDE TAX RATE	FY03-04 AVERAGE CO. WIDE TAX RATE	% OF CHANGE 03-04 TO 04-05
		SCHOOLS	COUNTIES	CITIES	TOWNS	DISTRICTS	STATE	TOTAL			
Carson City	1,125,818,236	\$13,734,982	\$13,757,499	-	-	\$953,199	\$1,913,891	\$30,359,571	2.6967	2.6842	0.46%
Churchill	441,486,591	\$6,048,366	\$4,790,130	\$956,079	-	\$473,746	\$750,527	\$13,018,848	2.9489	2.9401	0.30%
Clark	50,157,588,051	\$653,754,003	\$333,648,276	\$195,633,907	\$50,633,106	\$226,674,557	\$85,267,900	\$1,545,611,749	3.0815	3.0676	0.45%
Douglas	2,000,189,481	\$19,061,806	\$12,061,143	-	\$1,493,240	\$12,307,661	\$3,400,322	\$48,324,172	2.4160	2.3943	0.91%
Elko	969,494,077	\$14,542,411	\$8,162,171	\$3,570,943	\$170,308	\$354,400	\$1,648,140	\$28,448,373	2.9344	2.9090	0.87%
Esmeralda	38,121,689	\$285,913	\$800,174	-	-	-	\$64,807	\$1,150,894	3.0190	2.8350	6.49%
Eureka	578,937,046	\$4,342,028	\$4,896,650	-	\$23,054	\$61,551	\$984,193	\$10,307,476	1.7804	1.7856	-0.29%
Humboldt	524,677,674	\$4,643,397	\$3,862,677	\$1,122,267	-	\$3,141,676	\$891,952	\$13,661,969	2.6039	2.4422	6.62%
Lander	330,892,259	\$2,481,692	\$6,367,360	-	\$30,442	\$1,691,486	\$562,517	\$11,133,497	3.3647	3.3644	0.01%
Lincoln	105,111,325	\$1,022,838	\$1,392,620	\$80,510	\$62,889	\$317,345	\$178,689	\$3,054,891	2.9063	2.8933	0.45%
Lyon	897,681,383	\$11,999,307	\$7,759,558	\$630,782	-	\$4,674,585	\$1,526,058	\$26,590,290	2.9621	2.9384	0.81%
Mineral	71,515,013	\$965,453	\$1,387,391	-	-	\$143,030	\$121,576	\$2,617,450	3.6600	3.6600	0.00%
Nye	997,109,949	\$13,311,418	\$13,429,077	-	\$2,227,955	\$3,216,490	\$1,695,087	\$33,880,027	3.3978	3.3652	0.97%
Pershing	150,099,841	\$1,756,168	\$2,006,535	\$109,244	\$1,931	\$530,753	\$255,170	\$4,659,801	3.1045	3.0995	0.16%
Storey	174,822,909	\$1,564,141	\$4,316,378	-	-	-	\$297,199	\$6,177,718	3.5337	2.9922	18.10%
Washoe	11,016,258,259	\$125,420,100	\$153,313,266	\$64,229,098	-	\$28,302,884	\$18,727,639	\$389,992,987	3.5402	3.5596	-0.55%
White Pine	120,307,946	\$1,593,840	\$1,955,245	-	-	\$649,663	\$204,524	\$4,403,272	3.6600	3.6597	0.01%
<b>TOTALS</b>	<b>69,700,111,729</b>	<b>\$876,527,863</b>	<b>\$573,906,150</b>	<b>\$266,332,830</b>	<b>\$54,642,924</b>	<b>\$283,493,026</b>	<b>\$118,490,191</b>	<b>\$2,173,392,984</b>			

**GRAND TOTALS**

**3.1182      3.1115**

\* Includes net proceeds of minerals assessed value. Assessed value is equal to 35% of taxable value.

PURSUANT TO SB 507 (2003), 2¢ ADDED TO STATE TAX RATE - 1¢ FOR CAPITAL PROJECTS & 1¢ FOR CONSERVATION OF NATURAL RESOURCES. OUTSIDE PROPERTY TAX RATE CAP.

**Table IV:**  
**Current Property Tax Rates by County and City**

ENTITY	OPERATING RATE LEVIED	VOTER OVERRIDES LEVIED	LEGISLATIVE OVERRIDES LEVIED	DEBT SERVICE RATE	COUNTY RATE	SCHOOL DISTRICT RATE	STATE DEBT RATE	COMBINED SPECIAL DISTRICT TAX RATE	<b>TOTAL</b>
	NRS354.59811								
Carson City	0.9634	0.050	0.1765	0.0321	1.222	1.2220	0.17	0.1316	\$2.75
Churchill	0.8834	0.040	0.1616		1.085	1.3700	0.17	0.1100	\$2.74
Fallon	0.8171				1.085	1.3700	0.17	0.1100	\$3.55
Clark	0.4163		0.2149	0.0340	0.6652	1.3034	0.17	0.6021	\$2.74
Boulder City	0.2038				0.6652	1.3034	0.17	0.1640	\$2.51
Henderson	0.1448	0.231	0.1122	0.2228	0.6652	1.3034	0.17	0.0974	\$2.95
Las Vegas	0.6765	0.095		0.0077	0.6652	1.3034	0.17	0.3824	\$3.30
Mesquite	0.5520				0.6652	1.3034	0.17	0.0958	\$2.79
North Las Vegas	0.1975	0.908	0.0312	0.0622	0.6652	1.3034	0.17	0.0913	\$3.43
Douglas	0.4074	0.048	0.1481		0.603	0.9530	0.17	0.4553	\$2.18
Elko	0.6363	0.020	0.1856		0.8419	1.5000	0.17	0.0648	\$2.58
Carlin	1.1481				0.8419	1.5000	0.17		\$3.66
Elko	0.7448			0.0752	0.8419	1.5000	0.17	0.0648	\$3.40
Wells	0.9605				0.8419	1.5000	0.17		\$3.47
West Wendover	0.8023				0.8419	1.5000	0.17		\$3.31
Esmeralda	1.9815		0.1175		2.099	0.7500	0.17		\$3.02
Eureka	0.7604		0.0854		0.8458	0.7500	0.17	0.0085	\$1.77
Humboldt	0.5962	0.015	0.1250		0.7362	0.8850	0.17	0.4055	\$2.20
Winnemucca	0.9700				0.7362	0.8850	0.17	0.4055	\$3.17
Lander	1.6783		0.1310	0.1150	1.9243	0.7500	0.17	0.5109	\$3.36
Lincoln	1.1565		0.1684		1.3249	0.9731	0.17	0.2679	\$2.74
Caliente	0.9241				1.3249	0.9731	0.17	0.2679	\$3.66
Lyon	0.6992		0.1652		0.8644	1.3367	0.17	0.5615	\$2.93
Fernley	0.1528				0.8644	1.3367	0.17	0.3726	\$2.90
Yerington	0.4044				0.8644	1.3367	0.17	0.8202	\$3.60
Mineral	1.7004	0.100	0.1396		1.94	1.3500	0.17	0.2000	\$3.66
Nye	1.2319	0.005	0.1099		1.3468	1.3350	0.17	0.2994	\$3.15
Pershing	1.1705	0.004	0.1628		1.3368	1.1700	0.17	0.3536	\$3.03
Lovelock	0.6288				1.3368	1.1700	0.17	0.3536	\$3.66
Storey	2.2965		0.1725		2.469	0.8947	0.17		\$3.53
Washoe	0.9231	0.100	0.2971	0.0715	1.3917	1.1385	0.17		\$2.70
Reno	0.3852	0.445	0.0253	0.0901	1.3917	1.1385	0.17	0.0020	\$3.65
Sparks	0.6272	0.111	0.1284	0.0500	1.3917	1.1385	0.17	0.0005	\$3.62
White Pine	1.4492	0.055	0.1210		1.6252	1.3248	0.17	0.5400	\$3.66
Ely	0.0000				1.6252	1.3248	0.17	0.5400	\$3.66

**Table V:**  
**Voter Approved Overrides**  
*Fiscal Year 2004-2005*

ENTITY	PURPOSE OF FUNDS	RATE OR \$ AMOUNT APPROVED	DATE PASSED	DURATION OF LEVY
<b>CARSON CITY</b>	Senior Citizens Center	0.0500	9/4/1984	Perpetuity
<b>CHURCHILL COUNTY</b>				
Churchill County	Fire Equipment Purchases	0.0200	11/7/2000	7 years; expires FYE 6/30/2007
Churchill County	Senior Citizens Center	0.0200	11/7/2000	4 years; expires FYE 6/30/2005
<b>CLARK COUNTY</b>				
Clark County Fire Service Area	Public Safety	0.0527	6/6/1995	20 years; expires FYE 6/30/2017
Henderson	Public Safety	0.2310	11/8/1988	Perpetuity
Henderson District Public Libraries	Operating Revenue	0.0332	5/7/1991	Perpetuity
Indian Springs Town *	Emergency 911 System	0.0050	11/3/1998	30 years; expires FYE 6/30/2020
Las Vegas	Fire Eqpt; facilities; staff	0.0950	11/7/2000	30 years; expires FYE 6/30/2031
Las Vegas Metropolitan Police	Manpower	0.0800	11/8/1988	Perpetuity
Las Vegas Metropolitan Police	Manpower	0.2000	11/5/1996	30 years; expires FYE 6/30/2027
Moapa Town #	Emergency 911 System	0.0050	11/5/2002	30 years; expires FYE 6/30/2033
Moapa Valley Town *	Emergency 911 System	0.0050	11/8/1994	30 years; expires FYE 6/30/2025
North Las Vegas	Emergency 911 System	0.0050	11/6/1984	Perpetuity
North Las Vegas	Public Safety	0.1800	11/4/1986	Perpetuity
North Las Vegas	Public Safety	0.3500	5/2/1989	Perpetuity
North Las Vegas	Public Safety	0.2000	11/5/1996	30 years; expires FYE 6/30/2027
North Las Vegas	Street Improvements	Variable-Tied to Debt Rate	6/8/1993	20 years; expires FYE 6/30/2015
<b>DOUGLAS COUNTY</b>				
Cave Rock Estates GID	Road Repair; Maintenance and Operations	0.3000	6/18/1996	10 years; expires FYE 6/30/2006
Cave Rock Estates GID	Snow removal and Road maintenance	0.3000	6/19/2000	30 years; expires FY 6/30/2030
Douglas County "911"	Communications System	0.0475	5/1/1990	Perpetuity
East Fork Paramedic District	Building & Equipment	0.0860	5/1/1990	Perpetuity

ENTITY	PURPOSE OF FUNDS	RATE OR \$ AMOUNT APPROVED	DATE PASSED	DURATION OF LEVY
Logan Creek GID	Road Repair; Maintenance Snow Removal	0.4500	11/4/1986	Perpetuity
Skyland GID	Street Repaving & Capital Improvements	0.1500	11/4/1986	Perpetuity
Tahoe Douglas Fire District	Paramedic Program	0.0600	11/6/1984	Perpetuity
Tahoe Douglas Fire District	Capital Projects	0.0300	5/2/1989	Perpetuity
Zephyr Knolls GID	Snow Removal and Road Maintenance	0.4800	11/6/1984	Perpetuity
<b>ELKO COUNTY</b>				
Elko County	Senior Citizens Center	0.0200	11/8/1988	Perpetuity
Elko County School District	Capital Projects	0.7500	6/5/2001	10 years; expires FYE 6/30/2012
<b>ESMERALDA COUNTY</b>				
<b>EUREKA COUNTY</b>				
<b>HUMBOLDT COUNTY</b>				
Humboldt County	Senior Citizens Center	0.0150	11/4/1986	Perpetuity Perpetuity: Total allowed rate to equal
Humboldt County Fire District	Public Safety	Variable	11/4/1986	Winnemucca Fire's total combined rate
McDermitt Fire District	Public Safety	0.1500	11/4/1986	Perpetuity
Orovada Fire District	Fire Equipment	0.1500	11/4/1986	Perpetuity
<b>LANDER COUNTY</b>				
<b>LINCOLN COUNTY</b>				

ENTITY	PURPOSE OF FUNDS	RATE OR \$ AMOUNT APPROVED	DATE PASSED	DURATION OF LEVY
<b>LYON COUNTY</b>				
Central Lyon County Fire District	Paramedics/Firefighters	0.0700	11/8/1994	30 years; expires FYE 6/30/2025
Fernley Swimming Pool District	Swimming Pool	0.2000	11/4/1986	Perpetuity
Mason Valley Fire District	Fire Protection	0.0800	11/6/1990	Perpetuity
Mason Valley Mosquito District	Mosquito Control	0.0300	4/14/1987	Perpetuity
North Lyon Fire Maintenance Distr	Fire Protection	0.0500	11/8/1994	30 years; expires FYE 6/30/2025
Smith Valley Fire District	Public Safety	0.0500	11/5/1996	20 years; expires FYE 6/30/2017
South Lyon Hospital District	Hospital Expenses	0.2500	11/3/1992	20 years; expires FYE 6/30/2014
<b>MINERAL COUNTY</b>				
Mineral County	Senior Citizens Center	0.0600	9/3/1996	8 years; expires FYE 6/30/2005
Mineral County	Legal action-Walker Lake Wa	0.0400	11/7/2000	5 years; expires FYE 6/30/2007
<b>NYE COUNTY</b>				
Nye County	Emergency 911 System	0.0050	11/6/1990	Perpetuity
Pahrump Hospital District	Operating Revenue	Base + 6% annual increase	6/2/1994	30 years; expires FYE 6/30/2025
				12 years; eff. 7/1/98; expires FYE
Round Mountain Town	Operating Revenue	0.5039	9/3/1996	6/30/2010
Tonopah Town	Parks and Recreation	\$30,300/year	11/5/1996	8 years; expires FYE 6/30/2005
<b>PERSHING COUNTY</b>				
Pershing County Hospital District	Operating Revenue	0.0800	5/2/1989	Perpetuity
Pershing County	Emergency 911 System	0.0025	11/6/1990	Perpetuity
Pershing County	Emergency 911 System	0.0065	11/6/1990	Perpetuity
<b>STOREY COUNTY</b>				

ENTITY	PURPOSE OF FUNDS	RATE OR \$ AMOUNT APPROVED	DATE PASSED	DURATION OF LEVY
<b>WASHOE COUNTY</b>				
No. Lake Tahoe Fire Protection Di	Fire Dist. Upgrade & Equipment	0.3100	3/30/1982	Perpetuity
Reno	Fire Dept. Upgrade & Equipment	0.0654	5/5/1987	Perpetuity
Reno	Public Safety	0.1684	5/17/1988	Perpetuity
Reno	Road & Street Improvements	Variable-Tied to Debt Rate	6/8/1993	14 years; expires FYE 6/30/2008
Reno	Fire Facilities; Equipment	0.0715	11/5/1996	30 years; expires FYE 6/30/2027
Sparks	Public Safety	0.1105	9/2/1986	Perpetuity
Washoe County	Senior Citizens Center	0.0100	6/4/1985	Perpetuity
Washoe County	Child Protection	0.0400	11/4/1986	Perpetuity
Washoe County	Libraries	0.0200	11/8/1994	30 years; expires FYE 6/30/2025
Washoe County	Animal Shelter Operations	0.0300	11/5/2002	30 years; expires FYE 6/30/2033
<b>WHITE PINE COUNTY</b>				
White Pine County	Senior Citizens Center	0.0200	7/7/1992	Perpetuity
White Pine County	Funding for EMT Services	0.0350	7/7/1992	Perpetuity

## Elements of the Tax Roll

*“Assessors are responsible for administering the ad valorem tax system, and their chief task is to identify and appraise all property in their jurisdictions.”*

*International Association of Assessing Officers, Property Appraisal and Assessment Administration, 1990.*

The assessor lists all property subject to taxation in his or her county, along with the “names of all persons, corporations, associations, companies or firms owning the property” (NRS 361.260), and the total valuation of the property (NRS 361.300). Then the assessor prepares a certificate attesting to the sufficiency of the roll and to compliance with the statutory provisions for its preparation. He delivers the tax roll to the county clerk by January 1<sup>st</sup> each year, who accepts the list on behalf of the county commissioners. The assessor also posts a physical copy of the roll in the courthouse for public inspection and publishes the roll in the local newspaper or delivers the roll by mail to taxpayers within the county. A copy must also be filed with the Secretary of the State Board of Equalization (NAC 361.154).

At the same time, a notice of assessed value assigned to each property is delivered to individual taxpayers. The notice also advises the taxpayers of the appeal process in the event they disagree with the value so assigned.

## *Secured and Unsecured Tax Rolls*



What is the difference between the secured and unsecured tax rolls? The principal difference has to do with the levy of the tax. Pursuant to NRS 361.450, every tax levied is a perpetual lien against the property assessed until the tax and any penalty charges and interest which may accrue are paid. The lien attaches on July 1 each year, upon all [real] property within the county. NRS 361.450(2) states: "if real and personal property are assessed against the same owner, a lien attaches upon such real property also for the tax levied upon the personal property within the county." Thus, the lien for taxes levied is "secured" by real property. Taxes levied on property not secured by real property is "unsecured." The only way to collect unpaid taxes for unsecured property is to seize, seal or lock enough of the property to satisfy the unpaid debt, as opposed to the legal creation of a perpetual lien for secured property.

The secured roll is therefore principally made up of real property assessments, however, personal property may also appear on the secured roll. See NRS 361.260(1). For example, mining personal property such as ball mills may be integrally related to the mining improvements (mill house). Both could be placed together on the secured roll as one taxpayer account.

The unsecured roll is also known as the "personal property roll" and the "supplemental roll". The unsecured roll is primarily a list of property tax assessments that have not been placed on the secured roll, generally including personal property, migratory personal property, certain mobile homes, and new construction. New construction originally assessed on the unsecured roll is considered a supplemental billing because its value was not included on the secured roll. It would likely appear the following year on the secured roll as real property.

In determining which roll to use, the assessor must consider whether the property was in existence within the jurisdiction on or before the lien date. For the 2005-06 tax year, if the property was in existence on or before July 1, 2005, the assessor may place the property on either the 2005-2006 secured roll, depending on the type of property, or the 2004-2005 unsecured roll, depending on the time of first existence.

## *Central Assessment Tax Rolls*

The Department of Taxation produces a central assessment roll of property of an interstate or intercounty nature. (NRS 361.3205). The roll lists all unitary values and six-month construction-work-in-progress (CWIP). The roll is considered to be a secured tax roll and does not distinguish between

real and personal property. (See the discussion on unitary value in Chapter 4). An unsecured roll is also produced and consists of the values for carlines, property escaping taxation, property which may be migratory in nature, and twelve-month CWIP. The Department notifies each taxpayer of the assessment certified by the Commission on or before January 1 of each year, as well as publishes a Bulletin by taxpayer name and amount of assessed value.

### *Distinguishing Real Property From Personal Property*



The practice of appraisal often requires the appraiser to distinguish between real property and personal property. NRS 361.030 defines personal property as:

- (j) All property of whatever kind or nature, except vehicles . . . not included in the term "real estate" as that term is defined in NRS 361.035.

NRS 361.035 defines real property as

"all houses, buildings, fences, ditches, structures, erections, railroads, toll roads and bridges, or other improvements built or erected upon any land . . ."

In determining whether an article is a structure attached to real property, there are three tests:

1. The manner of its annexation (physical annexation);
2. Its adaptability to the use and purpose for which the realty is used (constructive annexation); and
3. The intention of the party making the annexation.

Property is physically annexed if it is attached, imbedded, permanently resting upon land or improvements, or is attached by other means that are normally used for permanent installation. If the item cannot be removed without substantially damaging it or the real property with which it is being used, it is considered to be physically annexed.

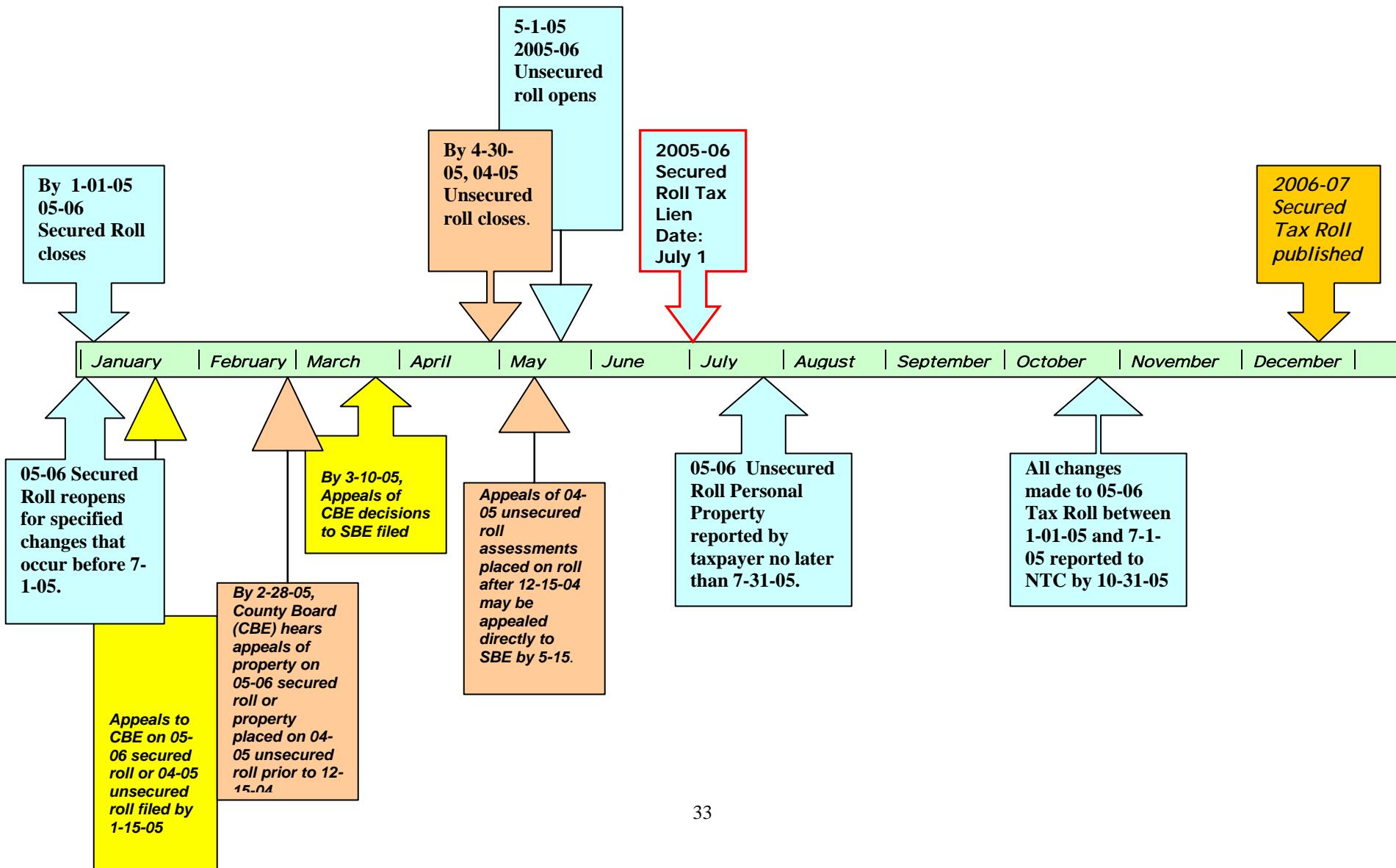
An item of property not physically annexed to real property is constructively annexed to real property if the nonattached item is:

1. A necessary, integral, or working part of the real property, and;
2. Designed or committed for use with real property, and;
3. So essential to the real property that the real property cannot perform its desired function without the nonattached item.

Finally, the courts have found that for purposes of taxation, whether the parties intended to make the article a permanent part of the realty is the crucial factor and that intention is manifested by the physical facts or reasonably manifested outward appearances.

An example of property that meets the test for real property is billboards. The Nevada Legislature specifically recognized that billboards meet the physical or construction annexation test because the depreciation allowed for billboards must be calculated as if they were real property. (See NRS 361.227(4)). Another example is found in NRS 361.244. A mobile or manufactured home is eligible to become real property if it becomes permanently affixed to land owned or leased by the owner of the mobile home and certain other legal criteria. Conversely, NRS 361.2445 provides a process for converting a mobile or manufactured home from real to personal property.

# 2005-06 Secured and 2004-05 Unsecured Roll



## Agricultural, Personal, Special Purpose, Mines, and Mineral Properties

*But the value of property results from the use to which it is put and varies with the profitableness of that use, present and prospective, actual and anticipated.*

*Cleveland, C.C. & St. Louis RR Co v. Backus (1893) 154 U.S. 445.*

As the pundits will say, “every rule has an exception.” In Chapter Two, it was very clear that taxable value for improved properties was defined as the replacement cost new less depreciation of the improvement plus the full cash value of the land. Exceptions to this valuation methodology have been created, however, to accommodate the unique nature of certain kinds of property. Chapter Four discusses these variations.

### Valuation of Agricultural Property

For many years, the legislature tried to give the assessors the right to assess agricultural land based on a “use” value, and they were doing that until a lawsuit was filed challenging the ability to apply use value. The Supreme Court held it was unconstitutional to do so, because the constitution of Nevada requires all land to be assessed at a uniform and equal rate.

In 1973, AJR 23 was then presented to the voters of Nevada, who subsequently amended the Constitution to say that the legislature may

provide for use value assessment or for a lower assessment value on agricultural land; but, the legislature must also pass a measure to allow for the recapture of taxes for at least seven years, if the land is converted to a higher use. So, in 1975, the legislature passed S.B. 167. As NRS 361A.090 states: "It is the intent of the legislature to (a) constitute agricultural and open-space real property as a separate class for taxation purposes; and (b) provide a separate plan for the appraisal and valuation of such property and partial deferred taxation of such property with tax recapture. The legislature hereby declares that it is in the best interest of the state to maintain, preserve, conserve and otherwise continue in existence adequate agricultural and open-space lands and the vegetation thereon to assure continued public health and the use and enjoyment of natural resources and scenic beauty for the economic and social well-being of the state and its citizens."

For example, if a farmer or a rancher has some acreage that has an actual value of \$1,000 per acre because it could be subdivided into housing lots, but he is assessed instead at a use value of \$100 per acre, he pays the tax on the lower value. Ten years from now, if he converts or subdivides it, then he is required to pay the deferred tax, the tax that he didn't pay during those years.

### *Agricultural Land Classification and Valuation*



NRS 361.325 (1)(b) requires the Nevada Tax Commission to classify land and fix and establish the valuation thereof for assessment purposes. The classification of agricultural land must be made on the basis of crop, timber or forage production, either in tons of crops per acre, board feet or other unit, or animal unit months of forage.

NRS 361A.140 requires the Commission to:

- (a) Define the classifications of agricultural real property;
- (b) Determine the valuations for each classification on the basis provided in NRS 361.325;
- (c) Determine the value of land covered by a residence or necessary to support the residence in the same manner as other real property pursuant to NRS 361.227; and

(d) Prepare a bulletin listing all classifications and values thereof for the following assessment year.

Valuation methodology for agricultural land is based on a capitalized earnings approach, whereby an estimated income stream is capitalized into an estimate of value. There are two major components to the capitalized earnings approach. First, an income stream is developed from information obtained from an annual survey of agriculturalists throughout the state.

The survey requests information about the price per ton of alfalfa hay; estimated tonnage, and total tons. The survey also asks for information regarding wild or other hay, watered pasture rental prices per animal unit month (AUM), and grazing rental prices per AUM. The information is then compared to statistics developed by the Nevada Agricultural Statistics Service (NASS) to verify reasonableness. The NASS develops average price-per-month for alfalfa hay and the average price-per-month for wild hay used to compare information for cultivated land values and native meadow or wild hay land, respectively.

Each year, a mean average for the price of hay and for pasture and grazing land rentals is calculated from the annual survey data. A five-year, weighted average using the mean average for five years is then calculated. The weighting is intended to reflect a normalized, typical drought cycle estimate of typical gross revenue for cultivated lands. The same process is used to develop a normalized, typical drought cycle estimate of typical gross revenue for native meadow or wild hay lands using the average price of wild hay reported by survey participants.

Estimated expenses are then deducted from the normalized gross revenue for each category. The actual cost of production of hay varies widely year by year and area to area. All of the other costs including fuel, fences, payroll, insurance and maintenance are included in the estimate.

Procedures for the administration of the assessment of agricultural lands may be found in the NAC, Chapter 361A. For instance, real property owners may apply for an agricultural use assessment on real property qualifying as agricultural land. In order to qualify, the lands must meet the requirements of NRS 361A.020-361A.030, and NAC Chapter 361A. County assessors determine the eligibility of agricultural use applications for properties of 20 acres or more and the Division of Assessment Standards reviews those applications of less than 20 acres.

As of the 2003-2004 fiscal year. There were a total of 15,549 agricultural parcels, having total acreage of 6,301,811 acres and an assessed value of \$77,157,357; 14 open space parcels having 1,271 acres and an assessed value of \$570,202 and 56 historic sites having an assessed value of \$2,661,378. (2003-2004 Statistical Analysis of the Roll).

## Personal Property Valuation



For taxable personal property, assessors are directed to subtract all applicable depreciation and obsolescence from the cost of replacement. (NRS 361.227(4)). The Commission has defined the cost of replacement to be the “acquisition” or “original” cost of the property to the present owner, including the costs of transportation and costs of installation, appropriately adjusted by a cost-index factor. (NAC 361.1351; 361/1371).

- An assessor begins with the reported original acquisition cost, including the costs of installation. (NAC 361.1371).
- The written statement from the taxpayer listing personal property must be returned no later than July 31 (NRS 361.265).
- The assessor determines the expected life of the property. Using the Personal Property Manual developed by the Department, a conversion factor is applied which converts the original cost of the property to an estimate of the current cost of replacement. The Manual also provides a formula for depreciation. (NAC 361.1375)

The Commission annually adopts the Personal Property Manual developed by the Department. The Manual contains Life Expectancy Guidelines stratified into major industrial classifications. Each industrial category is assigned an expected life. Certain types of equipment within the industry are identified separately as “Itemized Equipment.” The “Itemized Equipment” Section under each industry group provides a specific life which may be different from the industry as a whole. If the itemized equipment can be identified, the specific life is preferable to the industry classification expected life.

The Manual also contains Cost Conversion Indices by the expected life of the property. Once the appropriate expected life is selected, a conversion factor is applied, appropriate to the age of the property, to the original acquisition cost to determine the taxable value.

## Special Purpose Properties: Unit Valuation



NRS 361.043 specifically provides that “taxable value” for interstate and intercounty property is defined differently than property that is locally assessed. The Commission is required to establish the valuation “of any property of an interstate and intercounty nature” which includes, for example, all interstate or intercounty railroads, airlines, power companies, and telephone companies. (NRS 361.320) The statute goes on to require the Commission to value the operating property as a “collective unit.” Properties valued as a collective unit are also known as “centrally-assessed properties.”

Unit valuation means estimating the value of an integrated group of assets functioning as an economic unit, as “one thing,” without reference to the independent value of the component parts. The logic of this concept is that informed buyers and sellers will most likely buy or sell a viable operating unit as “one thing.”

Unit appraisal was originally devised, and basically has been supported by the courts for over a hundred years, because components of a system are often located in more than one taxing jurisdiction, such as when an electric utility generating plant is located in one jurisdiction, transmission lines run through several other jurisdictions, and all the customers are located in yet other jurisdictions. The courts have commented for years that assets taken separately have little value. The value of assets working together, however, may have tremendous value and should be allocated amongst the jurisdictions.

There are practical advantages to unit valuation to the taxpayer. If each county were to value a portion of an interstate company, the company conceivably would receive hundreds of tax bills. Multiple assessments mean duplication of work and duplication of cost. Unit valuation promotes uniformity in methodology and uniformity in value. Furthermore, unit valuation is principally driven by financial information rather than physical inspection. Interstate companies are typically very large in size and have many assets located all over the country. Physical inspection would be extremely difficult for either local or central assessment personnel.

The cost indicator used for centrally assessed properties is gross book cost less accrued book depreciation (NAC 361.421). Book value (or cost) is generally defined as the net amount at which an asset or asset group appears on the books of account, as distinguished from its market value or some intrinsic value. *Gross book value* is the amount

appearing in an asset account; while *book value* (or *net book value*) is the gross book value less any applicable portion of accumulated depreciation or other *valuation account*.<sup>1</sup> Generally book value is based on the historical money amount attaching to any asset or expense, generally representing cost, and does not involve market value.

As amended by SB 411 in 1999, NRS 361.320 (4) requires the development of cost and income indicators of value, “but the taxable value may not exceed the cost of replacement as appropriately depreciated.”

### *Allocation and Apportionment*



When centrally-assessed property extends into two or more states, the Department is required to first estimate the value of the system in all states and then allocate a portion of the system value to Nevada. Based on a series of U.S. Supreme Court decisions on taxable nexus (location), one state cannot tax property physically located in another state. Therefore a process of allocation is required.

The goal of allocation is to reasonably reflect the property value contained in each state.<sup>2</sup> The formulas for allocation are generally based on a combination of property, use, and revenue factors.

In Nevada, the comparison of system value to state value is limited to book cost, gross operating revenues, and certain use factors, depending on the information available. Book cost is a property factor intended to identify and describe the distribution of various physical assets throughout the system. Gross operating revenues is a revenue factor based on actual earnings within the system compared to actual earnings in Nevada. This factor tends to be least used because large corporations often do not distinguish from where revenues were earned. Use factors, such as air time, ground time, line haul, and terminal statistics, are most often found in the railroad and airline industries.

Once a system value is allocated to Nevada, it is further apportioned to various jurisdictions within Nevada based on a mile-unit valuation methodology. (NRS 361.320(2)). Table VI shows the allocation and apportionment formulas by industry.

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<sup>1</sup> Kohler, Eric L., A Dictionary for Accountants, 5th Edition, (Prentice-Hall, Englewood Cliffs, NJ: 1975), p. 70.

<sup>2</sup> Western States Association of Tax Administrators, Appraisal Handbook, (1989), p. 116.

## *Valuation of Mines*



The Department is charged with the valuation of all reduction, smelting and milling works, plants and facilities, whether or not associated with the mine, all drilling rigs, and all supplies, machinery, equipment, apparatus, facilities, buildings, structures and other improvements used in connection with any mining, drilling, reduction, smelting or milling operation. (NRS 362.100). The valuation of mines uses the same cost methodology prescribed for locally assessed properties pursuant to NRS 361.227.

When mine property is affected by obsolescence, a discounted cash-flow model is used for the income approach to measure how much obsolescence is present.

## *Valuation of Minerals for Net Proceeds*



The net proceeds of minerals tax is annually determined by the Department, and is based on the actual production of minerals from all operating mines, oil and gas wells, as well as geothermal operations in Nevada.

The 2001 Legislature amended taxpayer reporting requirements in AB 361. Partial year reporting and payments are no longer required. Mine operators are required to file a statement showing the gross yield and claimed net proceeds from each geographically separate operation where a mineral is extracted on or before February 16<sup>th</sup> of each year. Statements can be amended up to 30 days after filing on February 16<sup>th</sup> if a written application to the department is made and the department finds good cause to allow the amendment. (NRS 362.110). Royalty recipients must also annually file a report by February 16<sup>th</sup> showing the amount of royalties received.

The Department determines the net proceeds of minerals tax due based on the information filed by the taxpayer, as well as from available data, evidence and reports. The net proceeds are determined by subtracting from the gross yield certain deductions for costs incurred during the calendar year immediately preceding the reporting year. Costs available for deduction may be ascertained from Nevada Revised Statutes (NRS) 362.120 and Nevada Administrative Code (NAC) 362.030 through 362.070. Royalty recipients simply report the amount of royalties received, as no costs are available for deduction from the royalty. The Department certifies the net proceeds no later than April

20<sup>th</sup> for production occurring in the previous year. Taxes must be paid on or before May 10<sup>th</sup> of the year in which the certificate is received. (NRS 362.130).

The tax rate applied to the net proceeds is based on a sliding scale between 2% and 5%, depending on the ratio of net proceeds to gross proceeds. (NRS 362.140). Of the total tax rate, the local portion of the overall tax liability is based on the local rate where the mine is located, and the balance, up to the constitutional limit of five percent, is the state portion of the tax. For example, if a company generates \$1,000,000 in net proceeds, out of a total of \$2,000,000 gross yield, then, according to the statutes, the ratio of net proceeds to gross proceeds is 50%, and the rate of tax would be 5%. If the local tax rate where the mine is located is .0364, then the balance after subtraction from 5% would be the state portion of the tax, or .0136.

**Table VI:**  
**Allocation and Apportionment Factors and Weights by Industry Type**

**Railroads**

Allocation by:

Road Property	40%
Line Haul	45%
Terminal	15%

Apportionment by:

Track miles by tax district

**Liquid Product Pipelines**

Allocation by:

System to Nevada Cost	100%
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Apportionment by:

Inch miles by tax district

**Telecommunications**

Allocation by:

System to Nevada Cost	75%
System to Nevada Income	25%

Apportionment by:

Wire or air miles by tax district

**Electric Utilities**

Allocation by:

System to Nevada Cost	75%
System to Nevada Income	25%

Apportionment by:

Wire miles by tax district

**Natural Gas Pipelines**

Allocation by:

System to Nevada Cost	Mostly 100%
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Apportionment by:

Inch miles by tax district

**Airlines – National & Regional**

Allocation of:

Flight Equipment (System to Nevada):

Air to ground time	50%
Revenue Ton Miles flown	35%
Orig/Term tons	15%

Apportionment by:

Air miles by tax district

**Airlines – Charter & Feeder**

Allocation of:

Flight Equipment (System to Nevada):

Air time	25%
Ground time	25%
Revenue Ton Miles flown	25%
Orig/Term tons	25%

Apportionment by:

Air miles by tax district

## Tax Relief

*As a general rule of law, assessment and taxation of property are the rule, with exemptions being the exception.*

*City of Cheyenne v. Board of County Commissioners* (1971), 484 P.2d 706

A key principle of property tax systems is that all property is taxable unless it is specifically exempt, and exemptions are to be narrowly construed.<sup>1</sup> Nevada follows suit in this respect because, by constitution and statute, all property within the state is subject to taxation, except as otherwise provided by law. (Nevada Constitution, Article 10, Section 1; NRS 361.045).

Property tax relief programs are designed to help alleviate property tax burdens or encourage publicly desired objectives. There are two principle kinds of relief available: property tax limitations and property tax credits and exemptions.

Property tax limitations can be broken down into six categories:

Tax rate limits	Spending limits
Revenue limits	Assessment limits
Property tax rollbacks	Truth-in-taxation provisions

There are a variety of property tax credits and exemptions, but the common categories are:

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<sup>1</sup> IAAO, Standard on Property Tax Policy, 1997, p. 20.

Partial exemptions  
Full exemptions  
Abatements

Classification of property  
Deferrals

## Property Tax Limitations



### *Constitutional and Statutory Tax Rate Limits*

The State of Nevada Constitution, Article 10, § 2, limits the property tax rate to 5 cents per \$1.00 of assessed value, which translates to \$5.00 per \$100 of assessed value. In the 1979 session, the Nevada Legislature set the property tax rate at no more than \$3.64 per \$100 of assessed value, where it remains to the present. (NRS 361.453).

In addition, § 5 limits the tax upon the net proceeds of minerals to no more than 5 percent of the net proceeds. (Constitution, Article 10).

### *Revenue Limits: Local Government Operating Rule*

Pursuant to NRS 354.59811, local government entity property tax revenues are allowed to be increased by a maximum of 6% per year. The previous fiscal year's property tax revenue is multiplied by 106%. This amount is then divided by the projected assessed valuation for the upcoming fiscal year to determine the tax rate necessary to generate that amount of revenue. The NRS also provides for a "hold harmless" scenario, in which the new calculated tax rate cannot be less than the previous fiscal year's rate.

### *Assessment Limits: Taxable Value*

The assessment of real property is limited to the full cash value of land, and if improved, the full cash value of land plus the replacement cost new less depreciation. Depreciation is limited to 1.5 percent per year for the first 50 years, or a maximum of 75%. (NRS 361.227).

### *Truth-in-taxation provisions*

The Taxpayers' Bill of Rights affords taxpayers certain rights. For instance, each taxpayer has the right to a prompt response from the Department and to provide the minimum documentation and information necessary to determine the tax; to written instructions and explanations; and other provisions to enhance the transparency of governing the property tax. (NRS 360.291).

# Property Tax Exemptions

## *Partial exemptions*



Partial exemptions are those in which a percentage or fixed dollar amount of value is removed from the otherwise taxable value of a property. Some examples are:

- Property of surviving spouses (NRS 361.080)
- Property of blind persons (NRS 361.085)
- Veterans' exemptions (NRS 361.090)
- Property of lodges and other charitable organizations (NRS 361.135)

## *Full exemptions*

Full exemptions are granted to property, such as federal government property, that may be subject to constitutional immunity from taxation. Some examples include:

- State lands (NRS 361.055)
- Property of political subdivisions of State (NRS 361.060)
- Property of school districts and charter schools (NRS 361.065)
- Business inventories and consumables, (NRS 361.068)
- Household goods and furniture (NRS 361.069)
- Irrigation systems (NRS 361.070)
- Property used for pollution control (NRS 361.077)
- Qualifying low-income housing projects (NRS 361.082)
- Churches and chapels (NRS 361.125)

## *Abatements and Tax Increment Financing*

Property tax abatements and tax increment financing systems are used to attract businesses to economically depressed areas, or to grant residential property tax relief and to respond to appeals. Examples include:

- Qualifying businesses recycling materials on site (NRS 361.0685)
- Qualifying new businesses or expanding businesses (NRS 361.0687)

## *Property Tax Deferrals*

Deferrals delay but do not excuse taxes, which accrue as an increasing lien until property is sold or the estate is settled. Deferred taxes are subject to interest charges. The postponement of payment of tax program is administered by county treasurers. (NRS 361.736 through 361.7398).

## Equalization by the Tax Commission

*The ancient principles of uniformity, equality, justness and fairness permeate the law, principles which cannot now be ignored.*

*Nevada Supreme Court, Boyne v. State, 390 P.2d 228.*

Equalization is the process of assuring all locally assessed and state assessed properties are treated uniformly and fairly, according to the valuation standards set by law.

In order to ensure property in the state is appraised equitably by county assessors, the Department tests a variety of information using applied statistics to determine if inequity or assessment bias exists. The Department also surveys and analyzes assessor work practices to ensure the uniform application of valuation and assessment methodology as provided by law and assessment standards. If inequity or bias is discovered, NRS 360.215 and 361.333 provide the Nevada Tax Commission the authority to pursue certain procedures designed to correct inequitable conditions.

### *Ratio Study*



To facilitate the analysis of equitable appraisal, the Department of Taxation conducts a ratio study each year designed to measure the level of appraisal accuracy of local county assessors. Generally speaking, a "ratio study" is "designed to evaluate appraisal performance or determine taxable value through a comparison of appraised or assessed values estimated for tax purposes with independent estimates of value based on either sales

prices or independent appraisals.<sup>1</sup> The comparison of the estimate of assessed value produced by the assessor on each parcel in the sample to the estimate of taxable value produced by the Department is called a “ratio.”

The Department independently appraises a sample of randomly selected properties in the study areas and compares the results to the assessed values established by the county assessor. The properties comprising the sample are physically inspected by Department appraisers and valued according to statutory and regulatory requirements. The independent appraisals conducted by the Department comprise a *sample* of the *universe or population* of all properties within the jurisdiction being reviewed. From the information about the *sample*, the Department *infers* what is happening to the population as a whole.

The Department examines the ratio information for *appraisal accuracy*. Two essential elements of appraisal accuracy are *appraisal level* and *appraisal uniformity*. Appraisal level compares how close the assessor’s estimate of assessed value is to the legally mandated standard of 35% of taxable value. Appraisal level is measured by a descriptive statistic called a *measure of central tendency*. A measure of central tendency, such as the mean, median, or aggregate ratio, is a single number or value that describes the center or the middle of a set of data. In the case of this ratio study, the median describes the middle of the array of all ratios comparing the assessed value to the taxable value established for each parcel.

*Assessment uniformity* refers to the degree to which different properties are assessed at equal percentages of taxable value. If taxable value could be described as the center of a “target,” then assessment uniformity looks at how much variation or distance there is between each ratio and the “target.” The statistical measure known as the coefficient of dispersion measures uniformity or the distance from the “target.”

The ratio study by law must include the overall ratio (also known as the aggregate ratio or weighted mean ratio) of the total property within each subject county and each class of property. The study must also include two comparative statistics known as the median and the coefficient of dispersion (COD) of the median, for both the total property in each subject county and for each major class of property within the county. NRS 361.333 (5) (c) defines the major classes of property as:

I. Vacant land;

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<sup>1</sup> International Association of Assessing Officers, Standard on Ratio Studies, (1999), P. 6.

- II. Single-family residential;
- III. Multi-residential;
- IV. Commercial and industrial; and
- V. Rural

Section 5 outlines how the Tax Commission may equalize properties if in fact the ratio study indicates that equalization is necessary. The actions the Tax Commission may take include (1) no action, if it finds that all property has been assessed at the proper percentage; (2) applying a specified percentage to correct any deficiency, if any class of property is assessed at less or more than the allowed range (32% to 36%); and (3) ordering reappraisal if the range is exceeded in the reappraisal area, if the land and improvement factors are not being appropriately applied in the non-reappraisal areas, or if the board of county commissioners does not agree with a specified percentage to correct any deficiency.

Appraisal accuracy refers to the degree to which properties are appraised at taxable value (as defined in NRS 361.227). A ratio study compares the assessor's appraisal with independent appraisals prepared by the Department. The ratios used in such studies are formed by dividing the taxable value estimated by the assessor by the assessed value determined by the Department. (The assessed value determined by the Department equals taxable value times 35%).

## *Work Practices Survey and Analysis*

NRS 361.333 (1)(b)(2) requires the Department to make a determination about whether each county has adequate procedures to ensure that all property subject to taxation is being assessed in a correct and timely manner, and to note any deficiencies. In addition, the Department reviews assessments in those areas where land and improvement factors are applied pursuant to NRS 361.260 (5) to ensure the factors are appropriately applied.

The Department staff travel to the offices of county assessors to review the procedures used to discover, value, and assess all real and personal property within the jurisdiction of the county assessor. The Department reviews the resources of the office; reviews a sample of property files; and interviews assessors and their staffs. Departures from required or accepted appraisal practices are noted and recommendations for improvement are made in the chart entitled "Summary of Study Results" accompanied by a narrative on each indicated procedure included in this study.

## The Appeal Process

*Assessment appeals are an important component in the assessment process. They provide property owners with an opportunity to meet with the assessor, to inquire about their assessments, and to learn about the procedures used and the various factors considered in the appraisal of their properties..*

*Standard on Assessment Appeal, IAAO, 1982.*

The State and County Boards of Equalization correct errors on tax rolls and hear complaints. Persons appealing to the County Board may do so by claiming overvaluation by reason of undervaluation of other properties (NRS 361.355); inequity of treatment exists between properties (NRS 361.356); or the full cash value of the property is less than its taxable value. (NRS 361.357). The State Board hears and determines all appeals from the action of the County Board (NRS 361.400) or direct appeals from valuations of the Nevada Tax Commission (NRS 361.403). The two boards may also add property to the secured roll for property escaping taxation (NRS 361.769).

The State and County Boards are public bodies subject to the Open Meeting Law (NRS Chapter 241) and the Public Records law. All meetings of the State and County Boards must be open to the public with an agenda of items and topics to be discussed and acted upon clearly and completely described. The agenda must be posted at least three full working days before the meeting of the State or County Board.

The Nevada Administrative Procedure Act (APA) (NRS Chapter 233B), also applies to the proceedings of the State and County Boards to supplement those proceedings specifically set forth in NRS Chapter 361 and NAC Chapter 361. The APA requires that a party be given reasonable notice of a hearing in which the legal rights, duties or

privileges of a party are to be determined. (NRS 233B.032, 233B.121). Additionally, the State Board is specifically required to provide reasonable notice to all parties appearing before it. (NAC 361.702).

## County Board of Equalization



The session of the County Board may begin prior to January 15 and ends on the last day in February (NRS 361.340 (10)), except as to matters remanded by the State Board. If the business of the County Board is such that these time constraints make it impossible to fully hear the cases before the County Board, the County Board may consider extending the statutory deadline. (AGO 94, 8-12-55 and reconfirmed in AGO 2001-17).

The County Board has the power to change and correct any valuation of the County Assessor found to be incorrect. Any change so made is effective only for the fiscal year for which the assessment was made. (NRS 361.345).

With the prior approval of the State Board, each County Board may adopt more detailed rules of procedure. (NAC 361.622).

## State Board of Equalization



The State Board convenes each session on the fourth Monday in March in Carson City, Nevada, and holds as many meetings as necessary to complete the business of the State Board. Typically the State Board meets about 15 times during the session. Cases that in the State Board's opinion have a substantial effect on tax revenues should be decided by the State Board on or before April 15<sup>th</sup>. This deadline is directory and not mandatory, but the State Board makes all efforts to finish hearing such cases before that deadline. Cases having less than a substantial effect on tax revenues may be heard at additional meetings which may be held at any time and place in the state before October 1. (NRS 361.380).

All appeals of County Board decisions must be based upon the same facts and evidence submitted to the County Board. (NRS 361.360, 361.400, NAC 361.739(2)). New evidence is not admitted unless it is discovered after the County Board hearing and could not, by due diligence, have been discovered before the final adjournment of the County Board. (NRS 361.360, 361.400, NAC 361.739(3)).

Hearings that are on appeal from a County Board are reviews to determine the correctness of the county board's decision, and are not

hearings de novo. Accordingly, there is no cross examination of witnesses and no new evidence should be submitted, except as noted above. Hearings on direct appeals are conducted to allow all relevant evidence to be admitted and witnesses may be examined and the opposing party may cross-examine such witnesses, and such witnesses may be impeached (NAC 361.733). Such hearings are not conducted according to the technical rules of evidence and procedures as practiced in civil actions, and any relevant evidence may be admitted, if it is of a type commonly relied upon by reasonable and prudent persons. (NAC 361.737).

## Nevada Tax Commission

The Commission may hear the appeals of taxpayers in the event the county treasurer or county assessor has denied relief from interest and penalties imposed when the taxpayer has failed to make a timely return or payment of the tax. (NRS 361.4835). The Commission also hears the appeals of taxpayers seeking relief from penalties and interest imposed by the Department. (NAC 360.402).

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