

ASSEMBLY BILL NO. 601—COMMITTEE ON TAXATION

MARCH 17, 1999

Referred to Committee on Taxation

SUMMARY—Revises method of appraising real property for taxation. (BDR 32-1621)

FISCAL NOTE: Effect on Local Government: Yes.
 Effect on the State or on Industrial Insurance: Yes.

~

EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to taxation; revising the provisions governing the appraisal of real property to include further grouping of parcels and an analysis of discounted cash flow; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE
 AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 361.227 is hereby amended to read as follows:
 2 361.227 1. Any person determining the taxable value of real
 3 property shall appraise:
 4 (a) The full cash value of:
 5 (1) Vacant land by considering the uses to which it may lawfully be
 6 put, any legal or physical restrictions upon those uses, the character of the
 7 terrain, and the uses of other land in the vicinity.
 8 (2) Improved land consistently with the use to which the
 9 improvements are being put.
 10 (b) Any improvements made on the land by subtracting from the cost of
 11 replacement of the improvements all applicable depreciation and
 12 obsolescence. Depreciation of an improvement made on real property must
 13 be calculated at 1.5 percent of the cost of replacement for each year of
 14 adjusted actual age of the improvement, up to a maximum of 50 years.
 15 2. The unit of appraisal must be a single parcel unless:
 16 (a) The location of the improvements causes two or more parcels to
 17 function as a single parcel; ~~for~~
 18 (b) The parcel is one of a group of contiguous parcels which qualifies
 19 for valuation as a subdivision pursuant to the regulations of the Nevada tax
 20 commission ~~for~~ ; *or*

1 *(c) In the professional judgment of the person determining the taxable*
2 *value, the parcel is one of a group of parcels which should be valued as a*
3 *collective unit.*

4 3. The taxable value of a leasehold interest, possessory interest,
5 beneficial interest or beneficial use for the purpose of NRS 361.157 or
6 361.159 must be determined in the same manner as the taxable value of the
7 property would otherwise be determined if the lessee or user of the
8 property was the owner of the property and it was not exempt from
9 taxation, except that the taxable value so determined must be reduced by a
10 percentage of the taxable value that is equal to the:

11 (a) Percentage of the property that is not actually leased by the lessee or
12 used by the user during the fiscal year; and

13 (b) Percentage of time that the property is not actually leased by the
14 lessee or used by the user during the fiscal year.

15 4. The taxable value of other taxable personal property, except mobile
16 homes, must be determined by subtracting from the cost of replacement of
17 the property all applicable depreciation and obsolescence. Depreciation of
18 a billboard must be calculated at 1.5 percent of the cost of replacement for
19 each year after the year of acquisition of the billboard, up to a maximum of
20 50 years.

21 5. The computed taxable value of any property must not exceed its full
22 cash value. Each person determining the taxable value of property shall
23 reduce it if necessary to comply with this requirement. A person
24 determining whether taxable value exceeds full cash value or whether
25 obsolescence is a factor in valuation may consider:

26 (a) Comparative sales, based on prices actually paid in market
27 transactions.

28 (b) A summation of the estimated full cash value of the land and
29 contributory value of the improvements.

30 (c) Capitalization of the fair economic income expectancy or fair
31 economic rent ~~H~~, *or an analysis of the discounted cash flow.*

32 A county assessor is required to make the reduction prescribed in this
33 subsection if the owner calls to his attention the facts warranting it, if he
34 discovers those facts during physical reappraisal of the property or if he is
35 otherwise aware of those facts.

36 6. The Nevada tax commission shall by regulation establish:

37 (a) Standards for determining the cost of replacement of improvements
38 of various kinds.

39 (b) Standards for determining the cost of replacement of personal
40 property of various kinds. The standards must include a separate index of
41 factors for application to the acquisition cost of a billboard to determine its
42 replacement

cost.

1 (c) Schedules of depreciation for personal property based on its
2 estimated life.

3 (d) Criteria for the valuation of two or more parcels as a subdivision.

4 7. In determining the cost of replacement of personal property for the
5 purpose of computing taxable value, the cost of all improvements of the
6 personal property, including any additions to or renovations of the personal
7 property but excluding routine maintenance and repairs, must be added to
8 the cost of acquisition of the personal property.

9 8. The county assessor shall, upon the request of the owner, furnish
10 within 15 days to the owner a copy of the most recent appraisal of the
11 property.

12 9. The provisions of this section do not apply to property which is
13 assessed pursuant to NRS 361.320.

~