SENATE BILL NO. 411–SENATOR O'CONNELL

MARCH 15, 1999

Referred to Committee on Taxation

SUMMARY—Conforms methods used by Nevada tax commission for valuation of property to methods used by county assessors and exempts intangible personal property from taxation. (BDR 32-1007)

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

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

AN ACT relating to taxation; conforming the permissible methods for use by the Nevada tax commission in determining the taxable value of property to those permissible for use by county assessors; exempting intangible personal property from taxation; and providing other matters properly relating thereto.

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

Section 1. Chapter 361 of NRS is hereby amended by adding thereto a new section to read as follows:

1. All intangible personal property is exempt from taxation, including, without limitation:

(a) Shares of stock, bonds, mortgages, notes, bank deposits, book accounts such as an acquisition adjustment and credits, and securities and choses in action of like character; and

(b) Goodwill, customer lists, contracts and contract rights, patents, trade-marks, trade names, custom computer programs, copyrights, trade secrets, franchises and licenses.

2. The value of intangible personal property must not enhance or be reflected in the value of real property or tangible personal property.

3. The attributes of real property, such as zoning, location, view and geographic features, are not intangible personal property and must be considered in valuing the real property, if appropriate.

Sec. 2. NRS 361.260 is hereby amended to read as follows:

361.260 1. Each year, the county assessor, except as otherwise required by a particular statute, shall ascertain by diligent inquiry and examination all real and secured personal property in his county which is subject to taxation, and also the names of all persons, corporations, associations, companies or firms owning the property. He shall then determine the taxable value of all such property and he shall then list and assess it to the person, firm, corporation, association or company owning it. He shall take the same action between May 1 and the following April 30, with respect to personal property which is to be placed on the unsecured tax roll.

2. At any time before the lien date for the following fiscal year, the county assessor may include additional personal property and mobile homes on the secured tax roll if the owner of the personal property or mobile home owns real property within the same taxing district which has an assessed value that is equal to or greater than the taxes for 3 years on both the real property and the personal property or mobile home, plus penalties. Personal property and mobile homes in the county on July 1, but not on the secured tax roll for the current year, must be placed on the unsecured tax roll for the current year.

3. An improvement on real property in existence on July 1 whose existence was not ascertained in time to be placed on the secured roll for that tax year and which is not governed by subsection 4 must be placed on the unsecured tax roll.

4. The value of any property apportioned among counties pursuant to NRS 361.320, 361.321 and 361.323 must be added to the central assessment roll at the assessed value established by the Nevada tax commission or as established pursuant to an appeal to the state board of equalization.

5. **[**~~In arriving at the taxable value of all public utilities of an intracounty nature, the intangible or franchise element must be considered as an addition to the physical value and a portion of the taxable value.~~

~~6.~~**]** In addition to the inquiry and examination required in subsection 1, for any property not reappraised in the current assessment year, the county assessor shall determine its assessed value for that year by applying a factor for improvements, if any, and a factor for land to the assessed value for the preceding year. The factor for improvements must reasonably represent the change, if any, in the taxable value of typical improvements in the area since the preceding year, and must take into account all applicable depreciation and obsolescence. The factor for improvements must be adopted by the Nevada tax commission. The factor for land must be developed by the county assessor and approved by the commission. The factor for land must be so chosen that the median ratio of the assessed value of the land to the taxable value of the land in each area subject to the factor is not less than 30 percent nor more than 35 percent.

~~[7.]~~ ***6.*** The county assessor shall reappraise all real property at least once every 5 years.

~~[8.]~~ ***7.*** Each county assessor shall submit a written request to the board of county commissioners and the governing body of each of the local governments located in the county which maintain a unit of government that issues building permits for a copy of each building permit that is issued. Upon receipt of such a request, the governing body shall direct the unit which issues the permits to provide a copy of each permit to the county assessor within a reasonable time after issuance.

Sec. 3. NRS 361.320 is hereby amended to read as follows:

361.320 1. At the regular session of the Nevada tax commission commencing on the first Monday in October of each year, the Nevada tax commission shall establish the valuation for assessment purposes of any property of an interstate and intercounty nature, which must in any event include the property of all interstate or intercounty railroad, sleeping car, private car, street railway, traction, telegraph, water, telephone, scheduled and unscheduled air transport, electric light and power companies, ~~[together with their franchises,]~~ and the property ~~[and franchises]~~ of all railway express companies operating on any common or contract carrier in this state. This valuation must not include the value of vehicles as defined in NRS 371.020.

2. Except as otherwise provided in subsection 3 and NRS 361.323, the commission shall establish and fix the valuation of ~~[the franchise, if any, and]~~ all physical property used directly in the operation of any such business of any such company in this state, as a collective unit. If the company is operating in more than one county, on establishing the unit valuation for the collective property, the commission shall then determine the total aggregate mileage operated within the state and within its several counties, and apportion the mileage upon a mile-unit valuation basis. The number of miles apportioned to any county are subject to assessment in that county according to the mile-unit valuation established by the commission.

3. After establishing the valuation, as a collective unit, of a public utility which generates, transmits or distributes electricity, the commission shall segregate the value of any project in this state for the generation of electricity which is not yet put to use. This value must be assessed in the county where the project is located and must be taxed at the same rate as other property.

4. The Nevada tax commission shall adopt formulas, and cause them to be incorporated in its records, providing the method or methods pursued in fixing and establishing the taxable value of all ~~[franchises and]~~ property assessed by it. The formulas must be adopted and may be changed from time to time upon its own motion or when made necessary by judicial decisions, but the formulas must in any event show all the elements of value considered by the commission in arriving at and fixing the value for any class of property assessed by it. These formulas must take into account, as indicators of value, the company's income ~~[, stock and debt,]~~ and the cost of its assets ~~[.]~~ ***, but the taxable value may not exceed the cost appropriately depreciated.***

5. If two or more persons perform separate functions that collectively are needed to deliver electric service to the final customer and the property used in performing the functions would be centrally assessed if owned by one person, the Nevada tax commission shall establish its valuation and apportion the valuation among the several counties in the same manner as the valuation of other centrally assessed property. The Nevada tax commission shall determine the proportion of the tax levied upon the property by each county according to the valuation of the contribution of each person to the aggregate valuation of the property. This subsection does not apply to qualified facilities, as defined in 18 C.F.R. § 292.101, which were constructed before July 1, 1997.

6. As used in this section, "company" means any person, company, corporation or association engaged in the business described.

7. All other property must be assessed by the county assessors, except as otherwise provided in NRS 361.321 and 362.100 and except that the valuation of land and mobile homes must be established for assessment purposes by the Nevada tax commission as provided in NRS 361.325.

8. On or before November 1 of each year, the department shall forward a tax statement to each private car line company based on the valuation established pursuant to this section and in accordance with the tax levies of the several districts in each county. The company shall remit the ad valorem taxes due on or before December 15 to the department which shall allocate the taxes due each county on a mile-unit basis and remit the taxes to the counties no later than January 31. The portion of the taxes which is due the state must be transmitted directly to the state treasurer. A company which fails to pay the tax within the time required shall pay a penalty of 10 percent of the tax due or $5,000, whichever is greater, in addition to the tax. Any amount paid as a penalty must be deposited in the state general

fund. The department may, for good cause shown, waive the payment of a penalty pursuant to this subsection. As an alternative to any other method of recovering delinquent taxes provided by this chapter, the attorney general may bring a civil action in a court of competent jurisdiction to recover delinquent taxes due pursuant to this subsection in the manner provided in NRS 361.560.

Sec. 4. This act becomes effective on July 1, 1999.

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