

EXEMPT
(REPRINTED WITH ADOPTED AMENDMENTS)
SECOND REPRINT

S.B. 411

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, exempts intangible personal property from taxation and requires legislative committee to study distribution among local governments of revenue from state and local taxes to conduct a study. (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; directing the legislative committee to study the distribution among local governments of revenue from state and local taxes to conduct a study; requiring that a report of the recommendations and findings of the study be presented to the 71st session of the Nevada legislature; 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.** Chapter 361 of NRS is hereby amended by adding thereto a
2 new section to read as follows:
3 ***1. All intangible personal property is exempt from taxation,***
4 ***including, without limitation:***
5 ***(a) Shares of stock, bonds, mortgages, notes, bank deposits, book***
6 ***accounts such as an acquisition adjustment and credits, and securities***
7 ***and choses in action of like character; and***
8 ***(b) Goodwill, customer lists, contracts and contract rights, patents,***
9 ***trade-marks, trade names, custom computer programs, copyrights, trade***
10 ***secrets, franchises and licenses.***
11 ***2. The value of intangible personal property must not enhance or be***
12 ***reflected in the value of real property or tangible personal property.***

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

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

5 361.260 1. Each year, the county assessor, except as otherwise
6 required by a particular statute, shall ascertain by diligent inquiry and
7 examination all real and secured personal property in his county which is
8 subject to taxation, and also the names of all persons, corporations,
9 associations, companies or firms owning the property. He shall then
10 determine the taxable value of all such property and he shall then list and
11 assess it to the person, firm, corporation, association or company owning it.
12 He shall take the same action between May 1 and the following April 30,
13 with respect to personal property which is to be placed on the unsecured tax
14 roll.

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

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

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

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

36 ~~—6.1~~ In addition to the inquiry and examination required in subsection 1,
37 for any property not reappraised in the current assessment year, the county
38 assessor shall determine its assessed value for that year by applying a factor
39 for improvements, if any, and a factor for land to the assessed value for the
40 preceding year. The factor for improvements must reasonably represent the
41 change, if any, in the taxable value of typical improvements in the area
42 since the preceding year, and must take into account all applicable
43 depreciation and obsolescence. The factor for improvements must be

1 adopted by the Nevada tax commission. The factor for land must be
2 developed by the county assessor and approved by the commission. The
3 factor for land must be so chosen that the median ratio of the assessed value
4 of the land to the taxable value of the land in each area subject to the factor
5 is not less than 30 percent nor more than 35 percent.

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

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

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

16 361.320 1. At the regular session of the Nevada tax commission
17 commencing on the first Monday in October of each year, the Nevada tax
18 commission shall establish the valuation for assessment purposes of any
19 property of an interstate and intercounty nature, which must in any event
20 include the property of all interstate or intercounty railroad, sleeping car,
21 private car, street railway, traction, telegraph, water, telephone, scheduled
22 and unscheduled air transport, electric light and power companies,
23 ~~[together with their franchises,]~~ and the property ~~[and franchises]~~ of all
24 railway express companies operating on any common or contract carrier in
25 this state. This valuation must not include the value of vehicles as defined
26 in NRS 371.020.

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

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

property.

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

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

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

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

29 8. On or before November 1 of each year, the department shall forward
30 a tax statement to each private car line company based on the valuation
31 established pursuant to this section and in accordance with the tax levies of
32 the several districts in each county. The company shall remit the ad
33 valorem taxes due on or before December 15 to the department which shall
34 allocate the taxes due each county on a mile-unit basis and remit the taxes
35 to the counties no later than January 31. The portion of the taxes which is
36 due the state must be transmitted directly to the state treasurer. A company
37 which fails to pay the tax within the time required shall pay a penalty of 10
38 percent of the tax due or \$5,000, whichever is greater, in addition to the
39 tax. Any amount paid as a penalty must be deposited in the state general
40 fund. The department may, for good cause shown, waive the payment of a
41 penalty pursuant to this subsection. As an alternative to any other method
42 of recovering delinquent taxes provided by this chapter, the attorney
43 general may bring a civil action in a court of competent jurisdiction to

1 recover delinquent taxes due pursuant to this subsection in the manner
2 provided in NRS 361.560.

3 **Sec. 4.** 1. The legislature hereby finds and declares that it is more
4 equitable to establish the valuation for assessment purposes of all types of
5 property without considering the value of intangible personal property and
6 that the incremental elimination of intangible personal property from the
7 valuation and assessment of all property in the State of Nevada is desirable
8 to allow the orderly assessment and collection of ad valorem taxes.

9 2. Notwithstanding the amendatory provisions of this act, intangible
10 personal property must continue to be assessed pursuant to the provisions
11 of chapter 361 of NRS as those provisions existed before the enactment of
12 the amendatory provisions of this act, except that:

13 (a) For the fiscal year commencing July 1, 2000, the assessed value of
14 the intangible personal property must be reduced by 5 percent;

15 (b) For the fiscal year commencing July 1, 2001, the assessed value of
16 the intangible personal property must be reduced by 10 percent;

17 (c) For the fiscal year commencing July 1, 2002, the assessed value of
18 the intangible personal property must be reduced by 40 percent; and

19 (d) For the fiscal year commencing July 1, 2003, the assessed value of
20 the intangible personal property must be reduced by 70 percent.

21 **Sec. 5.** 1. The committee shall monitor the implementation of this
22 act and conduct an interim study of the current system of taxation of those
23 businesses, whether centrally or locally assessed as of June 30, 1999, that
24 are engaged, in whole or in part, in any of the following activities:

25 (a) Railroad, sleeping car, private car, street railway or traction;

26 (b) Scheduled or unscheduled air transport;

27 (c) Telegraph, telephone or telecommunications;

28 (d) Natural gas transmission and distribution;

29 (e) Electric light and power; or

30 (f) Railway express.

31 2. On or before February 15, 2001, the committee shall prepare a
32 report of its findings and recommendations and submit the report to the
33 director of the legislative counsel bureau for transmittal to the senate and
34 assembly committees on taxation of the 71st session of the Nevada
35 legislature for their review.

36 3. The chairman of the committee may appoint a subcommittee to
37 assist in conducting the study. Any subcommittee appointed by the chair of
38 the committee shall consist of members of the committee, members of the
39 advisory committee to the committee, other representatives of local
40 government and members of businesses described in subsection 1. Any
41 subcommittee appointed pursuant to this subsection shall report its findings
42 to the committee on or before October 1, 2000.

43 4. The report required pursuant to subsection 2 must include:

1 (a) An evaluation of whether the current system of taxation used to
2 assess taxes upon those businesses described in subsection 1 is fair and
3 equitable, including the method of assessment and application of the
4 property tax, when compared with the system of taxation used to assess
5 taxes upon other businesses in this state;

6 (b) An evaluation of the extent to which local governments in this state
7 rely upon the revenues obtained from the current system of taxation used to
8 assess taxes upon those businesses described in subsection 1, including,
9 without limitation, an evaluation of the manner in which the tax bases of the
10 local governments are affected by that system;

11 (c) An evaluation of the impact of the changes made by the provisions
12 of this act upon revenues of local governments and upon the tax base relied
13 upon by each local government for its revenue;

14 (d) An evaluation of the extent to which any local government or agency
15 of the state provides services that compete with the businesses described in
16 subsection 1;

17 (e) An evaluation of any alternative system of taxation that could be
18 used to assess taxes upon the businesses described in subsection 1 that:

19 (1) Does not create substantially more or less revenue for local
20 governments, in the aggregate, than would otherwise be available if the
21 system of taxation were not changed;

22 (2) Provides for a source of revenue for local governments that is as
23 stable and reliable as possible; and

24 (3) Is fair and equitable to the businesses described in subsection 1 as
25 compared to the current system of taxation used to assess taxes upon all
26 businesses in this state; and

27 (f) A recommendation from the committee regarding whether a change
28 to the system of taxation used to assess taxes upon the businesses described
29 in subsection 1 is advisable and, if so, the alternative system of taxation
30 which would ensure the most fair, equitable, stable and reliable result
31 possible.

32 5. As used in this section, "committee" has the meaning ascribed to it
33 in NRS 218.5388.

34 **Sec. 6.** 1. This act becomes effective July 1, 1999.

35 2. Section 4 of this act expires by limitation on June 30, 2004.