

SENATE BILL NO. 426—SENATOR SCHNEIDER

MARCH 15, 1999

Referred to Committee on Taxation

SUMMARY—Provides for taxation of residential and other improved property at market value and taxation of common elements of planned community as part of individual units. (BDR 32-1149)

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; providing for the taxation of improved real property at market value and the taxation of the common elements of a planned community as parts of the individual units; 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 property
- 3 shall appraise ~~the~~ ***the*** full cash value of:
- 4 ~~(a) The~~ ***the*** full cash value of:
- 5 ~~[(1)]~~ ***(a)*** Vacant land by considering the uses to which it may
- 6 lawfully be put, any legal or physical restrictions upon those uses, the
- 7 character of the terrain, and the uses of other land in the vicinity.
- 8 ~~[(2)]~~ ***(b)*** Improved land ***and the improvements thereon*** consistently
- 9 with the use to which the 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; or

(b) The parcel is one of a group of contiguous parcels which qualifies for valuation as a subdivision pursuant to the regulations of the Nevada tax commission.

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

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

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

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

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

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

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

(c) Capitalization of the fair economic income expectancy or fair economic rent.

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

6. The Nevada tax commission shall by regulation establish:

(a) ~~{Standards for determining the cost of replacement of improvements of various kinds.~~

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

cost.

1 ~~[(e)]~~ (b) Schedules of depreciation for personal property based on its
2 estimated life.

3 ~~[(d)]~~ (c) Criteria for the valuation of two or more parcels as a
4 subdivision.

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

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

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

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

16 361.260 1. Each year, the county assessor, except as otherwise
17 required by a particular statute, shall ascertain by diligent inquiry and
18 examination all real and secured personal property in his county which is
19 subject to taxation, and also the names of all persons ~~[- corporations,~~
20 ~~associations, companies or firms]~~ owning the property. He shall then
21 determine the taxable value of all such property and he shall then list and
22 assess it to the person ~~[- firm, corporation, association or company]~~ owning
23 it. He shall take the same action between May 1 and the following April 30,
24 with respect to personal property which is to be placed on the unsecured tax
25 roll.

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

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

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

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

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

17 7. The county assessor shall reappraise all real property at least once
18 every 5 years.

19 8. Each county assessor shall submit a written request to the board of
20 county commissioners and the governing body of each of the local
21 governments located in the county which maintain a unit of government
22 that issues building permits for a copy of each building permit that is
23 issued. Upon receipt of such a request, the governing body shall direct the
24 unit which issues the permits to provide a copy of each permit to the county
25 assessor within a reasonable time after issuance.

26 **Sec. 3.** NRS 116.110313 is hereby amended to read as follows:

27 116.110313 "Allocated interests" means the following interests
28 allocated to each unit:

29 1. In a condominium ~~or~~ *or planned community, except any portion of*
30 *a planned community that is a cooperative*, the undivided interest in the
31 common elements, the liability for common expenses, and votes in the
32 association; *and*

33 2. In a cooperative, the liability for common expenses and the
34 ownership and votes in the association . ~~;~~ *and*

35 ~~—3.—In a planned community, the liability for common expenses and~~
36 ~~votes in the association.]~~

37 **Sec. 4.** NRS 116.110318 is hereby amended to read as follows:

38 116.110318 "Common elements" means ~~;~~

39 ~~—1.—In a condominium or cooperative,]~~ all portions of ~~the~~ *a* common-
40 interest community other than the units, including easements in favor of
41 units or the common elements over other units . ~~;~~ *and*

42 ~~—2.—In a planned community, any real estate within the planned~~
43 ~~community owned or leased by the association, other than a unit.]~~

1 **Sec. 5.** NRS 116.110368 is hereby amended to read as follows:

2 116.110368 “Planned community” means a common-interest
3 community that ~~is~~ :

4 **1. Existed on October 1, 1999, and was designated as such in the**
5 **declaration creating it; or**

6 **2. Is created on or after October 1, 1999, and is** not *exclusively* a
7 condominium or a cooperative. A condominium or cooperative may be part
8 of a planned community.

9 **Sec. 6.** NRS 116.2107 is hereby amended to read as follows:

10 116.2107 1. The declaration must allocate to each unit:

11 (a) In a condominium ~~or~~ **or planned community, except any portion of**
12 **a planned community that is a cooperative,** a fraction or percentage of
13 undivided interests in the common elements and in the common expenses
14 of the association (NRS 116.3115) and a portion of the votes in the
15 association; **and**

16 (b) In a cooperative, a proportionate ownership in the association, a
17 fraction or percentage of the common expenses of the association (NRS
18 116.3115) and a portion of the votes in the association . ~~or and~~

19 ~~—(c) In a planned community, a fraction or percentage of the common~~
20 ~~expenses of the association (NRS 116.3115) and a portion of the votes in~~
21 ~~the association.]~~

22 2. The declaration must state the formulas used to establish allocations
23 of interests. Those allocations may not discriminate in favor of units owned
24 by the declarant or an affiliate of the declarant.

25 3. If units may be added to or withdrawn from the common-interest
26 community, the declaration must state the formulas to be used to reallocate
27 the allocated interests among all units included in the common-interest
28 community after the addition or withdrawal.

29 4. The declaration may provide:

30 (a) That different allocations of votes are made to the units on particular
31 matters specified in the declaration;

32 (b) For cumulative voting only for the purpose of electing members of
33 the executive board; and

34 (c) For class voting on specified issues affecting the class if necessary to
35 protect valid interests of the class.

36 Except as otherwise provided in NRS 116.31032, a declarant may not
37 utilize cumulative or class voting for the purpose of evading any limitation
38 imposed on declarants by this chapter nor may units constitute a class
39 because they are owned by a declarant.

40 5. Except for minor variations because of rounding, the sum of the
41 liabilities for common expenses and, in a condominium ~~or~~ **or planned**
42 **community, except any portion of a planned community that is a**
43 **cooperative,** the sum of the undivided interests in the common elements

1 allocated at any time to all the units must each equal one if stated as a
2 fraction or 100 percent if stated as a percentage. In the event of discrepancy
3 between an allocated interest and the result derived from application of the
4 pertinent formula, the allocated interest prevails.

5 6. In a condominium ~~H~~ *or planned community, except any portion of*
6 *a planned community that is a cooperative*, the common elements are not
7 subject to partition, and any purported conveyance, encumbrance, judicial
8 sale or other voluntary or involuntary transfer of an undivided interest in
9 the common elements made without the unit to which that interest is
10 allocated is void.

11 7. In a cooperative, any purported conveyance, encumbrance, judicial
12 sale or other voluntary or involuntary transfer of an ownership interest in
13 the association made without the possessory interest in the unit to which
14 that interest is related is void.

15 **Sec. 7.** NRS 361.229 is hereby repealed.

16 **Sec. 8.** If a unit-owners' association holds record title to, or a lease of,
17 real property that is a portion of a planned community, other than a unit, on
18 October 1, 1999, the association shall convey the real property, or assign its
19 leasehold, in undivided interests to all of the units' owners in proportion to
20 their respective allocated interests as augmented by this act.

TEXT OF REPEALED SECTION

361.229 Adjustment of actual age of improvements in computation of depreciation.

1. The actual age of each improvement made on a parcel of land must be adjusted, for the purpose of computing depreciation, when any addition is made or replacement is made whose cost, added to the cost of any prior replacements, is at least 10 percent of the cost of replacement of the improvement after the work is done. For the purposes of this section, "replacement" does not include changing or adding finish or covering to floors or walls, changing or adding small appliances, or other normal maintenance of the improvement in a good condition.

2. Except as otherwise provided in subsection 3, the amount of the reduction must be the product of the prior actual age multiplied by the ratio of the cost of the replacement or addition to the cost of replacement of the improvement after the work is done.

3. The amount of the reduction for additions which increase the floor area of the improvement may be calculated by multiplying the prior actual

age of the improvement by the ratio of the number of square feet of additional floor area to the total number of square feet of the improvement including the addition.

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