

SENATE BILL NO. 524—COMMITTEE ON TAXATION

(ON BEHALF OF CITY OF RENO)

MARCH 22, 1999

Referred to Committee on Taxation

SUMMARY—Phases out depreciation on improvements and mobile homes for purposes of determining assessed valuation for levy of property taxes and authorizes certain compensatory payments for taxpayers with lower incomes. (BDR 32-667)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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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; reducing year by year the depreciation allowed in assessing improvements and mobile homes for purposes of property taxes; authorizing cities and counties to make compensatory payments to offset the effect of the graduated decrease in depreciation for certain taxpayers with lower incomes; 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. In determining the taxable value of an improvement, the person making the determination shall reduce the amount of the depreciation otherwise required to be applied pursuant to NRS 361.227 and 361.229 by the percentage shown in the following table for the fiscal year in which the determination is made:

<i>1999-2000.....</i>	<i>10 percent</i>
<i>2000-2001.....</i>	<i>20 percent</i>
<i>2001-2002.....</i>	<i>30 percent</i>
<i>2002-2003.....</i>	<i>40 percent</i>
<i>2003-2004.....</i>	<i>50 percent</i>

1	2004-2005.....	60 percent
2	2005-2006.....	70 percent
3	2006-2007.....	80 percent
4	2007-2008.....	90 percent

5
6 **2. In establishing the value of mobile homes, the Nevada tax**
7 **commission shall reduce the amount of the depreciation otherwise**
8 **required to be applied pursuant to subsection 3 of NRS 361.325 by the**
9 **percentage shown in the table set forth in subsection 1 for the year in**
10 **which the value is established.**

11 **Sec. 2.** NRS 361.227 is hereby amended to read as follows:

12 361.227 1. Any person determining the taxable value of real property
13 shall appraise:

14 (a) The full cash value of:

15 (1) Vacant land by considering the uses to which it may lawfully be
16 put, any legal or physical restrictions upon those uses, the character of the
17 terrain, and the uses of other land in the vicinity.

18 (2) Improved land consistently with the use to which the
19 improvements are being put.

20 (b) Any improvements made on the land by subtracting from the cost of
21 replacement of the improvements all applicable depreciation and
22 obsolescence. ~~Depreciation~~ **Except as otherwise provided in section 1 of**
23 **this act, depreciation of** of an improvement made on real property must be
24 calculated at 1.5 percent of the cost of replacement for each year of
25 adjusted actual age of the improvement, up to a maximum of 50 years.

26 2. The unit of appraisal must be a single parcel unless:

27 (a) The location of the improvements causes two or more parcels to
28 function as a single parcel; or

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

32 3. The taxable value of a leasehold interest, possessory interest,
33 beneficial interest or beneficial use for the purpose of NRS 361.157 or
34 361.159 must be determined in the same manner as the taxable value of the
35 property would otherwise be determined if the lessee or user of the property
36 was the owner of the property and it was not exempt from taxation, except
37 that the taxable value so determined must be reduced by a percentage of the
38 taxable value that is equal to the:

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

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

1 4. The taxable value of other taxable personal property, except mobile
2 homes, must be determined by subtracting from the cost of replacement of
3 the property all applicable depreciation and obsolescence. Depreciation of
4 a billboard must be calculated at 1.5 percent of the cost of replacement for
5 each year after the year of acquisition of the billboard, up to a maximum of
6 50 years.

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

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

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

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

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

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

23 (a) Standards for determining the cost of replacement of improvements
24 of various kinds.

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

29 (c) Schedules of depreciation for personal property based on its
30 estimated life.

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

32 7. In determining the cost of replacement of personal property for the
33 purpose of computing taxable value, the cost of all improvements of the
34 personal property, including any additions to or renovations of the personal
35 property but excluding routine maintenance and repairs, must be added to
36 the cost of acquisition of the personal property.

37 8. The county assessor shall, upon the request of the owner, furnish
38 within 15 days to the owner a copy of the most recent appraisal of the
39 property.

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

Sec. 3. NRS 361.227 is hereby amended to read as follows:

361.227 1. Any person determining the taxable value of real property shall appraise:

(a) The full cash value of:

(1) Vacant land by considering the uses to which it may lawfully be put, any legal or physical restrictions upon those uses, the character of the terrain, and the uses of other land in the vicinity.

(2) Improved land consistently with the use to which the improvements are being put.

(b) Any improvements made on the land ~~[by subtracting from]~~ **at** the cost of replacement of the improvements . ~~[all applicable depreciation and obsolescence. Except as otherwise provided in section 1 of this act, depreciation of an improvement made on real property must be calculated at 1.5 percent of the cost of replacement for each year of adjusted actual age of the improvement, up to a maximum of 50 years.]~~

2. The unit of appraisal must be a single parcel unless:

(a) The location of the improvements causes two or more parcels to 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]~~ **is** 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:

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

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

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

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

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

12 (a) Standards for determining the cost of replacement of improvements
13 of various kinds.

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

18 (c) ~~{Schedules of depreciation for personal property based on its~~
19 ~~estimated life.~~

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

21 7. In determining the cost of replacement of personal property for the
22 purpose of computing taxable value, the cost of all improvements of the
23 personal property, including any additions to ~~{or renovations of}~~ the
24 personal property but excluding routine maintenance and repairs, must be
25 added to the cost of acquisition of the personal property.

26 8. The county assessor shall, upon the request of the owner, furnish
27 within 15 days to the owner a copy of the most recent appraisal of the
28 property.

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

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

32 361.260 1. Each year, the county assessor, except as otherwise
33 required by a particular statute, shall ascertain by diligent inquiry and
34 examination all real and secured personal property in his county which is
35 subject to taxation, and also the names of all persons, corporations,
36 associations, companies or firms owning the property. He shall then
37 determine the taxable value of all such property and he shall then list and
38 assess it to the person, firm, corporation, association or company owning it.
39 He shall take the same action between May 1 and the following April 30,
40 with respect to personal property which is to be placed on the unsecured tax
41 roll.

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

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

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

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

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

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

37 8. Each county assessor shall submit a written request to the board of
38 county commissioners and the governing body of each of the local
39 governments located in the county which maintain a unit of government
40 that issues building permits for a copy of each building permit that is
41 issued. Upon receipt of such a request, the governing body shall direct the
42 unit which issues the permits to provide a copy of each permit to the county
43 assessor within a reasonable time after issuance.

1 **Sec. 5.** NRS 361.325 is hereby amended to read as follows:

2 361.325 1. On or before the ~~1st~~ **first** Monday in June of each year,
3 the Nevada tax commission shall:

4 (a) Fix and establish the valuation for assessment purposes of all mobile
5 homes in the state.

6 (b) Classify land and fix and establish the valuation thereof for
7 assessment purposes. The classification of agricultural land must be made
8 on the basis of crop, timber or forage production, either in tons of crops per
9 acre, board feet or other unit, or animal unit months of forage. An animal
10 unit month is the amount of forage which is necessary for the complete
11 sustenance of one animal unit for 1 month. One animal unit is defined as
12 one cow and calf, or its equivalent, and the amount of forage necessary to
13 sustain one animal unit for 1 month is defined as 900 pounds of dry weight
14 forage.

15 2. The valuation of mobile homes and land so fixed and established is
16 for the next succeeding year and is subject to equalization by the state
17 board of equalization.

18 3. ***Except as otherwise provided in section 1 of this act:***

19 (a) In establishing the value of new mobile homes sold on or after July
20 1, 1982, the Nevada tax commission shall classify them according to those
21 factors which most closely determine their useful lives.

22 (b) In establishing the value of other mobile homes, the commission
23 shall begin with the retail selling price and depreciate it by 5 percent per
24 year, but not below 20 percent of its original amount.

25 4. The Nevada tax commission shall cause to be placed on the
26 assessment roll of any county property found to be escaping taxation
27 coming to its knowledge after the adjournment of the state board of
28 equalization. This property must be placed upon the assessment roll ~~to~~
29 ***before*** the delivery thereof to the ex officio tax receiver. If such
30 property cannot be placed upon the assessment roll of the proper county
31 within the proper time, it must be placed upon the tax roll for the next
32 ensuing year, in addition to the assessment for the current year, if any, and
33 taxes thereon must be collected for the prior year in the same amount as
34 though collected upon the prior year's assessment roll.

35 5. The Nevada tax commission shall not raise or lower any valuations
36 established by the state board of equalization unless, by the addition to any
37 assessment roll of property found to be escaping taxation, it is necessary to
38 do so.

39 6. ~~Nothing in this section provides~~ ***This section does not provide*** an
40 appeal from the acts of the state board of equalization to the Nevada tax
41 commission.

1 **Sec. 6.** NRS 361.325 is hereby amended to read as follows:

2 361.325 1. On or before the 1st Monday in June of each year, the
3 Nevada tax commission shall:

4 (a) Fix and establish the valuation for assessment ~~{purposes}~~ of all
5 mobile homes in the state.

6 (b) Classify land and fix and establish the valuation thereof for
7 assessment . ~~{purposes.}~~ The classification of agricultural land must be
8 made on the basis of crop, timber or forage production, either in tons of
9 crops per acre, board feet or other unit, or animal unit months of forage. An
10 animal unit month is the amount of forage which is necessary for the
11 complete sustenance of one animal unit for 1 month. One animal unit is
12 defined as one cow and calf, or its equivalent, and the amount of forage
13 necessary to sustain one animal unit for 1 month is defined as 900 pounds
14 of dry weight forage.

15 2. The valuation of mobile homes and land so fixed and established is
16 for the next succeeding year and is subject to equalization by the state
17 board of equalization.

18 3. In establishing the value of ~~{new}~~ mobile homes ~~{sold on or after~~
19 ~~July 1, 1982,}~~ the Nevada tax commission shall classify them according to
20 those factors which most closely determine their ~~{useful lives. In~~
21 ~~establishing the value of other mobile homes, the commission shall begin~~
22 ~~with the retail selling price and depreciate it by 5 percent per year, but not~~
23 ~~below 20 percent of its original amount.}~~ **cost of replacement.**

24 4. The Nevada tax commission shall cause to be placed on the
25 assessment roll of any county property found to be escaping taxation
26 coming to its knowledge after the adjournment of the state board of
27 equalization. This property must be placed upon the assessment roll ~~{prior~~
28 ~~to}~~ **before** the delivery thereof to the ex officio tax receiver. If such
29 property cannot be placed upon the assessment roll of the proper county
30 within the proper time, it must be placed upon the tax roll for the next
31 ensuing year, in addition to the assessment for the current year, if any, and
32 taxes thereon must be collected for the prior year in the same amount as
33 though collected upon the prior year's assessment roll.

34 5. The Nevada tax commission shall not raise or lower any valuations
35 established by the state board of equalization unless, by the addition to any
36 assessment roll of property found to be escaping taxation, it is necessary to
37 do so.

38 6. Nothing in this section provides an appeal from the acts of the state
39 board of equalization to the Nevada tax commission.

40 **Sec. 7.** NRS 244.1505 is hereby amended to read as follows:

41 244.1505 1. A board of county commissioners may expend money
42 for any purpose which will provide a substantial benefit to the inhabitants

1 of the county. The board may grant all or part of the money to a private
2 organization, not for profit, to be expended for the selected purpose.

3 2. A grant to a private organization must be made by resolution which
4 must specify:

- 5 (a) The purpose of the grant;
- 6 (b) The maximum amount to be expended from the grant; and
- 7 (c) Any conditions or other limitations upon its expenditure.

8 **3. A board of county commissioners may make an annual**
9 **compensatory payment equal to the amount by which the tax levied upon**
10 **the home of a taxpayer for that fiscal year was increased pursuant to**
11 **section 1 of this act to each taxpayer who is eligible for a homeowner's**
12 **refund pursuant to NRS 361.833 or for low-income energy assistance as**
13 **defined in NRS 422.045.**

14 **Sec. 8.** NRS 244.1505 is hereby amended to read as follows:

15 244.1505 1. A board of county commissioners may expend money
16 for any purpose which will provide a substantial benefit to the inhabitants
17 of the county. The board may grant all or part of the money to a private
18 organization, not for profit, to be expended for the selected purpose.

19 2. A grant to a private organization must be made by resolution which
20 must specify:

- 21 (a) The purpose of the grant;
- 22 (b) The maximum amount to be expended from the grant; and
- 23 (c) Any conditions or other limitations upon its expenditure.

24 **Sec. 9.** Chapter 268 of NRS is hereby amended by adding thereto a
25 new section to read as follows:

26 **The governing body of an incorporated city may make an annual**
27 **compensatory payment equal to the amount by which the tax levied upon**
28 **the home of a taxpayer for that fiscal year was increased pursuant to**
29 **section 1 of this act to each taxpayer who is eligible for a homeowner's**
30 **refund pursuant to NRS 361.833 or for low-income home energy**
31 **assistance as defined in NRS 422.045.**

32 **Sec. 10.** Section 9 of this act is hereby amended to read as follows.

33 The governing body of an incorporated city may make an annual
34 compensatory payment equal to the amount by which the tax levied
35 upon the home of a taxpayer for that fiscal year was increased
36 ~~[pursuant to section 1 of this act]~~ **by basing its assessed valuation**
37 **upon the cost of replacement instead of allowing the depreciation**
38 **provided for the fiscal year 1998-1999 under NRS 361.227, 361.229**
39 **or 361.325 as those sections existed during that fiscal year** to each
40 taxpayer who is eligible for a homeowner's refund pursuant to NRS
41 361.833 or for low-income home energy assistance as defined in NRS
42 422.045.

1 **Sec. 11.** NRS 361.229 is hereby repealed.

2 **Sec. 12.** 1. This section and sections 1, 2, 5, 7 and 9 of this act
3 become effective on July 1, 1999.

4 2. Sections 3, 4, 6, 8, 10 and 11 of this act become effective on July 1,
5 2008.

6 3. Section 1 of this act expires by limitation on July 1, 2008.

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.