

ASSEMBLY BILL NO. 433—ASSEMBLYMAN NEIGHBORS

MARCH 19, 2001

Referred to Committee on Taxation

SUMMARY—Makes various changes relating to property taxes. (BDR 32-1140)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: 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; providing guidelines for determining the amount of time a person leases or uses certain property for the purpose of determining the amount of tax to be levied on such lease or use; 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. *For purposes of NRS 361.157, 361.159 and 361.227, except as*  
4     *otherwise provided in subsection 2, property is leased or used by a*  
5     *natural person or entity at all times the natural person or entity has*  
6     *possession of, claim to or right to the possession of the property that is*  
7     *independent, durable and exclusive of rights held by others in the*  
8     *property, other than the rights held by the owner.*  
9     2. *Property is not leased or used by a natural person or entity who*  
10    *possesses or occupies the property solely for the purpose of holding the*  
11    *property for another natural person or entity.*  
12    3. *As used in this section:*  
13    (a) *“Durable” means for a determinable period with a reasonable*  
14    *certainty that the use, possession or claim with respect to the property*  
15    *will continue for that period.*  
16    (b) *“Exclusive” means the enjoyment of a beneficial use of property,*  
17    *together with the ability to exclude from occupancy persons or entities*  
18    *other than the owner who may interfere with that enjoyment.*  
19    (c) *“Independent” means the ability to exercise authority and exert*  
20    *control over the management or operation of the property pursuant to the*  
21    *terms and provisions of the contract with the owner. A possession or use*  
22    *is independent if the possession or use of the property is sufficiently*



1 *autonomous under the terms and provisions of the contract with the*  
2 *owner to constitute more than a mere agency.*

3 **Sec. 2.** NRS 361.157 is hereby amended to read as follows:

4 361.157 1. When any real estate or portion of real estate which for  
5 any reason is exempt from taxation is leased, loaned or otherwise made  
6 available to and used by a natural person, association, partnership or  
7 corporation in connection with a business conducted for profit or as a  
8 residence, or both, the leasehold interest, possessory interest, beneficial  
9 interest or beneficial use of the lessee or user of the property is subject to  
10 taxation to the extent the:

11 (a) Portion of the property leased or used; and

12 (b) Percentage of time during the fiscal year that the property is leased  
13 by the lessee or used by the user, *in accordance with section 1 of*  
14 *this act,*

15 can be segregated and identified. The taxable value of the interest or use  
16 must be determined in the manner provided in subsection 3 of NRS  
17 361.227 ~~H~~ *and in accordance with section 1 of this act.*

18 2. Subsection 1 does not apply to:

19 (a) Property located upon a public airport, park, market or fairground ,  
20 or any property owned by a public airport, unless the property owned by  
21 the public airport is not located upon the public airport and the property is  
22 leased, loaned or otherwise made available for purposes other than for the  
23 purposes of a public airport, including, without limitation, residential,  
24 commercial or industrial purposes;

25 (b) Federal property for which payments are made in lieu of taxes in  
26 amounts equivalent to taxes which might otherwise be lawfully assessed;

27 (c) Property of any state-supported educational institution;

28 (d) Property leased or otherwise made available to and used by a natural  
29 person, private association, private corporation, municipal corporation,  
30 quasi-municipal corporation or a political subdivision under the provisions  
31 of the Taylor Grazing Act or by the United States Forest Service or the  
32 Bureau of Reclamation of the United States Department of the Interior;

33 (e) Property of any Indian or of any Indian tribe, band or community  
34 which is held in trust by the United States or subject to a restriction against  
35 alienation by the United States;

36 (f) Vending stand locations and facilities operated by blind persons  
37 under the auspices of the bureau of services to the blind and visually  
38 impaired of the rehabilitation division of the department of employment,  
39 training and rehabilitation, whether or not the property is owned by the  
40 federal, state or a local government;

41 (g) Leases held by a natural person, corporation, association, municipal  
42 corporation, quasi-municipal corporation or political subdivision for  
43 development of geothermal resources, but only for resources which have  
44 not been put into commercial production;

45 (h) The use of exempt property that is leased, loaned or made available  
46 to a public officer or employee, incident to or in the course of public  
47 employment;

48 (i) A parsonage owned by a recognized religious society or corporation  
49 when used exclusively as a parsonage;



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1 (j) Property owned by a charitable or religious organization all , or a  
2 portion of which , is made available to and is used as a residence by a  
3 natural person in connection with carrying out the activities of the  
4 organization;

5 (k) Property owned by a governmental entity and used to provide  
6 shelter at a reduced rate to elderly persons or persons having low incomes;

7 (l) The occasional rental of meeting rooms or similar facilities for  
8 periods of less than 30 consecutive days; or

9 (m) The use of exempt property to provide day care for children if the  
10 day care is provided by a nonprofit organization.

11 3. Taxes must be assessed to lessees or users of exempt real estate and  
12 collected in the same manner as taxes assessed to owners of other real  
13 estate, except that taxes due under this section do not become a lien against  
14 the property. When due, the taxes constitute a debt due from the lessee or  
15 user to the county for which the taxes were assessed and, if unpaid, are  
16 recoverable by the county in the proper court of the county.

17 **Sec. 3.** NRS 361.159 is hereby amended to read as follows:

18 361.159 1. Except as otherwise provided in subsection 3, when  
19 personal property, or a portion of personal property, which for any reason  
20 is exempt from taxation is leased, loaned or otherwise made available to  
21 and used by a natural person, association or corporation in connection with  
22 a business conducted for profit, the leasehold interest, possessory interest,  
23 beneficial interest or beneficial use of any such lessee or user of the  
24 property is subject to taxation to the extent the:

25 (a) Portion of the property leased or used; and

26 (b) Percentage of time during the fiscal year that the property is leased  
27 to the lessee or used by the user, *in accordance with section 1 of*  
28 *this act,*

29 can be segregated and identified. The taxable value of the interest or use  
30 must be determined in the manner provided in subsection 3 of NRS  
31 361.227 ~~H~~ *and in accordance with section 1 of this act.*

32 2. Taxes must be assessed to lessees or users of exempt personal  
33 property and collected in the same manner as taxes assessed to owners of  
34 other personal property, except that taxes due under this section do not  
35 become a lien against the personal property. When due, the taxes constitute  
36 a debt due from the lessee or user to the county for which the taxes were  
37 assessed and , if unpaid , are recoverable by the county in the proper court  
38 of the county.

39 3. The provisions of this section do not apply to personal property:

40 (a) Used in vending stands operated by blind persons under the auspices  
41 of the bureau of services to the blind and visually impaired of the  
42 rehabilitation division of the department of employment, training and  
43 rehabilitation.

44 (b) Owned by a public airport.

45 **Sec. 4.** NRS 361.227 is hereby amended to read as follows:

46 361.227 1. Any person determining the taxable value of real property  
47 shall appraise:

48 (a) The full cash value of:



- 1 (1) Vacant land by considering the uses to which it may lawfully be  
2 put, any legal or physical restrictions upon those uses, the character of the  
3 terrain, and the uses of other land in the vicinity.
- 4 (2) Improved land consistently with the use to which the  
5 improvements are being put.
- 6 (b) Any improvements made on the land by subtracting from the cost of  
7 replacement of the improvements all applicable depreciation and  
8 obsolescence. Depreciation of an improvement made on real property must  
9 be calculated at 1.5 percent of the cost of replacement for each year of  
10 adjusted actual age of the improvement, up to a maximum of 50 years.
- 11 2. The unit of appraisal must be a single parcel unless:
- 12 (a) The location of the improvements causes two or more parcels to  
13 function as a single parcel;
- 14 (b) The parcel is one of a group of contiguous parcels which qualifies  
15 for valuation as a subdivision pursuant to the regulations of the Nevada tax  
16 commission; or
- 17 (c) In the professional judgment of the person determining the taxable  
18 value, the parcel is one of a group of parcels which should be valued as a  
19 collective unit.
- 20 3. The taxable value of a leasehold interest, possessory interest,  
21 beneficial interest or beneficial use for the purpose of NRS 361.157 or  
22 361.159 must be determined in the same manner as the taxable value of the  
23 property would otherwise be determined if the lessee or user of the  
24 property was the owner of the property and it was not exempt from  
25 taxation, except that the taxable value so determined must be reduced by a  
26 percentage of the taxable value that is equal to the:
- 27 (a) Percentage of the property that is not actually leased by the lessee or  
28 used by the user during the fiscal year; and
- 29 (b) Percentage of time that the property is not actually leased by the  
30 lessee or used by the user during the fiscal year **†† , which must be**  
31 **determined in accordance with section 1 of this act.**
- 32 4. The taxable value of other taxable personal property, except mobile  
33 homes, must be determined by subtracting from the cost of replacement of  
34 the property all applicable depreciation and obsolescence. Depreciation of  
35 a billboard must be calculated at 1.5 percent of the cost of replacement for  
36 each year after the year of acquisition of the billboard, up to a maximum of  
37 50 years.
- 38 5. The computed taxable value of any property must not exceed its full  
39 cash value. Each person determining the taxable value of property shall  
40 reduce it if necessary to comply with this requirement. A person  
41 determining whether taxable value exceeds full cash value or whether  
42 obsolescence is a factor in valuation may consider:
- 43 (a) Comparative sales, based on prices actually paid in market  
44 transactions.
- 45 (b) A summation of the estimated full cash value of the land and  
46 contributory value of the improvements.
- 47 (c) Capitalization of the fair economic income expectancy or fair  
48 economic rent, or an analysis of the discounted cash flow.



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1 A county assessor is required to make the reduction prescribed in this  
2 subsection if the owner calls to his attention the facts warranting it, if he  
3 discovers those facts during physical reappraisal of the property or if he is  
4 otherwise aware of those facts.  
5 6. The Nevada tax commission shall , by regulation , establish:  
6 (a) Standards for determining the cost of replacement of improvements  
7 of various kinds.  
8 (b) Standards for determining the cost of replacement of personal  
9 property of various kinds. The standards must include a separate index of  
10 factors for application to the acquisition cost of a billboard to determine its  
11 replacement cost.  
12 (c) Schedules of depreciation for personal property based on its  
13 estimated life.  
14 (d) Criteria for the valuation of two or more parcels as a subdivision.  
15 7. In determining the cost of replacement of personal property for the  
16 purpose of computing taxable value, the cost of all improvements of the  
17 personal property, including any additions to or renovations of the personal  
18 property , but excluding routine maintenance and repairs, must be added to  
19 the cost of acquisition of the personal property.  
20 8. The county assessor shall, upon the request of the owner, furnish  
21 within 15 days to the owner a copy of the most recent appraisal of the  
22 property.  
23 9. The provisions of this section do not apply to property which is  
24 assessed pursuant to NRS 361.320.  
25 **Sec. 5.** This act becomes effective upon passage and approval.

