

ASSEMBLY BILL NO. 489—COMMITTEE ON
GROWTH AND INFRASTRUCTURE

MARCH 28, 2005

JOINTLY SPONSORED BY: COMMITTEE ON TAXATION

Referred to Committee on Growth and Infrastructure

SUMMARY—Provides for partial abatement of ad valorem taxes imposed on property. (BDR 32-1383)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.
Effect on the State: 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 the taxation of property; providing for the partial abatement of the ad valorem taxes imposed on property; directing the Legislative Commission to conduct an interim study of the taxation of real property; 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.** The Legislature hereby finds and declares that:
2 1. In the last decade, the population in Nevada has increased 66
3 percent, with the majority of this growth occurring in Clark,
4 Douglas, Lyon, Nye and Washoe Counties while, at the same time,
5 other counties simultaneously experienced a decline in population;
6 2. This rapid growth in population has resulted in a tremendous
7 increase in both commercial and residential development which has
8 contributed to an extreme rise in land values, in some cases up to
9 300 percent;
10 3. Increased land values translate into increased property tax
11 bills, which is an unexpected financial burden to many property
12 owners, a large number of whom are forced to live on fixed incomes
13 which typically only increase minimally each year;



1 4. Besides the impact on residential property owners,
2 commercial property owners are also experiencing or expected to
3 experience skyrocketing property tax values in the near future as the
4 new growth in this State generates increased demands for new
5 businesses and rapidly increasing costs of construction reflecting in
6 assessed values;

7 5. Providing equity for residential and commercial property
8 owners is important to meeting the constitutional "uniform and
9 equal" mandate contained in Article 10 of the Nevada Constitution
10 but, given the broad reach of property taxes, achievement of such
11 equity cannot be measured parcel by parcel but rather must be
12 reasonably equitable given the scope of the undertaking;

13 6. Local governments are also impacted by this problem
14 because, while some counties are expected to maintain existing
15 service levels for new residents, other counties are struggling to
16 provide even the most basic services under a decreased tax base;

17 7. State and local governments provide critical services to the
18 residents of the State and must be assured of sufficient revenue to
19 fund such services, including, without limitation, police and fire
20 protection, welfare services, and educational services and facilities;

21 8. The current tax system in Nevada was not designed to
22 accommodate this type of disparate growth in a minority of counties
23 while many other counties in the State are experiencing decreases in
24 growth;

25 9. A new property tax system must be considered which will
26 allow relief to the residents whose property tax values have
27 increased to such an extent as to jeopardize their ability to continue
28 to live in their homes, while also accommodating the needs of rural
29 communities where assessment values are decreasing and the
30 burden on local governments in all counties that must provide for
31 increased demands on services;

32 10. It is critical that a solution to this property tax crisis is
33 found which takes into consideration the disparities among the
34 different counties in Nevada, and which is fair and equitable to all
35 property owners in the State and to local governments, whether
36 large or small, rural or urban; and

37 11. The provisions of this act are necessary to ensure that the
38 property owners of this State are protected from severely spiking
39 property tax bills that will otherwise threaten their ability to
40 continue living in their homes during the next 2 years while the
41 Legislature studies our current property tax statutes to determine the
42 appropriate remedy to the current property tax crisis.



1 **Sec. 2.** Chapter 361 of NRS is hereby amended by adding
2 thereto the provisions set forth as sections 3 to 7, inclusive, of this
3 act.

4 **Sec. 3.** *The Legislature hereby finds and declares that an*
5 *increase in the tax bill of the owner of a home by more than 3*
6 *percent over the tax bill of that homeowner for the previous year*
7 *constitutes a severe economic hardship within the meaning of*
8 *subsection 10 of Section 1 of Article 10 of the Nevada*
9 *Constitution. The Legislature therefore directs a partial abatement*
10 *of taxes for such homeowners as follows:*

11 1. Except as otherwise provided in subsection 2 or required to
12 carry out the provisions of sections 5 and 7 of this act, the owner
13 of a single-family residence which is the primary residence of the
14 owner is entitled to a partial abatement of the ad valorem taxes
15 levied in a county on that property each fiscal year equal to the
16 amount by which the product of the combined rate of all ad
17 valorem taxes levied in that county on the property for that fiscal
18 year and the amount of the assessed valuation of the property
19 which is taxable in that county for that fiscal year, excluding any
20 increase in the assessed valuation of the property from the
21 immediately preceding fiscal year as a result of any improvement
22 to or change in the actual or authorized use of the property,
23 exceeds the sum obtained by adding:

24 (a) The amount of all the ad valorem taxes:

25 (1) Levied in that county on the property for the
26 immediately preceding fiscal year; or

27 (2) Which would have been levied in that county on the
28 property for the immediately preceding fiscal year if not for any
29 exemptions from taxation that applied to the property for that
30 prior fiscal year but do not apply to the property for the current
31 fiscal year,

32 ↪ whichever is greater; and

33 (b) Three percent of the amount determined pursuant to
34 paragraph (a).

35 2. The provisions of subsection 1 do not apply to any property
36 for which no assessed valuation was separately established for the
37 immediately preceding fiscal year.

38 3. The amount of any ad valorem taxes levied in a county
39 which, if not for the provisions of subsection 1, would otherwise
40 have been collected for any property for a fiscal year must, except
41 as otherwise required to carry out the provisions of section 6 of
42 this act, be deducted from the amount of ad valorem taxes each
43 taxing entity would otherwise be entitled to receive for that fiscal
44 year in the same proportion as the rate of ad valorem taxes levied
45 in the county on the property by or on behalf of that taxing entity



1 for that fiscal year bears to the combined rate of all ad valorem
2 taxes levied in the county on the property by or on behalf of all
3 taxing entities for that fiscal year. The provisions of this
4 subsection and section 6 of this act must not be applied in any
5 manner that reduces the amount of the partial abatement to which
6 an owner of property is entitled pursuant to subsection 1 for any
7 fiscal year.

8 4. The Nevada Tax Commission shall adopt such regulations
9 as it deems appropriate to carry out this section.

10 5. The owner of a single-family residence does not become
11 ineligible for the partial abatement provided pursuant to
12 subsection 1 as a result of:

13 (a) The operation of a home business out of a portion of that
14 single-family residence; or

15 (b) The manner in which title is held by the owner if the owner
16 occupies the residence, including, without limitation, if the owner
17 has placed the title in a trust for purposes of estate planning.

18 6. For the purposes of this section:

19 (a) "Ad valorem taxes levied in a county" means any ad
20 valorem taxes levied by the State or any other taxing entity in a
21 county.

22 (b) "Single-family residence" means a parcel or other unit of
23 real property or unit of personal property which is intended or
24 designed to be occupied by one family with facilities for living,
25 sleeping, cooking and eating.

26 (c) "Taxing entity" means the State and any political
27 subdivision or other legal entity in this State which has the right to
28 receive money from ad valorem taxes.

29 (d) "Unit of personal property" includes, without limitation,
30 any:

31 (1) Mobile or manufactured home, whether or not the
32 owner thereof also owns the real property upon which it is located;
33 or

34 (2) Taxable unit of a condominium, common-interest
35 community, time-share project, planned unit development or
36 similar property,

37 ↳ if classified as personal property for the purposes of this
38 chapter.

39 (e) "Unit of real property" includes, without limitation, any
40 taxable unit of a condominium, common-interest community,
41 time-share project, planned unit development or similar property,
42 if classified as real property for the purposes of this chapter.

43 Sec. 4. 1. Except as otherwise provided in subsection 3 or
44 required to carry out the provisions of sections 5 and 7 of this act,
45 the owner of any parcel or other taxable unit of property,



1 including property entered on the central assessment roll, for
2 which an assessed valuation was separately established for the
3 immediately preceding fiscal year is entitled to a partial abatement
4 of the ad valorem taxes levied in a county on that property each
5 fiscal year equal to the amount by which the product of the
6 combined rate of all ad valorem taxes levied in that county on the
7 property for that fiscal year and the amount of the assessed
8 valuation of the property which is taxable in that county for that
9 fiscal year, excluding any increase in the assessed valuation of the
10 property from the immediately preceding fiscal year as a result of
11 any improvement to or change in the actual or authorized use of
12 the property, exceeds the sum obtained by adding:

13 (a) The amount of all the ad valorem taxes:

14 (1) Levied in that county on the property for the
15 immediately preceding fiscal year; or

16 (2) Which would have been levied in that county on the
17 property for the immediately preceding fiscal year if not for any
18 exemptions from taxation that applied to the property for that
19 prior fiscal year but do not apply to the property for the current
20 fiscal year,

21 ↳ whichever is greater; and

22 (b) Eight percent of the amount determined pursuant to
23 paragraph (a).

24 2. Except as otherwise required to carry out the provisions of
25 sections 5 and 7 of this act, the owner of any remainder parcel of
26 real property for which no assessed valuation was separately
27 established for the immediately preceding fiscal year, is entitled to
28 a partial abatement of the ad valorem taxes levied in a county on
29 that property for a fiscal year equal to the amount by which the
30 product of the combined rate of all ad valorem taxes levied in that
31 county on the property for that fiscal year and the amount of the
32 assessed valuation of the property which is taxable in that county
33 for that fiscal year, excluding any amount of that assessed
34 valuation attributable to any improvement to or change in the
35 actual or authorized use of the property that would not have been
36 included in the calculation of the assessed valuation of the
37 property for the immediately preceding fiscal year if an assessed
38 valuation had been separately established for that property for that
39 prior fiscal year, exceeds the sum obtained by adding:

40 (a) The amount of all the ad valorem taxes:

41 (1) Which would have been levied in that county on the
42 property for the immediately preceding fiscal year if an assessed
43 valuation had been separately established for that property for that
44 prior fiscal year based upon all the assumptions, costs, values,
45 calculations and other factors and considerations that would have



1 *been used for the valuation of that property for that prior fiscal*
2 *year; or*

3 (2) *Which would have been levied in that county on the*
4 *property for the immediately preceding fiscal year if an assessed*
5 *valuation had been separately established for that property for that*
6 *prior fiscal year based upon all the assumptions, costs, values,*
7 *calculations and other factors and considerations that would have*
8 *been used for the valuation of that property for that prior fiscal*
9 *year, and if not for any exemptions from taxation that applied to*
10 *the property for that prior fiscal year but do not apply to the*
11 *property for the current fiscal year,*

12 *↳ whichever is greater; and*

13 (b) *Eight percent of the amount determined pursuant to*
14 *paragraph (a).*

15 3. *The provisions of subsection 1 do not apply to any property*
16 *for which the provisions of subsection 1 of section 3 of this act*
17 *provide a greater abatement from taxation.*

18 4. *The amount of any ad valorem taxes levied in a county*
19 *which, if not for the provisions of subsections 1 and 2, would*
20 *otherwise have been collected for any property for a fiscal year*
21 *must, except as otherwise required to carry out the provisions of*
22 *section 6 of this act, be deducted from the amount of ad valorem*
23 *taxes each taxing entity would otherwise be entitled to receive for*
24 *that fiscal year in the same proportion as the rate of ad valorem*
25 *taxes levied in the county on the property by or on behalf of that*
26 *taxing entity for that fiscal year bears to the combined rate of all*
27 *ad valorem taxes levied in the county on the property by or on*
28 *behalf of all taxing entities for that fiscal year. The provisions of*
29 *this subsection and section 6 of this act must not be applied in any*
30 *manner that reduces the amount of the partial abatement to which*
31 *an owner of property is entitled pursuant to subsection 1 or 2 for*
32 *any fiscal year.*

33 5. *The Nevada Tax Commission shall adopt such regulations*
34 *as it deems appropriate to ensure that this section is carried out in*
35 *a uniform and equal manner.*

36 6. *For the purposes of this section:*

37 (a) *“Ad valorem taxes levied in a county” means any ad*
38 *valorem taxes levied by the State or any other taxing entity in a*
39 *county.*

40 (b) *“Remainder parcel of real property” means a parcel of real*
41 *property which remains after the creation of new parcels of*
42 *real property for development from one or more existing parcels of*
43 *real property, if the use of that remaining parcel has not changed*
44 *from the immediately preceding fiscal year.*



(c) "Taxing entity" means the State and any political subdivision or other legal entity in this State which has the right to receive money from ad valorem taxes.

Sec. 5. 1. Notwithstanding the provisions of sections 3 and 4 of this act, if the taxable value of any parcel or other taxable unit of property:

(a) Decreases by 15 percent or more from its taxable value on July 1, 2003; and

(b) For any fiscal year beginning on or after July 1, 2005, increases by 15 percent or more from its taxable value for the immediately preceding fiscal year,

↳ the amount of any ad valorem taxes levied in a county which, if not for the provisions of sections 3 and 4 of this act, would otherwise have been collected for the property for that fiscal year as a result of that increase in taxable value, excluding any amount attributable to any increase in the taxable value of the property above the taxable value of the property on July 1, 2003, must be levied on the property and carried forward each fiscal year, without any penalty or interest, in such a manner that one-third of that amount may be collected during that fiscal year and each of the succeeding 2 fiscal years.

2. The amount of any taxes which are carried forward and levied on any property pursuant to this section must be added to the amount of ad valorem taxes each taxing entity would otherwise be entitled to receive for a fiscal year in the same proportion as the rate of ad valorem taxes levied in the county on the property by or on behalf of that taxing entity for that fiscal year bears to the combined rate of all ad valorem taxes levied in the county on the property by or on behalf of all taxing entities for that fiscal year.

3. The Nevada Tax Commission shall adopt such regulations as it deems appropriate to ensure that this section is carried out in a uniform and equal manner.

4. For the purposes of this section:

(a) "Ad valorem taxes levied in a county" means any ad valorem taxes levied by the State or any other taxing entity in a county.

(b) "Taxing entity" means the State and any political subdivision or other legal entity in this State which has the right to receive money from ad valorem taxes.

Sec. 6. 1. A taxing entity may, if otherwise so authorized by law, increase the rate of an ad valorem tax imposed by or on behalf of that taxing entity for the payment of an obligation secured by the proceeds of that tax if:



1 (a) *The taxing entity determines that as a result of the*
2 *application of sections 3 and 4 of this act, the additional tax rate is*
3 *necessary for the taxing entity to satisfy that obligation; and*

4 (b) *The additional tax rate is stated separately on the tax bill of*
5 *each taxpayer, with a separate line that identifies the portion of*
6 *the tax liability resulting from the additional levy.*

7 2. *For the purposes of this section, "taxing entity" means the*
8 *State and any political subdivision or other legal entity in this*
9 *State which has the right to receive money from ad valorem taxes.*

10 Sec. 7. 1. *In addition or as an alternative to increasing the*
11 *rate of an ad valorem tax pursuant to section 6 of this act, a taxing*
12 *entity may, if otherwise so authorized by law and upon the*
13 *approval of a majority of the registered voters of the county in*
14 *which the taxing entity is located, levy or require the levy on its*
15 *behalf of an ad valorem tax at a rate that is exempt from each*
16 *partial abatement from taxation provided pursuant to sections 3*
17 *and 4 of this act.*

18 2. *For the purposes of this section, "taxing entity" means any*
19 *political subdivision or other legal entity, other than the State,*
20 *which has the right to receive money from any ad valorem taxes*
21 *levied in a county.*

22 Sec. 8. NRS 361.465 is hereby amended to read as follows:

23 361.465 1. Immediately upon the levy of the tax rate the
24 county clerk shall inform the county auditor of the action of the
25 board of county commissioners. The county auditor shall proceed to
26 extend the tax roll by:

27 (a) Applying the tax rate levied to the total assessed valuation;

28 (b) Ascertaining the total taxes to be collected from each
29 property owner; and

30 (c) Itemizing, separately for each property owner ~~the~~ :

31 (1) *The* rate of tax applicable to him which is levied for each
32 local government, debt service and any other recipient of the tax
33 revenue so that the distribution of the total rate of tax levied upon
34 his property is shown ~~H~~ ; and

35 (2) *The total taxes that would have been collected from the*
36 *owner if not for the provisions of sections 3, 4 and 5 of this act.*

37 2. When the tax roll has been so extended, and not later than
38 July 10 of each year, the county auditor shall deliver it, with his
39 certificate attached, to the ex officio tax receiver of the county.

40 Sec. 9. Chapter 354 of NRS is hereby amending by adding
41 thereto a new section to read as follows:

42 *Notwithstanding any other provision of law to the contrary, a*
43 *local government shall not increase the rate of any ad valorem tax*
44 *levy over the amount of the levy in the immediately preceding year*
45 *unless the increase is approved by the Nevada Tax Commission,*



upon recommendation of the Committee on Local Government Finance.

Sec. 10. 1. The Legislative Commission shall conduct an interim study of the taxation of real property in this State.

2. A subcommittee must be appointed for the study consisting of three members of the Senate appointed by the Majority Leader of the Senate and three members of the Assembly appointed by the Speaker of the Assembly.

3. The study must include, without limitation:

(a) A review of the laws of this State governing the valuation, assessment and taxation of real property;

(b) An examination of:

(1) The factors which have contributed to the increasing amount of taxes paid by property owners in this State, including, without limitation, changes in population and property values; and

(2) The manner and extent to which those factors may impose an excessive burden on the taxpayers in any county of this State; and

(c) A determination of how those laws could be amended to ease the burdens resulting from those factors in a fair and equitable manner.

4. In conducting the study, the subcommittee shall seek information and suggestions from experts in the assessment and taxation of real property.

5. Any recommended legislation proposed by the subcommittee must be approved by a majority of the members of the Senate and a majority of the members of the Assembly who are appointed to the subcommittee.

6. The Legislative Commission shall submit a report of the results of the study and any recommendations for legislation to the 74th Session of the Nevada Legislature.

Sec. 11. 1. The provisions of sections 3 to 7, inclusive, of this act do not apply to any taxes imposed for any period ending on or before June 30, 2005.

2. If the levy of an ad valorem tax has been approved by a majority of the registered voters of a county before the effective date of this act and no portion of that levy has commenced before the effective date of this act, that levy shall be deemed to be approved and levied pursuant to section 7 of this act and to be exempt from each partial abatement from taxation provided pursuant to sections 3 and 4 of this act.

Sec. 12. If any portion of this act is held to be unconstitutional or invalid for any reason by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this act. The Legislature hereby declares that:



1 1. It would have passed section 3 of this act irrespective of any
2 other portion of this act which may be deemed unconstitutional or
3 otherwise invalid.

4 2. It would have passed section 4 of this act irrespective of any
5 other portion of this act which may be deemed unconstitutional or
6 otherwise invalid.

7 **Sec. 13.** This act becomes effective upon passage and
8 approval.



