

**Amendment No. CA1**

First Conference Committee Amendment to Assembly Bill No. 489 Third Reprint (BDR 32-1383)

**Proposed by:** First Conference Committee

**Amendment Box:**

**Resolves Conflicts with:** N/A

**Amends:** Summary: No Title: No Preamble: No Joint Sponsorship: No Digest: Yes

Amend sec. 2, page 3, line 2, by deleting “7,” and inserting “7.5,”.

Amend sec. 3, page 4, lines 38 and 44, by deleting:

*“time-share project,”.*

Amend the bill as a whole by adding a new section designated sec. 3.5, following sec. 3, to read as follows:

*“Sec. 3.5. The Legislature hereby finds and declares that many Nevadans who cannot afford to own their own homes would be adversely affected by large unanticipated increases in property taxes, as those tax increases are passed down to renters in the form of rent increases and therefore the benefits of a charitable exemption pursuant to subsection 8 of Section 1 of Article 10 of the Nevada Constitution should be afforded to those Nevadans through an abatement granted to the owners of residential rental dwellings who charge rent that does not exceed affordable housing standards for low-income housing. The Legislature therefore directs a partial abatement of taxes for such owners as follows:*

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SJC/BJE

Date: 4/1/2005

A.B. No. 489—Provides for partial abatement of ad valorem taxes imposed on property.



*1. Except as otherwise provided in subsection 2 or required to carry out the provisions of sections 5 and 7 of this act, if the amount of rent collected from each of the tenants of a residential dwelling does not exceed the fair market rent for the county in which the dwelling is located, as most recently published by the United States Department of Housing and Urban Development, the owner of the dwelling is entitled to a partial abatement of the ad valorem taxes levied in a county on that property for each fiscal year equal to the amount by which the product of the combined rate of all ad valorem taxes levied in that county on the property for that fiscal year and the amount of the assessed valuation of the property which is taxable in that county for that fiscal year, excluding any increase in the assessed valuation of the property from the immediately preceding fiscal year as a result of any improvement to or change in the actual or authorized use of the property, exceeds the sum obtained by adding:*

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

- (1) Levied in that county on the property for the immediately preceding fiscal year; or*
- (2) Which would have been levied in that county on the property for the immediately preceding fiscal year if not for any exemptions from taxation that applied to the property for that prior fiscal year but do not apply to the property for the current fiscal year,*

*↪ whichever is greater; and*

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

*2. The provisions of subsection 1 do not apply to:*

- (a) Any hotels, motels or other forms of transient lodging;*
- (b) Any property for which no assessed valuation was separately established for the immediately preceding fiscal year; and*

*(c) Any property for which the provisions of subsection 1 of section 4 of this act provide a greater abatement from taxation.*

*3. The amount of any ad valorem taxes levied in a county which, if not for the provisions of subsection 1, would otherwise have been collected for any property for a fiscal year must, except as otherwise required to carry out the provisions of section 6 of this act, be deducted from the amount of ad valorem taxes each taxing entity would otherwise be entitled to receive for that 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. The provisions of this subsection and section 6 of this act must not be applied in any manner that reduces the amount of the partial abatement to which an owner of property is entitled pursuant to subsection 1 for any fiscal year.*

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

*5. 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."*

Amend sec. 4, page 6, line 37, after "3" by inserting:

*"or subsection 1 of section 3.5".*

Amend sec. 5, page 7, lines 24 and 33, by deleting "3" and inserting "3, 3.5".

Amend sec. 6, page 8, line 20, by deleting “3” and inserting “3, 3.5”.

Amend sec. 7, page 8, line 34, by deleting “3” and inserting “3, 3.5”.

Amend sec. 7, page 8, line 36, after “2.” by inserting:

*“The exemption set forth in subsection 1 from the partial abatements provided in sections 3, 3.5 and 4 of this act does not apply to any portion of a rate that was approved by the voters before the effective date of this act.*

*3. A question that is placed on the ballot pursuant to subsection 1 must clearly indicate that any amount which is approved by the voters will be outside of the caps on an individual’s liability for ad valorem taxes.*

*4.”.*

Amend the bill as a whole by adding a new section designated sec. 7.5, following sec. 7, to read as follows:

*“Sec. 7.5. The Nevada Tax Commission shall adopt regulations which:*

*1. Provide a simple, easily understood form to be filled out by the owner or operator of a business to apply to the county assessor to request that the property of the business be valued pursuant to the income approach to measure any obsolescence of the property for tax assessment purposes.*

*2. Clearly set forth the methodology for applying the income approach to valuation for tax purposes of property used in a business when necessary to measure the obsolescence of the property in language that is likely to make the methodology easily understood by any business owner.*

*3. Provide a procedure for a business to use the form required by subsection 1 in the most efficient manner possible to supply the information necessary to enable the county assessor to apply the income approach to the property of the business.”.*

Amend sec. 8, page 9, by deleting line 9 and inserting:

*“owner if not for the provisions of sections 3 to 5, inclusive, of this act.”.*

Amend sec. 9, page 9, by deleting lines 15 through 20 and inserting:

*“1. A local government may not increase its total ad valorem tax rate for a fiscal year above its total ad valorem tax rate for the immediately preceding fiscal year without the approval of the Nevada Tax Commission, based upon the recommendation of the Committee on Local Government Finance. An application for such approval must be submitted to the Nevada Tax Commission.*

*2. The Nevada Tax Commission shall adopt such regulations as it deems appropriate to carry out the provisions of this section.”.*

Amend sec. 11, page 10, line 9, by deleting “If” and inserting:

“Notwithstanding any provision of section 7 of this act to the contrary, if”.

Amend sec. 11, page 10, line 14, by deleting “3” and inserting “3, 3.5”.

Amend sec. 12, page 10, line 23, after “2.” by inserting:

“It would have passed section 3.5 of this act irrespective of any other portion of this act which may be deemed unconstitutional or otherwise invalid.

3.”.

**If this amendment is adopted, the Legislative  
Counsel's Digest will be changed to read as follows:**

**Legislative Counsel's Digest:**

Section 1 of Article 10 of the Nevada Constitution requires the Legislature to provide by law for a uniform and equal rate of assessment and taxation of property. That provision, however, authorizes the Legislature to provide by law for an abatement of the tax upon, or an exemption of, part of the assessed value of a single-family residence occupied by the owner to the extent necessary to avoid severe economic hardship to the owner of the residence.

Under this bill, the Legislature declares that an increase in the tax bill of a homeowner of more than 3 percent from the previous year constitutes such a severe economic hardship for purposes of the Nevada Constitution. If such an economic hardship occurs, this bill provides for a partial abatement of the taxes of the homeowner who would otherwise experience the hardship. The effect of the abatement is to reduce the amount of the property taxes owed on the property to not more than 3 percent more than the amount levied or which would have been levied in the immediately preceding fiscal year if not for any applicable exemptions. This abatement does not apply to property for which there was no assessed valuation separately established for the immediately preceding fiscal year or to property for which a greater abatement is applicable.

Subsection 8 of Section 1 of Article 10 of the Nevada Constitution provides that the Legislature may exempt from taxation property used for certain charitable purposes.

Under this bill, the Legislature declares that such a charitable exemption should be provided to owners of residential rental dwellings, such as apartments, that qualify as low-income housing under

the standards published by the U.S. Department of Housing and Urban Development. The charitable exemption is provided in the form of a partial abatement for the benefit of the persons who live in those dwellings. The amount of the abatement is determined in the same manner as for owners of single-family residences.

This bill provides for a separate partial abatement from property tax which is applicable to all properties. This abatement may be used in lieu of the 3 percent cap if it yields a greater reduction in the property taxes of a homeowner or the owner of a residential rental dwelling. The maximum percentage of increase in tax liability that may be applied to any property is determined by a two-part formula. The first part is determined by establishing the lesser of: (1) the average percentage of change in the assessed valuation of all taxable property in the county over the 10-year period immediately preceding the fiscal year in which the levy is made; or (2) eight percent. The second part is determined by establishing a percentage equal to twice the increase in the Consumer Price Index for the immediately preceding calendar year. After making those determinations, whichever part of the formula yields the greatest percentage is used to establish the maximum percentage of increase in tax liability for the property.

This bill further provides for a partial abatement to be provided to the owner of property for which there was no assessed valuation for the immediately preceding fiscal year. To determine the amount of the abatement, a determination is made as to the amount of property taxes that would have been levied for the previous fiscal year. After that determination, the same calculations for determining the partial abatement apply as for other property.

This bill further provides that notwithstanding the limitations on the increase in property taxes, if the taxable value of any property decreases by 15 percent or more from its taxable value determined

as of July 1, 2003, and subsequently increases by 15 percent or more during any fiscal year determined on or after July 1, 2005, the amount of the taxes that were lost as the result of the prior decrease in value may be recaptured by the taxing entity over a 3-year period. However, the taxing entity may only recapture taxes resulting from the taxable property assessed at an amount which is below the taxable value determined as of July 1, 2003. The limitations on increases in property taxes apply to any amount attributable to increases in the taxable value above the taxable value determined as of July 1, 2003. Any amount of taxes that are recaptured are paid without any penalty or interest.

This bill provides that each taxing entity receives a pro rata share of the total amount of the property taxes collected after the abatement. However, if a taxing entity is unable to make payments on a public debt which is secured by those taxes, that taxing entity may receive more than its pro rata share of the total amount of property taxes collected to meet its obligations. In that situation, the share of the other taxing entities is decreased proportionately. In addition, this bill authorizes a taxing entity to impose an increase in property taxes which is not subject to the partial abatement if the increase is submitted to and approved by the registered voters of the county in which the taxing entity is located. Thus, if the voters provide approval, the limitation on the amount of increase in property taxes will not apply.

This bill further provides that notwithstanding any other provision of law, a local government is prohibited from increasing the rate of any property tax from the previous year unless the Nevada Tax Commission, upon recommendation of the Committee on Local Government Finance approves the increase.

Under existing law, property of a business is valued for purposes of taxation. One method of determining such value is the income approach which determines the value based on the income of



the business. (NAC 361.200-361.508) Using the income approach, a business may establish that its value has been reduced by demonstrating a reduction in income.

This bill requires the Nevada Tax Commission to adopt regulations to assist any business in applying for the income approach to be used to measure the value of the property of the business for purposes of tax assessment.

This bill further requires the Legislative Commission to conduct an interim study of the taxation of real property in this State and submit a report of the results of the study to the 74th Session of the Nevada Legislature.

This bill does not affect any taxes imposed for any period ending on or before June 30, 2005.