

**EXECUTIVE AGENCY
FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: February 28, 2015

Agency Submitting: Department of Taxation

Items of Revenue or Expense, or Both	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Effect on Future Biennia
State Debt Fund (Revenue)		(\$55,781)	(\$33,803)	(\$20,483)
Cat 01 Personnel (Expense)		\$5,714		
Total	0	(\$61,495)	(\$33,803)	(\$20,483)

Explanation

(Use Additional Sheets of Attachments, if required)

Please see attached exhibits

Name Deonne Contine

Title Executive Director

DEPARTMENT OF ADMINISTRATION'S COMMENTS

Date Friday, February 27, 2015

The agency's response appears reasonable.

Name Julia Teska

Title Director

DESCRIPTION OF FISCAL EFFECTBDR/Bill/Amendment Number: SB 170 (BDR 32-765)Name of Agency: Department of Taxation

Division/Department: _____

Date: February 20, 2015

SB 170 provides for a partial abatement of property taxes on personal property and sales taxes for persons who intend to locate or expand a data center in Nevada. A data center is defined as buildings located at one or more locations housing networked server computers for the purpose of centralizing the storage, management and dissemination of data and information and includes associated telecommunications and storage systems and any network or connection between the physical locations. The abatement is available to co-located businesses as well, in which a person contracts with a data center to use or occupy all or part of the data center.

A partial abatement up to 10 years may be granted if an investment is made of at least \$100,000,000 and meets certain other criteria. A partial abatement up to 20 years may be granted if an investment is made of at least \$250,000,000 and meets certain other criteria. At least one well-known data-center company has recently announced an expansion of its facilities to Washoe County. Based on this information, the Department assumed at least one data center would be eligible for abatement during the fiscal years 2015-2017.

Property Tax Abatement:

The Department first estimated the amount of abatement based on a \$100,000,000 investment and the effects on each overlapping entity assuming the location was in a tax district in Reno; and then made a second estimate of abatement using a \$250,000,000 investment. Although the intended investment by the well-known company was reported to be approximately \$5,000,000,000 the Department used the investment cut-off of \$250,000,000 listed in the bill for purposes of this fiscal note.

The Department further assumed that the total investment would reflect land, improvements, and personal property, and that the investment in personal property was 50% of the total investment. The Department further assumed that the personal property would have a three-year life and used the three year life table found in the Personal Property Manual published on the Department's website at http://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Personal_Property_Manuals/. The Personal Property Manual reflects a double-declining rate of depreciation over a 3 year life with a 5% residual at the end of the life of the personal property.

Exhibit 2 reflects the results of these assumptions. The total estimated loss of revenue to the State Debt Fund is as follows:

2015-2016	\$55,781
2016-2017	\$33,803
Future biennia	\$20,483

These figures may be multiplied for each \$250,000,000 of the total investment. For example, if the total investment was \$5,000,000,000 of which 50% would represent personal property, the estimated loss of revenue to the State Debt Fund would be:

$$\$2,500,000,000 / \$250,000,000 = 10$$

2015-2016 10 x \$55,781 = \$557,810

2016-2017 10 x \$33,803 = \$338,030

Future biennia 10 x \$20,483 = \$204,830

Research indicates that all the major telecommunications companies, including Level 3, AT&T, Century-Link, and Verizon own data centers throughout the nation. At least 14 data centers are currently located in Las Vegas. See <http://www.datacenterandcolocation.com/low-cost-data-center-locations/nevada/>. Some telecommunications companies may be centrally-assessed rather than assessed by a county assessor. NRS 361.320 provides that centrally-assessed telecommunications companies must be valued first as a system-wide collective unit, known also as a “unitary valuation.” NAC 361.402 defines “unitary method of valuation” as a method of valuation which recognizes that a telecommunication company is an integrated enterprise and that its market value is not a summation of the values of its various physical components but its value as a whole. Unlike county assessors, this means that the Department does not keep track of individual assets of the company. The unitary value contains the value of all real and personal property of the company without regard to individual assets.

A portion of the system-wide value is then allocated to Nevada based on a complex set of formulas for determining what part of the unitary value represents the value of property located in Nevada. The value allocated to Nevada must then be apportioned among the various taxing jurisdictions in the state based on additional apportionment formulas. Any given taxable value in a jurisdiction represents a proportionate fraction of the system-wide value and not any particular piece of real or personal property. As a result, the Department will have to do a major reconfiguration of its valuation and billing programming to determine how to apply an abatement to a value which is not specific to an individual data/co-location center. Staff estimates 120 hours of re-programming effort (using MA III, grade 37, \$35.48 per hour, total cost: \$4,258). In addition, additional valuation procedures will have to be created and maintained in order to keep track of individual pieces of equipment (40 hours, Utility Analyst, grade 36, step 10, \$33.91 per hour, total cost: \$1,356).

Sales and Use Tax Abatement

The Department is unable to determine the impacts on revenue. Additionally, no additional resources are needed to administer this bill

NEVADA DEPARTMENT OF TAXATION

SB 170, Exhibit 2, page 1

DATA CENTER ABATEMENT WORKSHEET

DISTRICT 1000

Washoe
County

APN Example

2015-2016, Year 1

COMBINED TAX RATE	TOTAL TAXES DUE	TOTAL EST ABATEMENT	TAXES AFTER ABATEMENT	PERCENT TAXES AFTER ABATEMENT
0.036600	3,202,500.00	(1,200,937.50)	2,001,562.50	100.000%

TAXING ENTITY	TAX RATE	All Entities Subject to Abatement	TOTAL TAXES DUE	75% ABATEMENT on PERS PROP ONLY	TAXES AFTER ABATEMENT	PERCENT TOTAL TAXES
State of Nevada	0.001700	1	148,750.00	(55,781.25)	92,968.75	4.645%
Washoe County School District	0.011385	1	996,187.50	(373,570.31)	622,617.19	31.107%
Washoe County	0.013917	1	1,217,737.50	(456,651.56)	761,085.94	38.025%
Reno	0.009598	1	839,825.00	(314,934.38)	524,890.62	26.224%

NET TAXABLE VALUE	AVERAGE ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
250,000,000	75.0%	100.0%	37.5%	(1,200,937.50)

ASSET	TOTAL TAXABLE VALUE	ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
LAND	25,000,000	0.00%	10.00%	0.00%	-
IMPROVEMENTS	100,000,000	0.00%	40.00%	0.00%	-
PERSONAL PROPERTY	125,000,000	75.00%	50.00%	37.50%	(1,200,937.50)
			0.00%	0.00%	-

NEVADA DEPARTMENT OF TAXATION

SB 170, Exhibit 2, page 2

DATA CENTER ABATEMENT WORKSHEET

DISTRICT 1000

Washoe
County

APN Example

2016-2017, Year 2

COMBINED TAX RATE	TOTAL TAXES DUE	TOTAL EST ABATEMENT	TAXES AFTER ABATEMENT	PERCENT TAXES AFTER ABATEMENT
0.036600	2,558,797.50	(727,768.13)	1,831,029.37	100.000%

TAXING ENTITY	TAX RATE	All Entities Subject to Abatement	TOTAL TAXES DUE	75% ABATEMENT on PERS PROP ONLY	TAXES AFTER ABATEMENT	PERCENT TOTAL TAXES
State of Nevada	0.001700	1	118,851.25	(33,803.44)	85,047.81	4.645%
Washoe County School District	0.011385	1	795,953.81	(226,383.61)	569,570.20	31.107%
Washoe County	0.013917	1	972,972.26	(276,730.85)	696,241.41	38.025%
Reno	0.009598	1	671,020.18	(190,850.23)	480,169.95	26.224%

NET TAXABLE VALUE	AVERAGE ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
199,750,000	75.0%	100.0%	28.4%	(727,768.13)

ASSET	TOTAL TAXABLE VALUE	ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
LAND	25,500,000	0.00%	12.77%	0.00%	-
IMPROVEMENTS	98,500,000	0.00%	49.31%	0.00%	-
PERSONAL PROPERTY	75,750,000	75.00%	37.92%	28.44%	(727,768.13)
			0.00%	0.00%	-

NEVADA DEPARTMENT OF TAXATION

SB 170, Exhibit 2, page 3

DATA CENTER ABATEMENT WORKSHEET

DISTRICT 1000

Washoe
County

APN Example

2017-2018, Year 3

COMBINED TAX RATE	TOTAL TAXES DUE	TOTAL EST ABATEMENT	TAXES AFTER ABATEMENT	PERCENT TAXES AFTER ABATEMENT
0.036600	2,163,609.01	(440,984.25)	1,722,624.76	100.000%

TAXING ENTITY	TAX RATE	All Entities Subject to Abatement	TOTAL TAXES DUE	75% ABATEMENT on PERS PROP ONLY	TAXES AFTER ABATEMENT	PERCENT TOTAL TAXES
State of Nevada	0.001700	1	100,495.50	(20,482.88)	80,012.62	4.645%
Washoe County School District	0.011385	1	673,024.28	(137,175.02)	535,849.26	31.107%
Washoe County	0.013917	1	822,703.46	(167,682.45)	655,021.01	38.025%
Reno	0.009598	1	567,385.77	(115,643.90)	451,741.87	26.224%

NET TAXABLE VALUE	AVERAGE ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
168,900,000	75.0%	100.0%	20.4%	(440,984.25)

ASSET	TOTAL TAXABLE VALUE	ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
LAND	26,000,000	0.00%	15.39%	0.00%	-
IMPROVEMENTS	97,000,000	0.00%	57.43%	0.00%	-
PERSONAL PROPERTY	45,900,000	75.00%	27.18%	20.38%	(440,984.25)
			0.00%	0.00%	-

NEVADA DEPARTMENT OF TAXATION

SB 170, Exhibit 2, page 4

DATA CENTER ABATEMENT WORKSHEET

DISTRICT 1000

Washoe
County

APN Example

2015-2016, Year 1

COMBINED TAX RATE	TOTAL TAXES DUE	TOTAL EST ABATEMENT	TAXES AFTER ABATEMENT	PERCENT TAXES AFTER ABATEMENT
0.036600	1,281,000.00	(480,375.01)	800,624.99	100.000%

TAXING ENTITY	TAX RATE	All Entities Subject to Abatement	TOTAL TAXES DUE	75% ABATEMENT on PERS PROP ONLY	TAXES AFTER ABATEMENT	PERCENT TOTAL TAXES
State of Nevada	0.001700	1	59,500.00	(22,312.50)	37,187.50	4.645%
Washoe County School District	0.011385	1	398,475.00	(149,428.13)	249,046.87	31.107%
Washoe County	0.013917	1	487,095.00	(182,660.63)	304,434.37	38.025%
Reno	0.009598	1	335,930.00	(125,973.75)	209,956.25	26.224%

NET TAXABLE VALUE	AVERAGE ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
100,000,000	75.0%	100.0%	37.5%	(480,375.01)

ASSET	TOTAL TAXABLE VALUE	ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
LAND	10,000,000	0.00%	10.00%	0.00%	-
IMPROVEMENTS	40,000,000	0.00%	40.00%	0.00%	-
PERSONAL PROPERTY	50,000,000	75.00%	50.00%	37.50%	(480,375.01)
			0.00%	0.00%	-

NEVADA DEPARTMENT OF TAXATION

SB 170, Exhibit 2, page 5

DATA CENTER ABATEMENT WORKSHEET

DISTRICT 1000

Washoe
County

APN Example

2016-2017, Year 2

COMBINED TAX RATE	TOTAL TAXES DUE	TOTAL EST ABATEMENT	TAXES AFTER ABATEMENT	PERCENT TAXES AFTER ABATEMENT
0.036600	1,023,519.01	(291,107.26)	732,411.75	100.000%

TAXING ENTITY	TAX RATE	All Entities Subject to Abatement	TOTAL TAXES DUE	75% ABATEMENT on PERS PROP ONLY	TAXES AFTER ABATEMENT	PERCENT TOTAL TAXES
State of Nevada	0.001700	1	47,540.50	(13,521.38)	34,019.12	4.645%
Washoe County School District	0.011385	1	318,381.53	(90,553.45)	227,828.08	31.107%
Washoe County	0.013917	1	389,188.91	(110,692.34)	278,496.57	38.025%
Reno	0.009598	1	268,408.07	(76,340.09)	192,067.98	26.224%

NET TAXABLE VALUE	AVERAGE ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
79,900,000	75.0%	100.0%	28.4%	(291,107.26)

ASSET	TOTAL TAXABLE VALUE	ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
LAND	10,200,000	0.00%	12.77%	0.00%	-
IMPROVEMENTS	39,400,000	0.00%	49.31%	0.00%	-
PERSONAL PROPERTY	30,300,000	75.00%	37.92%	28.44%	(291,107.26)
			0.00%	0.00%	-

NEVADA DEPARTMENT OF TAXATION

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DATA CENTER ABATEMENT WORKSHEET

DISTRICT 1000

Washoe
County

APN Example

2017-2018, Year 3

COMBINED TAX RATE	TOTAL TAXES DUE	TOTAL EST ABATEMENT	TAXES AFTER ABATEMENT	PERCENT TAXES AFTER ABATEMENT
0.036600	865,443.60	(176,393.70)	689,049.90	100.000%

TAXING ENTITY	TAX RATE	All Entities Subject to Abatement	TOTAL TAXES DUE	75% ABATEMENT on PERS PROP ONLY	TAXES AFTER ABATEMENT	PERCENT TOTAL TAXES
State of Nevada	0.001700	1	40,198.20	(8,193.15)	32,005.05	4.645%
Washoe County School District	0.011385	1	269,209.71	(54,870.01)	214,339.70	31.107%
Washoe County	0.013917	1	329,081.38	(67,072.98)	262,008.40	38.025%
Reno	0.009598	1	226,954.31	(46,257.56)	180,696.75	26.224%

NET TAXABLE VALUE	AVERAGE ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
67,560,000	75.0%	100.0%	20.4%	(176,393.70)

ASSET	TOTAL TAXABLE VALUE	ABATEMENT PERCENTAGE	TAXABLE VALUE PERCENTAGE	WEIGHTED DATA CENTER ABATEMENT PERCENTGE	CURRENT YEAR ABATEMENT
LAND	10,400,000	0.00%	15.39%	0.00%	-
IMPROVEMENTS	38,800,000	0.00%	57.43%	0.00%	-
PERSONAL PROPERTY	18,360,000	75.00%	27.18%	20.38%	(176,393.70)
			0.00%	0.00%	-