

**EXECUTIVE AGENCY
FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: April 1, 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
Section 1 levy of 5 cents (Revenue)		\$48,606,542	\$51,036,869	\$109,856,860
Section 15 levy of 5 cents (Revenue)		\$48,606,542	\$51,036,869	\$109,856,860
Section 13 6% Tax Cap (Revenue)		\$87,979,384	\$87,979,384	\$175,958,768
Section 10 Audit program (Expense)		\$119,542	\$141,783	\$259,812
Total	0	\$185,072,926	\$189,911,339	\$395,412,676

Explanation

(Use Additional Sheets of Attachments, if required)

See attached narrative and exhibits (Ex 1-6)

Name Deonne Contine

Title Executive Director

DEPARTMENT OF ADMINISTRATION'S COMMENTS

Date Friday, March 27, 2015

The agency's response appears reasonable.

Name James R. Wells, CPA

Title Interim Director

DESCRIPTION OF FISCAL EFFECT

BDR/Bill/Amendment Number: BDR 31-963

Name of Agency: Department of Taxation

Division/Department: Division of Local Government Services

Date: March 21, 2015

BDR 31-963 would allow an additional property tax rate of 5 cents to be imposed by a county commission. The rate would not be subject to any revenue limitations in NRS 354.59811, per Section 1(3) and Section 6. The rate would be outside the overlapping rate limitation of \$3.64 provided in Section 12 amending NRS 361.453. It would also not be subject to any residential or general tax abatements ("the Tax Cap"), pursuant to Section 14, amending subparagraph 2 of NRS 361.4726.

Similarly, Section 15 provides that an additional property tax rate of 5 cents could be imposed by either the board of county commissioners or the school board or both, to be used for school construction and maintenance and for information technology. Like the levy in Section 1, the school district levy would not be subject to any residential or general tax abatements.

Based on these conditions, the maximum amount of anticipated revenue from a 5 cent levy in each county is presented in Exhibit 2. Exhibit 2 is based on the FY 2015 assessed values in the FY 2015 Redbook; and for FY 2016, the projected assessed values in the Department's FY 2016 Final Revenue Projections. See

http://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/LGF_Final_Revenue_Projections_2015_2016/. Exhibit 2 also assumes a 5% growth in assessed value for each year from 2017 to 2019. The maximum tax revenue that might be collected is as follows:

	<u>Section 1 levy</u>	<u>Section 15 levy</u>
FY 2016	\$ 48,606,542	\$ 48,606,542
FY 2017	\$ 51,036,869	\$ 51,036,869
Future Biennia	\$109,856,860	\$109,856,860

Department of Taxation expenses associated with changing the centrally-assessed billing program are incorporated in the discussion below.

Section 9 provides for the loan of money to a local government from the Local Government Pooled Investment Fund administered by the State Treasurer. The Department defers to the State Treasurer to estimate the expenses associated with this loan program.

Section 14 amends NRS 361.4726(3) to exempt certain properties from the general and residential tax abatement (the "Tax Cap"), including those that received a reduction in value in the prior year based on the income approach. Section 10 requires a county assessor, county board of equalization ("county board") and State Board of Equalization to report each reduction in assessed value if the income approach is used; and also requires the Department to annually conduct an audit of all properties subject to the exemption from abatement as

provided in Section 14. The proposed bill does not specify the scope or type of audit required. In addition, it is unknown how many properties are currently valued using the income approach, so it is difficult to estimate what kind of resources will be necessary to conduct said audits. Most centrally-assessed properties routinely use the income approach (about 150); and there are about 70,000 commercial, industrial, and multi-residential locally-assessed properties to which the income approach could be applied. However, only about 3,000 properties are typically appealed annually to the county and state boards, and although no data is currently available, perhaps half of those might use the income approach.

At a minimum, a Review Appraiser and Appraiser II will be necessary to design, maintain the data base of properties subject to the income approach, design the scope of audits, and conduct audits. Depending on the nature and scope of the audit and number of audits required, additional auditors would also have to be hired.

The estimated expense to conduct the audit program is itemized in Exhibit 4. Total cost is estimated at \$119,542 for FY 2015-2016; \$141,783 for FY 2016-2017; and \$259,812 for future biennia.

Section 13 modifies the general Tax Cap by creating a new minimum of the higher of the 10 year rolling average, twice the CPI or 6%. This has the effect on the general Tax Cap of decreasing the amount of abatement and increasing the amount of property tax revenue. Exhibits 3(a), 3(b), and 3(c) relate to this impact. Exhibit 3(b) shows the current Tax Cap factors for each county for 2015-2016. Any factor shown on this table that was less than 6% would be revised upward to 6%. Elko, Esmeralda, Eureka, Humboldt, Lander, Lincoln, and Mineral Counties are currently all greater than 6% and would not be affected by the new minimum. Exhibit 3(c) shows the 2014-2015 summary of abatements in each county, and the abatement amount is transferred to Exhibit 3(a) to calculate the effects of a higher minimum.

For example, the limitation in Carson City of 1.032 is converted to a percentage of 3.2%. This level of abatement produced \$1,442,819 in total abatements. Said another way, if there were no abatements, the tax revenue would increase by \$1,442,819. Exhibit 3(a) shows what would happen if the minimum were increased to 6%. If we assume that each property that is limited at 3.2% would also be limited at the new minimum of 6%, the 2.8% (6.0% minus 3.2%) would become the measure of the increase in tax revenue. To convert the abatement amount to a common factor, we first calculated the amount of 1% of abatement (\$1,442,810 divided by 3.2 = \$450,880.) Multiplying 2.8 times the 1% factor would be converted to tax (2.8 x 450,880 = \$1,262,467 additional tax). The estimated tax above 6% would still be abated. This is estimated as \$1,442,819 less \$1,262,467 = \$180,352.

Using the methodology in this example, it is estimated that statewide, the change in the minimum general Tax Cap would result in almost \$88 million of tax instead of abatement. Expressed another way, instead of \$107M abated, \$19M would be abated resulting in \$88M additional taxes collected.

Nevada Department of Taxation
Fiscal Impact of a 5 cent Property Tax Levy

BDR 31-963, Exhibit 2

	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	Assessed Value	Property Tax	Assessed Value	Property Tax	Assessed Value	Property Tax	Assessed Value	Property Tax	Assessed Value	Property Tax
Carson City	1,286,890,682	643,445	1,373,408,853	686,704	1,442,079,296	721,040	1,514,183,260	757,092	1,589,892,423	794,946
Churchill County	683,625,992	341,813	722,841,370	361,421	758,983,439	379,492	796,932,610	398,466	836,779,241	418,390
Clark County	62,898,942,089	31,449,471	69,258,468,466	34,629,234	72,721,391,889	36,360,696	76,357,461,484	38,178,731	80,175,334,558	40,087,667
Douglas County	2,659,900,426	1,329,950	2,727,497,704	1,363,749	2,863,872,589	1,431,936	3,007,066,219	1,503,533	3,157,419,530	1,578,710
Elko County	1,743,259,203	871,630	1,786,375,922	893,188	1,875,694,718	937,847	1,969,479,454	984,740	2,067,953,427	1,033,977
Esmeralda County	60,122,367	30,061	64,697,729	32,349	67,932,615	33,966	71,329,246	35,665	74,895,709	37,448
Eureka County	755,497,987	377,749	863,783,668	431,892	906,972,851	453,486	952,321,494	476,161	999,937,569	499,969
Humboldt County	1,081,333,429	540,667	1,058,724,518	529,362	1,111,660,744	555,830	1,167,243,781	583,622	1,225,605,970	612,803
Lander County	646,297,215	323,149	705,976,617	352,988	741,275,448	370,638	778,339,220	389,170	817,256,181	408,628
Lincoln County	349,822,781	174,911	340,283,401	170,142	357,297,571	178,649	375,162,450	187,581	393,920,572	196,960
Lyon County	1,420,138,197	710,069	1,524,382,122	762,191	1,600,601,228	800,301	1,680,631,290	840,316	1,764,662,854	882,331
Mineral County	134,556,573	67,278	151,173,470	75,587	158,732,144	79,366	166,668,751	83,334	175,002,188	87,501
Nye County	1,259,400,684	629,700	1,334,377,490	667,189	1,401,096,365	700,548	1,471,151,183	735,576	1,544,708,742	772,354
Pershing County	247,536,706	123,768	235,516,076	117,758	247,291,880	123,646	259,656,474	129,828	272,639,297	136,320
Storey County	516,362,669	258,181	510,172,664	255,086	535,681,297	267,841	562,465,362	281,233	590,588,630	295,294
Washoe County	13,281,733,500	6,640,867	14,130,582,150	7,065,291	14,837,111,258	7,418,556	15,578,966,820	7,789,483	16,357,915,161	8,178,958
White Pine County	420,613,741	210,307	424,821,359	212,411	446,062,427	223,031	468,365,548	234,183	491,783,826	245,892
Total	89,446,034,241	44,723,017	97,213,083,579	48,606,542	102,073,737,758	51,036,869	107,177,424,646	53,588,712	112,536,295,878	56,268,148

- Note: (1) The FY 2015 assessed values are from the FY 2015 Redbook and the FY 2016 values are from the FY 2016 Final Revenue Projections Publication.
- (2) The assessed values do not include Net Proceeds of Minerals.
- (3) From FY 2017 to FY 2019 the values are assumed to grow at 5% each year.

Nevada Department of Taxation
Analysis of Revenue Produced by 6% Minimum Tax Cap

BDR 31-963, Exhibit 3

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
County	FY 14 Abated \$	2015-2016 Tax Cap Factor	Abatement %	(C) x (100)	Each 1% abatement (a) / (d)	% versus abatement (6-d)	Abatement converted to Tax (e*f)	Estimated amount Abated with 6% Cap (a-g)
Carson City	\$ 1,442,819	1.032	3.2000%	3.20	\$ 450,881	2.80	\$ 1,262,467	\$ 180,352
Churchill	503,263	1.032	3.2000%	3.20	\$ 157,270	2.80	\$ 440,355	\$ 62,908
Clark	82,945,059	1.032	3.2000%	3.20	\$ 25,920,331	2.80	\$ 72,576,927	\$ 10,368,132
Douglas	2,278,570	1.032	3.2000%	3.20	\$ 712,053	2.80	\$ 1,993,749	\$ 284,821
Elko	1,418,716	1.074	7.4000%	7.40	\$ 191,718	0.00	\$ -	\$ 1,418,716
Esmeralda	138,685	1.08	8.0000%	8.00	\$ 17,336	0.00	\$ -	\$ 138,685
Eureka	188,314	1.08	8.0000%	8.00	\$ 23,539	0.00	\$ -	\$ 188,314
Humboldt	1,486,017	1.08	8.0000%	8.00	\$ 185,752	0.00	\$ -	\$ 1,486,017
Lander	291,730	1.08	8.0000%	8.00	\$ 36,466	0.00	\$ -	\$ 291,730
Lincoln	1,198,266	1.08	8.0000%	8.00	\$ 149,783	0.00	\$ -	\$ 1,198,266
Lyon	3,087,123	1.032	3.2000%	3.20	\$ 964,726	2.80	\$ 2,701,232	\$ 385,890
Mineral	426,350	1.075	7.5000%	7.50	\$ 56,847	0.00	\$ -	\$ 426,350
Nye	1,807,819	1.032	3.2000%	3.20	\$ 564,944	2.80	\$ 1,581,842	\$ 225,977
Pershing	567,229	1.043	4.3000%	4.30	\$ 131,914	1.70	\$ 224,253	\$ 342,975
Storey	755,029	1.058	5.8000%	5.80	\$ 130,177	0.20	\$ 26,035	\$ 728,994
Washoe	4,959,936	1.032	3.2000%	3.20	\$ 1,549,980	2.80	\$ 4,339,944	\$ 619,992
White Pine	3,237,235	1.032	3.2000%	3.20	\$ 1,011,636	2.80	\$ 2,832,580	\$ 404,654
STATEWIDE DIFFERENCE					\$ 32,255,352		\$ 87,979,384	\$ 18,752,774

\$ 106,732,158

NEVADA DEPARTMENT OF TAXATION
PRELIMINARY NRS 361.4722 TAX CAP FACTORS
FISCAL 2015 - 2016

COUNTY	MOVING AVERAGE GROWTH RATE	2 X 2013-14 CPI CHANGE	3.00% RES CAP	8.00% GENERAL CAP	RESIDENTIAL CAP FACTOR	GENERAL CAP FACTOR
CARSON CITY	0.0%	3.2%	3.0%	3.2%	1.030	1.032
CHURCHILL	3.2%	3.2%	3.0%	3.2%	1.030	1.032
CLARK	-1.7%	3.2%	3.0%	3.2%	1.030	1.032
DOUGLAS	-1.1%	3.2%	3.0%	3.2%	1.030	1.032
ELKO	7.4%	3.2%	3.0%	7.4%	1.030	1.074
ESMERALDA	9.8%	3.2%	3.0%	8.0%	1.030	1.080
EUREKA	8.2%	3.2%	3.0%	8.0%	1.030	1.080
HUMBOLDT	10.0%	3.2%	3.0%	8.0%	1.030	1.080
LANDER	25.6%	3.2%	3.0%	8.0%	1.030	1.080
LINCOLN	8.2%	3.2%	3.0%	8.0%	1.030	1.080
LYON	1.8%	3.2%	3.0%	3.2%	1.030	1.032
MINERAL	7.5%	3.2%	3.0%	7.5%	1.030	1.075
NYE	1.2%	3.2%	3.0%	3.2%	1.030	1.032
PERSHING	4.3%	3.2%	3.0%	4.3%	1.030	1.043
STOREY	5.8%	3.2%	3.0%	5.8%	1.030	1.058
WASHOE	0.6%	3.2%	3.0%	3.2%	1.030	1.032
WHITE PINE	1.5%	3.2%	3.0%	3.2%	1.030	1.032
STATEWIDE	-1.0%	3.2%	3.0%	3.2%	1.030	1.032

Nevada Department of Taxation
2014-2015 Summary of General Tax Cap by County

BDR 31-963, Exhibit 5

Total assessed value subject to general cap factor

County	Total Number of Parcels	Total Assessed Value	Total Preabated Tax Amount (C+D+E-F+G)	Abatement Amount	Net Tax (H-I)
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Carson City

Secured	3,184	466,012,212	16,586,743	941,985	15,644,758
Unsecured	4,056	64,239,315	2,280,234	30,808	2,249,426
Central		40,306,440	1,437,687	470,026	967,661
Total	7,240	570,557,967	20,304,664	1,442,819	18,861,845

Churchill

Secured	5,130	170,959,999	5,360,822	84,842	5,275,981
Unsecured	1,899	204,610,186	5,368,868	17,103	5,351,765
Central		73,957,905	2,237,793	401,318	1,836,475
Total	7,029	449,528,090	12,967,484	503,263	12,464,221

Clark

Secured	418,575	43,606,356,057	1,023,491,410	55,898,956	967,592,454
Unsecured	69,744	4,614,690,144	129,301,411	294,043	129,007,368
Central		2,387,482,591	70,503,634	26,752,060	43,751,575
Total	488,319	50,608,528,792	1,223,296,456	82,945,059	1,140,351,396

Douglas

Secured	5,854	697,063,284	20,989,557	1,779,237	19,210,320
Unsecured	2,600	70,731,260	2,112,320	21,734	2,090,586
Central		54,248,314	1,645,733	477,599	1,168,133
Total	8,454	822,042,858	24,747,610	2,278,570	22,469,040

Elko

Secured	29,223	578,825,694	16,752,416	1,113,191	15,639,225
Unsecured	5,724	252,167,843	6,826,289	36,051	6,790,238
Central		409,282,001	10,704,885	269,474	10,435,411

Total Number of Parcels	Total Assessed Value	Total Preabated Tax Amount (C+D+E-F+G)	Abatement Amount	Net Tax (H-I)
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3,150	476,004,299	16,848,699	1,032,622	15,816,077
				-
				-
3,150	476,004,299	16,848,699	1,032,622	15,816,077

5,205	175,729,916	5,575,412	108,967	5,466,445
				-
				-
5,205	175,729,916	5,575,412	108,967	5,466,445

438,392	49,049,991,671	1,179,707,962	155,054,918	1,024,653,044
				-
				-
438,392	49,049,991,671	1,179,707,962	155,054,918	1,024,653,044

5,773	715,952,947	21,730,026	2,101,088	19,628,939
				-
				-
5,773	715,952,947	21,730,026	2,101,088	19,628,939

Nevada Department of Taxation
2014-2015 Summary of General Tax Cap by County

BDR 31-963, Exhibit 5

Total	34,947	1,240,275,538	34,283,589	1,418,716	32,864,874	29,019	633,010,871	18,332,820	1,243,920	17,088,900
Esmeralda										
Secured	2,104	20,048,035	593,826	27,153	566,673	2,088	19,522,007	579,910	12,367	567,543
Unsecured	360	13,522,728	400,292	92	400,199					-
Central		28,767,654	869,570	111,439	758,131					-
Total	2,464	62,338,417	1,863,688	138,685	1,725,003	2,088	19,522,007	579,910	12,367	567,543
Eureka										
Secured	3,344	780,925,587	9,261,885	119,773	9,142,111	3,329	915,167,160	11,667,101	138,061	11,529,039
Unsecured	160	194,632,095	3,248,312	9	3,248,303					-
Central		35,230,020	630,029	68,531	561,497					-
Total	3,504	1,010,787,702	13,140,225	188,314	12,951,912	3,329	915,167,160	11,667,101	138,061	11,529,039
Humboldt										
Secured	10,359	398,082,929	8,120,104	1,277,267	6,842,838	10,411	424,076,805	8,560,476	845,391	7,715,085
Unsecured	1,538	341,279,475	7,061,290	1,639	7,059,651					-
Central		345,296,223	8,033,583	207,111	7,826,472					-
Total	11,897	1,084,658,627	23,214,977	1,486,017	21,728,960	10,411	424,076,805	8,560,476	845,391	7,715,085
Lander										
Secured	4,669	166,535,289	4,390,333	80,096	4,310,237	4,661	215,565,169	5,390,235	992,158	4,398,077
Unsecured	905	518,723,871	14,970,393	881	14,969,511					-
Central		50,576,393	1,703,996	210,753	1,493,243					-
Total	5,574	735,835,553	21,064,722	291,730	20,772,991	4,661	215,565,169	5,390,235	992,158	4,398,077
Lincoln										
Secured	2,833	63,727,753	2,026,479	127,586	1,898,892	2,837	83,965,142	2,635,301	113,370	2,521,931
Unsecured	299	26,749,678	807,318	1,877	805,441					-
Central		119,035,307	3,580,226	1,068,803	2,511,424					-
Total	3,132	209,512,738	6,414,023	1,198,266	5,215,757	2,837	83,965,142	2,635,301	113,370	2,521,931
Lyon										
Secured	12,815	393,683,587	13,207,412	1,336,782	11,870,631	12,688	398,646,801	13,452,188	1,362,326	12,089,862
Unsecured	3,573	99,122,254	3,172,947	9,656	3,163,291					-
Central		172,621,149	5,875,909	1,740,685	4,135,223					-

Nevada Department of Taxation
2014-2015 Summary of General Tax Cap by County

BDR 31-963, Exhibit 5

Total	16,388	665,426,990	22,256,268	3,087,123	19,169,146	12,688	398,646,801	13,452,188	1,362,326	12,089,862
Mineral										
Secured	1,796	23,806,902	866,853	93,121	773,732	1,823	24,161,430	880,121	93,660	786,461
Unsecured	260	35,022,338	1,259,795	107,064	1,152,731					-
Central		29,589,066	1,084,917	226,165	858,752					-
Total	2,056	88,418,306	3,211,565	426,350	2,785,215	1,823	24,161,430	880,121	93,660	786,461
Nye										
Secured	40,436	422,201,011	13,839,471	1,098,485	12,740,986	40,341	482,180,907	15,047,279	2,587,361	12,459,918
Unsecured	5,002	208,100,239	6,241,400	24,383	6,217,017					-
Central		118,560,134	3,688,834	684,951	3,003,883					-
Total	45,438	748,861,384	23,769,704	1,807,819	21,961,885	40,341	482,180,907	15,047,279	2,587,361	12,459,918
Pershing										
Secured	9,134	58,055,172	1,832,852	116,835	1,716,018	9,168	67,442,815	2,148,060	310,910	1,837,150
Unsecured	308	76,417,588	2,106,654	112,787	1,993,867					-
Central		72,746,803	2,283,980	337,607	1,946,373					-
Total	9,442	207,219,563	6,223,487	567,229	5,656,258	9,168	67,442,815	2,148,060	310,910	1,837,150
Storey										
Secured	3,069	226,152,791	7,819,982	280,002	7,539,980	3,130	221,365,317	7,657,379	218,289	7,439,090
Unsecured	508	99,897,806	3,097,863	74,305	3,023,558					-
Central		120,038,482	4,155,705	400,722	3,754,982					-
Total	3,577	446,089,079	15,073,550	755,029	14,318,521	3,130	221,365,317	7,657,379	218,289	7,439,090
Washoe										
Secured	38,562	6,184,219,113	138,864,281	3,205,383	135,658,899	37,379	6,332,468,933	156,327,780	18,955,082	137,372,698
Unsecured	28,101	818,190,359	28,304,141	158,012	28,146,129					-
Central		419,396,748	13,715,707	1,596,541	12,119,166					-
Total	66,663	7,421,806,220	180,884,130	4,959,936	175,924,194	37,379	6,332,468,933	156,327,780	18,955,082	137,372,698
White Pine										
Secured	3,901	187,613,132	6,597,233	2,306,611	4,290,622	3,933	185,432,974	6,065,561	2,261,918	3,803,642
Unsecured	567	112,114,500	3,211,968	23,739	3,188,229					-
Central		63,007,113	2,306,292	906,884	1,399,408					-

Nevada Department of Taxation
2014-2015 Summary of General Tax Cap by County

BDR 31-963, Exhibit 5

Total	4,468	362,734,745	12,115,494	3,237,235	8,878,259	3,933	185,432,974	6,065,561	2,261,918	3,803,642
STATEWIDE										
Secured	594,988	54,444,268,547	1,290,601,661	69,887,305	1,220,714,356	613,327	60,420,685,164	1,472,606,310	187,432,409	1,285,173,901
Unsecured	125,604	7,750,211,679	219,771,496	914,184	218,857,312	-	-	-	-	-
Central	-	4,540,142,344	134,458,478	35,930,670	98,527,809	-	-	-	-	-
Total	720,592	66,734,622,570	1,644,831,635	106,732,158	1,538,099,477	613,327	60,420,685,164	1,472,606,310	187,432,409	1,285,173,901

Personnel Costs of Income Approach Audit Program, Section 10 of bill

Positions	0	2	2	2	2
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Summary

Cat	Title	FY15	FY16	FY17	FY18	FY19	FY18/19 Total
01	Personnel Services	-	96,011	130,510	100,812	137,036	\$ 237,848
03	In-State Travel	-	1,932	2,576	2,576	2,576	\$ 5,152
04	Operating	-	6,803	8,216	7,185	8,627	\$ 15,812
05	Equipment	-	9,722	-	-	-	\$ -
15	Lockbox	-	-	-	-	-	\$ -
26	Information Technology	-	5,074	481	495	505	\$ 1,000
30	Training	-	-	-	-	-	\$ -
Totals		\$ -	\$ 119,542	\$ 141,783	\$ 111,068	\$ 148,744	\$ 259,812