

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-Eighth Session
February 24, 2015**

The Senate Committee on Revenue and Economic Development was called to order by Chair Michael Roberson at 3:55 p.m. on Tuesday, February 24, 2015, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Michael Roberson, Chair
Senator Greg Brower, Vice Chair
Senator Joe P. Hardy
Senator Ben Kieckhefer
Senator Ruben J. Kihuen
Senator Aaron D. Ford
Senator Pat Spearman

GUEST LEGISLATORS PRESENT:

Senator David R. Parks, Senatorial District No. 7
Senator James A. Settelmeyer, Senatorial District No. 17
Assemblywoman Marilyn Kirkpatrick, Assembly District No. 1

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Bryan Fernley, Counsel
Gayle Rankin, Committee Secretary

OTHERS PRESENT:

Terry Rubald, Chief Deputy Director, Department of Taxation
Joseph Henchman, Vice President, Legal and State Projects, Tax Foundation
Jared Walczak, Policy Analyst, Tax Foundation

Mark R. Vincent, CFO, City of Las Vegas
Yolanda King, CFO, Clark County
Dagny Stapleton, Nevada Association of Counties
Jeff Page, County Manager, Lyon County
Ray Fierro, Chair, Board of Commissioners, Lyon County
Wes Henderson, Executive Director, Nevada League of Cities and Municipalities

Chair Roberson:

We are going to have presentations on property taxes.

Terry Rubald (Chief Deputy Director, Department of Taxation):

My last presentation was about the basic property tax formula. It is taxable value times level of assessment equals assessed value. You multiply that times the rate and that equals revenue. We talked about the tax rates and the distribution of the tax. I recommended the *Nevada Property Tax Elements and Applications Handbook*. I refer you to that again.

Refer to my presentation on property tax ([Exhibit C](#)). Page 2 explains assessed value times tax rate equals revenue. I want to talk about what taxable value is and what it is not.

Page 3 shows depreciation is a major factor in the development of taxable value. There are major tax relief programs in place. Those are the general and residential partial abatement of property tax, also known as the tax cap.

Page 4 shows three primary methods to establish value when appraising property. The *Nevada Revised Statutes* (NRS) require the value of the land be established using comparable sales, which is known as the sales approach. The value of improvements is established using the cost approach. The cost approach to value improvements is not unique to Nevada. Many states use the cost approach to value improvements. The difference between Nevada and other states is in the details of how the cost approach is applied.

Property values were going up by double digits in 1981, much as we experienced in 2005. The Legislature wanted to provide additional property tax relief to homeowners while still providing an adequate source of revenue for local governments. The legislation passed in 1981 is known as the "tax shift of 1981." It reduced property tax collections significantly while it also placed a greater reliance on sales tax for revenues for local governments.

Page 5 explains the legislation created the concept of taxable value which adds the market value for land, based on use of the land rather than the highest and best use, plus replacement cost, less depreciation for improvements. Taxable value remains the standard evaluation in Nevada.

Page 6 of [Exhibit C](#) explains how taxable value is different from full cash value. Full cash value as defined in NRS is similar to market value. In the appraisal world, the open market sale of similarly situated property is considered the best indicator of value for a property if it were to be sold. In property tax context, assessors gather data about the sale of similarly situated properties, adjust for differences when comparing to the subject property, determine trends indicated by the sold property and apply the trends to all unsold subject properties to estimate the full cash value. The real estate market has its difficulties, but the general trend over long periods is that real estate appreciates. In 1981, we split the land from improvements and said only the value of the land will be a reflection of market value. The value of improvements will be based on a certain kind of cost. The amount of depreciation will be predetermined by NRS.

Appraisers in other states use the cost approach to estimate the market value because the theory is an informed buyer will pay no more for an improved property than the price of acquiring a vacant site and constructing a substitute building of equal utility. In Nevada, we use historic book cost for centrally assessed utilities, railroads, telecommunications and airlines. We use the cost of acquisition for personal property. For locally assessed improvements, NRS require us to use replacement cost as the basis for taxable value. Replacement cost is the estimated cost of what it would cost to construct an improvement using modern materials, current standards, design and layout per the information on page 7. To be an accurate indicator of market value, the cost approach requires current and accurate estimates of cost data and an accurate estimate of accrued depreciation from all causes. In Nevada, cost data is obtained from a national costing service, and the rate of depreciation is set by NRS rather than the marketplace. It is possible the cost to build an improvement does not accurately reflect the market value of the improvement.

A few years ago, the cost of steel and lumber was going up, causing the replacement costs of improvements to go up. At the same time, we were in the Great Recession. It affected the market, and sales prices were going down. In a strong upward market, the cost to build might not go up as quickly as the sales

prices in a competitive market. The replacement cost can lag behind market values. That was the case in 1981 when the tax shift was implemented.

As shown on page 8 of [Exhibit C](#), the other main component of the cost approach is depreciation. This means a loss in value of improvements from any cause. Typically, in other states, there will be market studies to figure out the actual rate of depreciation.

In Nevada, NRS requires depreciation to be calculated at a rate of 1.5 percent a year up to 50 years, as shown on page 9. When you multiply 1.5 percent times 50 years, it means an improvement can be depreciated up to 75 percent of the replacement cost, regardless if this is an accurate measure of the actual loss in value because of wear and tear or other sources. During the tax shift in 1981, this was intended to counter the effects of appreciation of real estate in a strong market. Sometimes you will hear the suggestion made that we need to get rid of depreciation. Proponents mean they want to get rid of the scheduled rate of depreciation of 1.5 percent a year. A rate of depreciation that is not based on market conditions causes the gap between market value and taxable value to be greater. In a market value system, depreciation is recognized. The physical property still experiences wear and tear. The rate of appreciation because of market forces in a robust market overcomes the rate of depreciation caused by wear and tear of the improvement. The net result is an increase in value.

As shown on page 10, personal property is subject to depreciation. In Nevada, the system for personal property is not any different from other states. Depreciation is a function of the service life of the personal property. We publish the Personal Property Manual annually, which estimates the life for different kinds of personal property. As an example, a computer may have a life of 3 years, but the assets of a gas distribution system might last 30 years. The rate of depreciation depends on the service life of the personal property. We use a double-declining rate of depreciation. The rate of depreciation for personal property is much faster than real property. The taxable value of personal property goes down fast. The general tax cap abatement is rarely applied to personal property because personal property values go down so quickly.

If personal property is incorrectly classified as real property, the taxpayers end up paying taxes on a value much higher than they should be because their properties are not benefitting from the accelerated rate of depreciation. If real

property is incorrectly classified as personal property, the local governments that depend on property tax revenue do not receive their fair share. In recent years, many regulations passed by the Nevada Tax Commission are designed to help assessors properly classify property.

There are many ways to create tax relief. It could be a limitation on taxable value, revenue limits, partial and full exemptions, or abatements. We have several types of exemptions ranging from partial exemptions of property owned by veterans, surviving spouses and blind persons to exemptions of property owned by governmental entities.

Senator Ford:

What is the rationale to institute the actual appreciation in a market with an arbitrary 1.5 percent rate of depreciation?

Ms. Rubald:

The rate of depreciation started out at a different level of which I do not recall. It was put in NRS to ensure the effects of appreciation would be mitigated by ensuring a rate of depreciation would be applied.

Senator Ford:

Why would we want to mitigate the effects of appreciation? Appreciation is a good thing unless you do not want to pay on what you own.

Ms. Rubald:

In 1979, a California law was passed that seriously limited the property tax. This was seen as a compromise between trying to afford a reliable method of calculating value while still recognizing the pressures from an accelerated market.

Senator Ford:

Was this an effort to stifle the fair market approach when it comes to ascertaining the property value? Were people saying, I do not want to pay that much in taxes even though my property is worth that much? I need you to institute a form of a cap that will keep us from paying what is due and owed in a normal fair market system.

Ms. Rubald:

It was considered a brake on the excessive increases in values that property owners were experiencing at the time. The State did not want to abandon the valuation methodology, just slow down the rate of increase.

Senator Ford:

Thank you. That is helpful.

Ms. Rubald:

Exemptions mean that some or all of the value is not taxable. An abatement is the reduction of the tax liability after taxable value has been established.

Page 13 of [Exhibit C](#) shows the historical amount of tax that has been abated. I highlighted the most recent year. In fiscal year (FY) 2007, close to 25 percent of total taxes were abated, and it went up the next year. During the Great Recession years, very little tax was abated. Now things are getting better, so the valuations are going up and the rate of abatement is approaching 13 percent for FY 2015. We started out with \$2.8 billion in preabated tax amount, we have abated \$368 million, and the net tax is \$2.5 billion.

The Property Tax Abatement Report ([Exhibit D](#)) shows FY 2015 property tax abatement by county.

Nevada Revised Statutes impose a system of calculating an abatement or reduction of tax liability, page 14. Two types of abatements were created. The first one is for single-family residences that are owner-occupied and constitute the primary residence of the owner and qualifying rental properties. To calculate the abatement for qualifying residential property, you multiply the prior year's tax liability by 1.03 and compare it to the current year's tax liability. Any amount of the current year's tax liability which exceeds the result of multiplying the prior year's tax liability by 1.03 is abated.

The 3 percent abatement applies to existing property which is the primary residence of the owner. There are several steps the assessor completes to qualify property as the primary residence of the owner. The owner must claim the property as a primary residence.

Page 15 of [Exhibit C](#) is an example of a typical claim form. The primary residence is exclusive of any other residences the owner has in this State, but it

is not exclusive of any other residence the owner has in other states. A person may live most of the year in California and claim a residence in Nevada as the primary residence for purposes of this abatement. Although a claim may be received, the assessor also has to determine other factors. The property may be a mixed-use property which means it has residence and nonresidence improvements. That could affect the level of abatement. The assessor may have to determine if the property is a single-family residence where a home business is operated. In that event, the property qualifies for the 3 percent level. Single-family residences also include mobile homes.

Assessors have to identify rental property eligible for the 3 percent abatement as opposed to rental property eligible for the general 8 percent abatement as shown on page 16 of [Exhibit C](#). As part of the information, the assessor needs to determine if a rental qualifies for the 3 percent level. The assessor obtains the rental rates from property owners claiming the 3 percent abatement yearly. That information is compared to the fair market rents published by the U.S. Department of Housing and Urban Development (HUD) and disseminated by the Department of Taxation to determine if the rental rates are equal to or less than the HUD rate.

The general abatement, which is called the 8 percent abatement, is the same calculation as the residential abatement. See page 17. The amount of tax abated is the amount in excess to 8 percent over the prior year's taxes. One of the major exceptions to the residential or general abatement is that it does not apply to new property. These properties typically had no assessed value established for the preceding fiscal year because they are either brand new or did not exist in the same form as in the prior year. The Assessor must determine which applies, based on a variety of reasons.

The Tax Commission has spent much time creating regulations to help assessors determine which property is considered new, which is considered a remainder parcel and which experienced a change in actual or authorized use. If a building is used as a residence, residential use is the actual use. If the property is zoned for residential use, that is the authorized use. If a house was converted to commercial use, that would be a change in the actual use. In spite of all the regulations, the determination of what is new property and what is remainder property has generated several appeals to the Tax Commission and the courts.

Taxes are the result of two things: assessed value and the rate of tax. There are certain exemptions from the abatement whether some portion of the assessed value is exempt or if a portion of the tax rate is exempt. It is complex and I will not go into it now.

Correct tax computation requires splitting value into several components—existing value, new value, exempt value and under certain circumstances, recapture value—as shown on page 18 of [Exhibit C](#). Some portion of the combined overlapping tax rate may be exempt from abatement, so different tax rates may apply to each value component.

As shown on page 19, the old formula was assessed value times rate equals the taxes. This slide shows how the tax is calculated now. It is very complex.

There is one additional complexity about the general 8 percent abatement. The level of abatement can be up to 8 percent and it varies from county to county and from year to year.

The chart on page 20 shows the FY 2015 tax cap factors. Using the moving average 10-year growth rate in Clark County, we compare that to double the Consumer Price Index (CPI). The 10-year average growth rate in Clark County was 1.4 percent. We compare that to twice the CPI of 3 percent and we figure the general factor for FY 2015 was 1.030, which is the same rate used for all residential property. You can see it depends on the relationship of the moving average growth rate to double the CPI. It varies in all the counties. The ones capped the most now are the mining counties.

The chart on page 21 is a 10-year history for the moving average growth rate of assessed value. In Clark County in the first year of the abatement, the moving average growth rate was 12.6 percent. It went up to 16.92 percent. Since then, it has gone down to 1.4 percent because it is a 10-year rolling average. The earlier years had such a high growth rate, it has begun to drop off.

Page 22 is the 10-year history of the general tax cap by county. Clark County was at the maximum of 1.080 percent and has dropped down to 1.03 percent.

I want to point out an anomaly for Mineral County. In FY 2011 it says 1.003 percent. That is one-third of 1 percent in that year. In that year, the

CPI was negative. It was lower than the residential abatement. The residential abatement dropped from 3 percent to one-third of 1 percent.

Much work is done behind the scenes to implement the tax cap. One of the most important steps in the abatement process is identifying certain types of property for purposes of applying the varying levels of abatement. Prior to the tax abatement laws, an assessor might identify property as residential, commercial, industrial or agricultural. In addition to that kind of classification, the assessor now identifies additional kinds of property as on page 23 of [Exhibit C](#). The assessor will have to sort out residential property into a qualifying primary residence to receive the residential abatement; other residential property qualifying for a general abatement, which would be apartments; new residential property, which is not eligible for any kind of abatement; existing residential property that has been annexed into a new taxing district, causing a change in the tax rate; and residential property that has experienced obsolescence in 1 year and regained its value in the next year, so a recapture of some of the abatement may be made. The list goes on for each type of classification.

Page 24 shows forecasting revenue from property taxes is a challenge. We cannot multiply assessed value to forecast the revenue. Because of all complexities of the abatement, the treasurer takes the assessor's assessment roll that indicates the assessed values with all the exceptions, remainders and property eligible for recapture and applies the tax rates forecasted to be used for the coming year to see what kind of abatements will be generated. The Department of Taxation produces a formal report for local governments at the end of March each year. This report projects what effects abatements will have on property tax revenue.

Senator Kieckhefer:

Which components of our property tax system would you consider unique or special to Nevada?

Ms. Rubald:

The rate of depreciation is set by NRS rather than observation from market studies of the actual rate of depreciation. That is the principle difference. We have bifurcated the land value from the improvement value. Other states use a national costing service as we do to establish a replacement cost for the improvements. The service keeps the estimate together with the land and

compares it to the market values for similarly situated properties—the land and the house together.

Senator Kieckhefer:

Are the abatement process and the tax caps we use the same as other states?

Ms. Rubald:

Ours is unique. Other states use circuit breakers. Nevada used to have a qualifying process for senior citizens. If they qualified, senior citizens would receive a check in the mail to assist them in paying their property taxes. In other states, there may be limitations on the increases in value on the front end of the process.

Senator Kieckhefer:

Would a limitation on value increases rather than the cap on the growth in a bill allow local governments to recapture it more easily?

Ms. Rubald:

I am not sure you can. California has significant problems with its valuations. The state can rebase valuations upon the sale of the property. Until the property is sold, it is limited to a 1 percent annual growth rate in the value of the property. That has caused shortfalls for California governments.

Senator Kieckhefer:

Do we not allow a rate reset upon resale based on limitations in our Constitution over uniform and equal assessments on similarly situated properties?

Ms. Rubald:

You are correct.

Senator Kieckhefer:

Property tax is not reset in Nevada because of a constitutional limit on uniformity and equal assessment in similar properties. If two houses are built in the same year that have the same assessed value, one was abated and the one next door sold, these two properties would pay two different tax bills if one resets upon the sale. This is a function of how our Constitution outlines property tax policy. Is that correct?

Ms. Rubald:

Yes. In some cases there is a similar situation as a result of our property tax cap. There are two exact same homes sitting side by side, starting at the same value and one is rented. It is rented for several years and the tax cap applied to the rental property does not qualify for the 3 percent because the rent charged is greater than the HUD rate. It will be subject to the 8 percent rate. Some years later, the rental is sold and becomes a residential property for the primary owner. The basis for the taxes is now different than that of the identical home next door that remained at the 3 percent level.

Senator Kieckhefer:

That is interesting. One of the complaints I hear often is that property should reset upon resale because it was designed as a cap to prevent people from being taxed out of their homes. When you buy a property, you should know what your taxes will be. It is a legal issue we cannot get around.

Senator Ford:

What other alternatives are there? These are real mitigating circumstances for our property tax policy. You touched on senior citizens who may be on fixed incomes. This may enable them to stay in their homes. Could you give us some more examples of how other states address these issues?

Ms. Rubald:

I have studied this in the past but not in recent years. Most of the other states have some limitation on value or they will have a circuit breaker program. Minnesota has an excellent circuit breaker program.

Chair Roberson:

We will not have a work session today on Senate Bill (S.B.) 93. We will hear from Senator James Settlemeyer about the concept for a bill related to property taxes that is still being drafted.

Senator James A. Settlemeyer (Senatorial District No. 17):

This relates to the bifurcated property tax system just discussed. This issue happened when I was campaigning the first time for my Assembly seat. I met a woman named Maryanne Ingemanson in Incline Village who had some serious concerns with the property tax system. I got involved with a meeting of the Nevada Tax Commission's Blue Ribbon Subcommittee to Study Property Taxes with then-Senator Randolph J. Townsend and then-U.S. Senator Richard Bryan.

The discussion focused on the concept of our bifurcated property tax system, where you try to evaluate the price of the bare land.

On the other side of the equation, we used the Marshall Valuation Service from Marshall & Swift. This dictates the price of the replacement home and creates a huge problem. Where do you find vacant land sales to come up with that number in the middle of Washoe County or Clark County? It is impossible. With the Marshall & Swift system, it is about \$1.10 or \$1.20 per square foot on replacement value. In Incline Village, that is low and out at Topaz it is high. It is not a fair system. The concept is to get us off the bifurcated system and go back to the market-priced system with a reset on sale and 3 percent up or down.

I have asked our Legal Division if we can do this. Should it be a simple bill draft request or a constitutional amendment? We are looking into those details to see if the reset on sale requires us to go to the vote of the people to change our Constitution. That is the concept.

I have discussed this topic with county assessors, and they felt if people were in their homes for more than 5 or 10 years, it would give them a break. The counties would receive more money. However, the speculators in the middle would pay more.

Many people were being priced out of their homes by their property taxes. They were on fixed incomes, their taxes continued to go up and their social security checks did not. They had to sell their homes. If you buy a bar of gold or a stick of silver and put it in your safe, the value goes up or down. The only time you are taxed is when you sell it. If the price went up, you would have to pay capital gains. When you have a home and make an investment in it such as a room addition, that increases the value of the property. With the investment in the home, the taxes go up. It is not fair. It makes more sense to have a market base reset on sale. These are the points of the bill. It does simplify it for the assessors. They will have fewer arguments.

Senator Ford:

I understand the reset on sale. The example you gave of improvements on your home increasing the value of the home—I am not certain I follow that logic.

Senator Settlemeyer:

I can give you an example from former constituents who have a home on the dead end of a road in Carson City. The Carson City home is accessed and serviced from Douglas County. They decided to do a room addition. They added 500 square feet to an older home of about 1,600 or 1,800 square feet. Anything prior to 2005 has one set of taxes, so his house is taxed at one rate, and the improvement made after 2005 is taxed at a higher rate. His taxes went up three times because he added a room. That is not fair.

Senator Ford:

I do not see that as unfair. I do not understand if your home is improved, and the value goes up, why you should not be taxed. Do you have another example to help persuade me?

Senator Settlemeyer:

Somebody's property tax triples because of a one-room addition is a good example. They improved the quality of their lives and took money from their savings to improve their home. Their taxes should not triple.

The federal government dictates the bar of gold is an investment and will be taxed upon sale.

Senator Ford:

As long as you do not sell your home, the property taxes do not go up.

Senator Settlemeyer:

No, sir. As I indicated before, 3 percent up or down.

Senator Ford:

It will never go up beyond 3 percent.

Senator Settlemeyer:

Yes. I also put in the concept that it could go down 3 percent. It was improper when home values rose exceedingly fast and the counties were told they could only get a 3 percent increase a year. In hindsight, it ended up being a good deal for the counties because they were able to use it like a bank account. When the value goes down, it creates a huge problem. I have one county that had a \$7 million differential, and the county budget is not very large. The \$7 million was a large hit because of the drop in the property tax. If taxpayers are granted

the ability not to increase by a certain amount, they have the responsibility not to decrease.

Senator Brower:

You have been working on this for some time. I used to represent the same people in your former area. They feel strongly about this with good reason. As opposed to an income tax—under which the more you earn the more you pay—the property tax scheme can cause people to pay more despite having no increased ability to pay. The scenario you shared includes the property owner increasing the home value. There is no corresponding increase in his or her ability to pay a higher tax. Is that how you think of this?

Senator Settlemeyer:

The concept is to ensure people can stay in their homes and not be taxed out of their residences. With the property tax formulation, we have tried to insulate that with 3 percent and 8 percent. That is why my predecessor did it that way. The way the property values were increasing, we had people living in the homes they built who could not afford the taxes.

Senator Brower:

In that area, we have people with high-value homes that are appreciating significantly. It is great if you want to sell. If you are on a fixed income, albeit a high-fixed income relative to other people in other districts, it is impossible to pay an increased tax rate.

Senator Kieckhefer:

Does your proposal contemplate commercial property, or is it exclusive to residential?

Senator Settlemeyer:

The concept is to correct. We have an unconstitutionality in our NRS of 3 percent and 8 percent. Some wise people put in the NRS that if any part of it is invalid, everyone goes to 8 percent. Nobody has filed a lawsuit. They would not get away with paying any less, and there may be a few irate people. I am trying to go to 3 percent for everybody.

Senator Kieckhefer:

By putting in a 3 percent cap up or down, does it preclude owners of a commercial property, such as a hotel-casino, from getting their property taxes reduced based on revenue? They are able to do that.

Senator Settlemeyer:

This only affects the concept of 3 percent and 8 percent. The 8 percent would disappear and it would be 3 percent up or down. I want to change that section of the law. The rest of the abatements and all other discussions would still be within our hands. That was my intention.

Senator Kieckhefer:

There is no downward cap. The cap is only upward. If owners of a hotel-casino see a decline in revenue, they can get their property taxes reduced based on their revenue for the previous year. Do you anticipate this bill would cap that ability for a tax reduction of 3 percent for the commercial properties?

Senator Settlemeyer:

It is my intention if the Body would support it. You have to insulate both ways. It is wrong to say if the value of your home or business triples, then you have to pay 3 percent more. However, if it goes down we will give you whatever break you need.

Chair Roberson:

We will hear Assemblywoman Marilyn Kirkpatrick testify on a bill she has in progress.

Assemblywoman Marilyn Kirkpatrick (Assembly District No.1):

I want to fix the bigger problem we have today. A constitutional amendment takes a while. In 2005, we received complaints about local governments because individuals were seeing such huge spikes in their property taxes. A woman from Lake Tahoe testified that she had to pay \$80,000 a year in taxes. There was no way she could do it. We worked to address those huge inflations. We put in the 3 percent and 8 percent caps. There was a lot of discussion, and we tried to make sure residents could keep their homes. We have seen many of our seniors who could not pay one-tenth of the tax because it spiked so high. It could not go any more than 3 percent on the residential side and it could be up to 8 percent on the commercial side.

The bill I am working on does not affect the residents. The residents in my district have seen 3 percent every year. The positive of that is if your taxes are going up, then your home values are going up. During the Great Recession, some districts were seeing a decrease in values. We found that the commercial side of it had extra caveats where they could end up paying less than some homeowners. There is the business income where owners tell the State Board of Equalization their business is not doing well, and they can get an abatement on their overall taxes. It has been steady, and there is no reset for the businesses to come back. It sets them back to 2009 and they stay there. I want to see a true reevaluation the following year. The business owners would have to come in each year and determine the problem.

I got beat up for saying Donald Trump pays \$898 a year on his hotel in Las Vegas. In my district, we are close to \$2,000 a year. There is a big discrepancy. I agree that when businesses are not doing well, we try to give them time to recover.

My bill does a few things. It puts in an audit provision for the Board of Equalization. Nowhere in law does it determine how abatements are given. I have watched hearings with the Board of Equalization. It is different. I would like our legislative Audit Division to ensure the process is working all the time across the board.

The second part of the bill allows for up to 8 percent. A piece in it changes the calculation to a set number. It also allows for the business income piece to be effective for each year. It allows businesses to write off their incomes if they are not doing well, but it also sets a basic parameter of what that number should be. It is consistent with what homeowners are paying across the State. We have 17 counties, and the number is different in every county based on the expectation. In Clark County, the number is less than 4 percent for commercial properties. This creates a budget situation for all local governments as well as schools because a portion of that goes to schools. I would like to have it more stable for the long term. It is a large bill, probably 50 pages. Property tax is complicated. It also addresses depreciation. We are the only state that does not have depreciation. We need to be careful how we do that. When you take away depreciation, it affects our senior citizens. This bill has a phase-out process. In 2009, we put a program in place similar to 20 other states that allowed for senior citizens to get a subsidy. They had to apply for it. I would like to reinstate that.

I have worked with many people on most of the bill. The business community understands having stability.

If we are opening the property tax chapter, it makes sense to have this discussion. I have not talked to many people about the last piece. With the abatements in place and the property tax caps we have set at \$3.64 per \$100 of assessed value, many of our rural counties are at the \$3.64, which hampers their survival. The abatement in place also gives them another hammer on whether they recover. My proposal includes an additional 3 cents that each county can implement, with 1 cent allocated for indigent care. Indigent care is a big problem. The rural counties are responsible for the care. We swept their budgets, and they do not have the ability to pay for indigent care. It allows for 1 cent allocated to public safety. Many of the local governments are struggling with the public safety aspect. We are a tourist state, and public safety needs to be a priority. This bill also allows 1 cent for capital improvement projects. Because the abatement has made such a big difference in how counties budget, they do not have the ability to take care of that. All this language is voluntary for the counties to put in place. They have to determine whether to implement the 3 cents and make a case to their constituents on why they want to do so.

Senator Kieckhefer:

How would a business apply to the State Board of Equalization? Would the businesses opt in to the system for their property tax evaluation on the provision where they would have to be assessed on an ongoing basis?

Ms. Kirkpatrick:

Anybody can go before the Board of Equalization, whether the property is residential or business. This would set a parameter. We know the rules as Legislators on what the expectation is as does the business. It would be good for one property tax cycle.

Senator Kieckhefer:

For any year businesses received abatements, would they have to come back the following year and justify additional abatements for the subsequent year?

Ms. Kirkpatrick:

Correct. One hotel in particular was struggling and got a \$13 million abatement. The hotel is still at that minus \$13 million today. The property was never reassessed.

Senator Kieckhefer:

The 8 percent cap is applied and the local governments never regain the ability to capture the revenue from the tax perspective even if the business regains the revenue.

Ms. Kirkpatrick:

Correct. Since we do not know the rules of how businesses play, this would set a parameter in place. We want to help businesses when they are struggling, but many people are doing better. I look forward to getting my bill over here so we can have a real discussion.

Chair Roberson:

We have had the conversation. We may be able to start your bill in the Senate.

Joseph Henchman (Vice President, Legal & State Projects, Tax Foundation):

When we were originally retained by the Las Vegas Metro Chamber of Commerce to conduct our interviews and research to put together the analysis in the book, *Nevada, Simplifying Nevada's Taxes: A Framework for the Future*, and the presentation ([Exhibit E](#)), property tax was not encompassed by it. We originally were going to focus on sales tax and business tax. Property tax is a local revenue source rather than a State revenue source. I decided to change that as we worked through the project because of the volume of comment we got on the property tax system in our meetings with individual people, businesses and taxpayers. Nevada's system has some unique features relative to other states we are more familiar with.

I refer to [Exhibit E](#) page 62. This shows how property tax works in most states. Table 12 is an example of a property with a market value of \$200,000. In most states, the property tax is calculated based on what the property sells for or an assessment that occurs on a routine basis to gauge what it would sell for. This is easier for some properties than for others. For homes, a comparable property in the neighborhood is used. If a property across the street sold that is identical to your house, that sale price is used to calculate the tax. It is more difficult to do an assessment value for a unique property on the Las Vegas Strip. We are looking for what it would sell for on the market. You multiply that by an assessment percentage. In most states, it is 100 percent and in Nevada, it is 35 percent. The taxable value and the market value are the same. You multiply that by a property tax rate. In this example, it is 1 percent property tax that

equals a liability of \$2,000. Subtract any abatements or credits the property might be eligible for, which could be a homeowner's credit, senior citizen credit or a veteran's credit, and that gives you the net property tax liability. In this case it is \$1,500. Divide that by the market value to get the effective tax rate.

There are elements that make Nevada's system very different from other states. One of them is how property is assessed. Rather than using a market value, it is based on replacement cost, which is difficult to conceptualize for many taxpayers. It is subject to debate at an assessment level. There is a depreciation allowance. Nevada is the only state in the Country that has a depreciation factor as part of its property tax.

Page 63 of [Exhibit E](#) shows an example of how this might lead to some strange outcomes. Senator Kieckhefer asked a question, and this analysis done by Ekay Economic Consultants is based on a real-world example.

This shows two homes; one in Reno and one in Sparks. They both sold for \$200,000. They are different homes. Home No. 1 is a larger home on a larger lot. The owners pay dramatically different property taxes. Not only are the property taxes different, they are counterintuitive to what you imagine. You would think if the owners of the houses pay different taxes, even though they are worth the same, the larger home on the larger lot would pay more, but those owners pay less. That is because of the impact of how the replacement cost factors in rather than the market value and the existence of depreciation.

The other component, which is unusual for Nevada, is the ability to use different calculation methods for commercial property. Commercial property owners switch between methods to determine which one gets them the best value. That appeals option is not open to residential property owners.

The property tax funds many things. There is a constitutional cap of \$5 per \$100 of assessed value. There is a statutory cap of \$3.64. The 3 percent and the 8 percent vary depending on the growth rates in different counties. It violates the uniformity clause of the Nevada Constitution to have two different rates. It has been pure luck that no one has challenged it. One of our key recommendations is to not rely on that because property tax is such a cornerstone to local finance and State finance. You need to put it on firm constitutional footing, whether it is at 3 percent or at 8 percent for everyone.

The ratchet effect is one of the unanticipated effects we have seen in the property tax code. During the boom, property values and property assessments were going up. Then the crash happened and everything came down. Homes were worth much less and the property tax bills dropped. They are starting to slowly recover. We will get back to property values before the crash. When values dropped after the crash, the cap and the abatements dropped too. Now growth can happen at 3 percent per year. Even though values can recover and property tax values will recover in 6 or 7 years, it will take tax collections 20 years to recover. They can grow at 3 percent. Nobody intended for this to happen. It was not a design feature, it was a result of the collective mentality that property values were not going to drop. It was anticipated that this was not to be a problem, but it has proven to be a problem.

Page 66 of [Exhibit E](#) shows the net effect of that problem. Figure 38 shows the total property tax collections in Nevada and the different uses of the revenue. When the Great Recession began, there was a \$1 billion drop in total collections.

Another feature we noticed was the difficulty for ordinary taxpayers to understand how their property tax bills are calculated. Taxpayers need to know what the tax bills will be if they were to build additions to their homes. If the market value changed, how would that affect your tax bill? That undermines certainty and transparency for taxpayers.

We go into details in the book about property tax solutions. Many of the ideas have been discussed in this hearing today. One of the solutions is to move to market value, which is the system used by every other state. We need to move away from the replacement cost method which is hard to conceptualize and hard to calculate. One option to do this is when property sells. From then on it will be calculated on market value and not on the replacement cost method. We would do this for land as opposed to improvements.

Another option is to adjust and reform the caps. Depending on how this is done, it may require a constitutional amendment to fix it.

The third option has to do with the motivation behind the tax cap. It was born out of a desire that people would not be thrown out of their homes because property values were rising so dramatically. Rather than adopt a whole system for all taxpayers, which has created unanticipated problems, the best solution is

to design a program specifically targeted for low-income individuals or elderly people or whatever population you want to make sure this does not affect. That is known as a circuit breaker. Nevada did have a circuit breaker before the property tax caps came in about a decade ago. That would focus the benefit on specific categories rather than complicating the system for everybody. The Lincoln Institute of Land Policy put together a good study on states that have circuit breakers and how they are designed.

Senator Ford:

Are there any State constitutional constraints preventing the implementation of these tax solutions?

Mr. Henschman:

I would have to look deeper at the second one on the caps. That may require a constitutional change. Those caps were put in on a constitutional change. The other options could be done statutorily. It depends on the changes you have in mind.

Senator Kieckhefer:

You indicated the Tax Foundation regularly puts together reports that compare various states. How would you assess the average homeowner's property tax liability in Nevada as compared to other states? Are we a high-tax state or a low-tax state?

Mr. Henschman:

I do not have that in front of me now. My recollection is Nevada is in the middle. I will have to provide you a supplement.

Senator Spearman:

I am looking at the circuit breaker. Can you give me an example of what that looks like?

Mr. Henschman:

The typical circuit breaker in many states is for low-income or elderly people. It is a program to make sure their property tax bills do not exceed a certain percentage of their incomes. It is administered through the income tax code. On the income tax form after the line of income there is a question about the amount of your property tax bill, and income tax departments make sure it does not exceed that. I would have to see how states without an income tax

administer that. Nevada would not be able to do it through the income tax form. That is an administrative difficulty and not a conceptual difficulty.

Jared Walczak (Policy Analyst, Tax Foundation):

I have been told the State would have access to the income data from federal filings. With that information, it would be possible to know the income thresholds if you wanted to attach it to income. Some states rebate this through the income tax code, but Nevada previously did this for senior citizens and rebated it with a check. There are a number of mechanisms you could use. You could do it based on income without an income tax.

Chair Roberson:

Thank you for your patience and thank you for travelling here. Thank you for the great testimony.

Mark R. Vincent (CFO, City of Las Vegas):

There has been much testimony today. Nevada does have a unique property tax system. The abatements are unique and the depreciation is unique. The abatements did what they were designed to do. The combination of this and the economic events during the Great Recession has made this system ineffective.

Slide 2 of my presentation ([Exhibit F](#)) shows what used to be a predictable, stable revenue stream is now difficult to predict. You cannot take the tax rate, apply it to valuation and determine your tax revenues. You could do that prior to abatements. You cannot do that today. You have to wait for the treasurer to do that calculation based upon thresholds. Even with the depreciation on replacement cost coupled with the abatements, tax revenues are not reflective of what is going on in the economy and the economic value of the property.

Slide 3 shows one of three areas of concern. One is partial tax abatements. Depreciation of improvements to real property is another issue. As shown in the comparison from Ekay Economic Consultants, if you spend \$200,000 on a home that is 50 years old, your tax bill will be 50 percent less than a new home for the same price. You will pay a lower tax rate despite the market value being equal. You have heard testimony about the State Board of Equalization appeals on the income approach. The ratcheting down of the caps coupled with the appeals has created some unusual situations for Nevada.

I appreciate the testimony from the Tax Foundation. It is true that the State does not directly benefit from many of the tax revenues. The school district is the biggest benefactor of property taxes, both on the debt side and the operating side.

Slide 4 of [Exhibit F](#) prepared for us by Applied Analysis shows what we have lost in abatements since FY 2007. In FY 2015, the City of Las Vegas stands to lose close to \$15 million in property tax revenues. In cumulative through FY 2016, we expect to lose over \$200 million in property tax revenue. Some of that was abated on the way up, but we are seeing growth in abatements today.

Slide 5 is specific to Clark County. It shows the first year we implemented the caps. With the bifurcated cap issue of 3 percent or 8 percent, everyone thinks the 8 percent is the cap on single-family, owner-occupied residence. It is not. It is the lesser of 8 percent or this formula. In FY 2006, the 10-year growth rate was 12.6 percent, the two times CPI was 5.4 percent, and the cap was the lesser of 8 percent versus the 10-year average. That worked fine until 2011 when we had the effects of property values lagging behind other economic indicators such as sales tax and sales and use tax. We started to feel the pinch of the drop in property values in FY 2010, FY 2011 and FY 2012. Starting in FY 2012, the significant negative property valuation with the bubble burst drove us down to FY 2015 where the two times CPI was greater than the 10-year average and the 3 percent two times CPI was less than 8 percent. We are in FY 2015, and we will see it again in FY 2016, where the commercial and residential caps will both be at 3 percent. We are looking at a 3 percent growth rate now.

Slide 6 shows a stacked bar chart. The green bars are tax collections and the red piece on top is the portion of the tax abated as a result of the caps. When we were experiencing 20 percent growth rates in assessed value and the basic tax, the abatement kicked in. Even with the abatement, we were seeing growth rates in excess of 8 percent because of the economy during that time. The bubble burst and we had the drop from the peak \$134.7 million in revenue collected in FY 2009 down to FY 2013 with just over \$89 million of revenue collected. That drop was an annual percentage rate decrease of just under 10 percent per year. Now we are seeing some recovery but have set a new low. The caps do not reset and property values do not reset on sale. From

FY 2013 to FY 2016, the growth rate of collected revenues is going to be in the neighborhood of 2 percent to 3 percent on an annual basis.

During FY 2009 to FY 2016—even though our revenues are down from the peak over \$40 million in property tax revenues—revenues are still down 30 percent from the peak of collections, not the peak of what was assessed. During that time we added more population, more miles of lanes, more acres of parks, more square footage of facilities, and yet the revenue is not there to support the services we provide to the citizens.

Slide 7 of [Exhibit F](#) shows depreciation in improvements is unique. It was originally 2 percent and was reduced to 1.5 percent. It is unique to Nevada. The issue is that you have to grow now with the 3 percent caps. Values need to grow at 3.5 percent just to net 0.5 percent because of the depreciation on the improvement piece. The improvements to real estate are valued at replacement cost, which is also unique.

The caps work on the way up; they do not work on the way down. During the recession, income method appeals were granted. Those established a lower tax rate and that is where they sit—at the 3 percent cap. That is an issue.

Slide 8 shows revenues in the State for all the counties and cities in Nevada. This came from the Department of Taxation from the consolidated Annual Report for all local government activities. The activities are all the things that local governments do other than enterprise funds for sewer and water. In both counties and cities in FY 2014 the revenues per capita are down significantly from FY 2010. The property tax revenue is one of our important revenues. It is the second-largest revenue stream in the State behind sales and use tax.

Senator Kieckhefer:

I want to make sure I understand the chart on slide 4. Was the total value of all the abatements between FY 2007 and FY 2015 over \$5 billion?

Mr. Vincent:

Yes. We formed a financial working group committee. We engaged financial people from throughout the State for all the local governments and school districts, and we collected some data from all the assessors throughout the counties. This is the data on the actual effect of the abated taxes, cumulative since 2007. You would have to go back to FY 2006 to get it from inception.

Senator Kieckhefer:

This captures the period of the Great Recession. I understand property taxes are a very important component of our tax structure; this chart indicates it put \$5 billion worth of our constituents' money in their own pockets during the Great Recession. We need to be cognizant of two sides of the same coin.

Chair Roberson:

Excellent point, Senator Kieckhefer.

Yolanda King (CFO, Clark County):

I want to give you an overview of the abatements for Clark County as a whole, which includes all the cities in unincorporated Clark County.

Page 2 of my presentation on Clark County property taxes ([Exhibit G](#)) shows, as mentioned here a few times, how assessed valuation works. Before the tax abatements, the calculation of property tax revenues that local governments receive was easy since you would take your assessed valuation and property tax rate at that time and calculate that per \$100 of assessed valuation. It was easy before the abatements for governments to determine what property tax revenues they were going to generate when building their budgets. The assessed valuation was also a good indicator. If the assessed valuation grew by 3 percent, 4 percent or 5 percent, there was an equal amount of property tax revenue and you somewhat knew your property tax revenue growth by the assessed valuation approach.

This chart shows the assessed valuation for all of Clark County. It goes back to FY 2005 and gives you an idea of assessed valuation in that year. It was at \$50 billion. In FY 2009 with the boom, it was at \$112 billion. In FY 2015 we are at \$63 billion. Today, \$63 billion is equivalent to the assessed valuation at FY 2006. Another important factor is the FY 2015 assessed valuation increase to 14 percent. Before tax abatements, you could calculate property tax revenue to a local government and what that increase would mean. Because of the property tax abatements, this 14 percent does not equate to the same amount of an increase in property tax revenue received by the local governments.

Page 3 of [Exhibit G](#) looks at the Clark County General Fund property tax revenues that have been collected beginning in FY 2005. The increase between FY 2014 and FY 2015 was only 4.2 percent, not necessarily the 14 percent we

saw on the previous slide because of assessed valuation. The reason we are not seeing the equivalent increase is because of property tax abatements.

Page 4 of [Exhibit G](#) shows the percentage of parcels receiving abatements and what the abatements look like in contrast to the parcels. In Clark County, we have an estimated 730,000 parcels. The blue part of the chart shows the total number of parcels in Clark County. The green bar shows the percentage of the 700,000-plus properties in abatement. In FY 2006, 81 percent of those properties were in abatement. During the Great Recession in FY 2011, the number of abated properties significantly declined because assessed valuations declined. Of the properties, 3 percent were abated. In FY 2015 as the values increase, it will push more properties to abatement with 85 percent of the 730,000 total parcels in abatement. A preliminary estimate for FY 2016 shows that number will be 92 percent of total parcels in abatement.

Page 5 shows the percentage variation of properties in tax abatements. If you look at FY 2006, the green bar shows that 41 percent of all the properties in abatement are represented by residential properties and 59 percent are represented by commercial properties. When you look at FY 2011, you can see how it fluctuates. At that time, 4 percent of the properties were residential and 96 percent commercial. In FY 2015, the chart shows 34 percent are residential and 66 percent are commercial properties.

The red percentage numbers on the right side of the chart are the commercial caps referred to by Ms. Rubald and Mr. Vincent. This is the same information they presented on their slides. It shows starting in FY 2006, the commercial property tax cap was 8 percent. In FY 2012, you can see the decline from 8 percent down to 6.3 percent. In FY 2015, the property tax cap for commercial properties is the same as the residential caps, which is 3 percent.

Page 6 of [Exhibit G](#) has property tax collections by entity in Clark County. Mr. Vincent showed a similar slide. It is important to note that of the \$1.4 billion in taxes, 42.8 percent was remitted to Clark County School District. In second place are unincorporated Clark County towns and fire service districts. This page illustrates the great deal of property tax revenue collected—over 40 percent—goes to the Clark County School District.

Page 7 shows the property tax abatements for the entities in Clark County. In FY 2014, the total amount was \$109 million. Many of those abatements are

with the Clark County School District as well as Clark County towns and fire service districts.

Page 8 shows the breakdown for the number of parcels and the amount of monies they are receiving in property tax abatements. In FY 2014, the tax abatement totaled \$109 million. The residential abatements accounted for \$22.3 million of the \$109 million in abatements or 20.4 percent of the total abatements. The middle column breaks down the number of residential parcels receiving an abatement of \$20 or less, \$100 or less, or \$200 or less or more.

Page 9 shows commercial property abatements and the total amount of \$109 million. Commercial abatements accounted for \$86.8 million, or 80 percent of the total abatements. There are a total of 79 commercial properties valued at greater than \$100,000. Of the 79 properties, they are receiving \$48.2 million in abatements or 55.5 percent of the total amount of the commercial abatements. Less than 1 percent of the property owners are receiving a majority of the property tax abatements in Clark County.

Page 10 of [Exhibit G](#) gives you an idea of some of the issues with property tax abatements. Because of the abatements, the amount Clark County might receive from those property tax abatements is less than what it could be if the property tax abatements were not in effect.

If we increased our countywide property tax rate by 1 cent and included the abatements, it would generate \$747,000. When there is an increase in property tax rates, it will push more properties into abatement. The amount of money local governments may generate will decrease as a result of increasing our property taxes. If we applied a countywide property tax and did not include the abatements, it would generate \$6.3 million as opposed to the \$747,000, which includes the abatements.

These are some of the issues that local governments deal with. It is not a matter of increasing our property tax rates with the assumption of generating additional revenue; it is because of the abatements that we would not collect as much money as anticipated.

Page 11 of [Exhibit G](#) reiterates some of the problems. Property tax is no longer a stable source of revenue for local government. Before property tax abatements, property tax was our main revenue generator—close to

40 percent—for the General Fund. Because of tax abatements, it is now 32 percent of what we collect for the General Fund. We are limited by recovery due to the impacts of the abatements. We are restricted in the property taxes we can levy because of the property tax caps.

Senator Kieckhefer:

I am taken aback by the statistics on Page 9 of [Exhibit G](#) that 79 properties are accounting for 55 percent of the total commercial abatements. That is \$109 million in residential and commercial abatements. Is that right?

Ms. King:

Yes.

Senator Kieckhefer:

There are 79 properties accounting for \$48.2 million of that?

Ms. King:

Yes.

Senator Kieckhefer:

Do you know if all those properties have gone through the equalization process where the Board of Equalization looks at income?

Ms. King:

My guess is yes. I am not sure how many of those properties have. I am sure they have at some point in time—maybe not recently, but before the Great Recession started.

Senator Kieckhefer:

My point is that these abatements may have been in place for 6 years. This limited number of properties has been captured in a large portion of the abatements over a long period of time.

Ms. King:

Yes. The property tax caps are applied to the lower level and stay there. If you do not get that level reset, then it remains at the lower value.

Senator Kieckhefer:

If it is easily accessible to you, could you provide assessor parcel numbers for those 79 properties and when the original abatements were put in place?

Ms. King:

Absolutely.

Senator Spearman:

Do you know what business category they fall in? Are those small or emerging businesses or are they established?

Ms. King:

These are for established businesses. The category includes larger retail centers, hotels or resorts. There are a few properties of vacant land.

Senator Spearman:

If you have a list, I would like it.

Dagny Stapleton (Nevada Association of Counties):

The overview by previous presenters covers issues shared by all of Nevada's counties and local governments. The caps and the inability of property tax revenue to recover, depreciation and how property is assessed are all mechanisms common to Nevada's counties. Since FY 2010, property tax revenue at the county level has declined. County revenues per capita have declined 17 percent between FY 2010 and FY 2014 for the entire State. Expenditures have declined and county services have been cut. County expenditures per capita on culture and recreation have decreased by 30 percent. County expenditures per capita on welfare services have decreased 19 percent.

Jeff Page (County Manager, Lyon County):

I want to reiterate that this is a statewide issue. Washoe County, Clark County and the rural areas have had their share of difficulties. In FY 2011, a number of things happened besides dealing with the abatements. Rural Nevada took on a number of services for the State. Our bill was up \$1.3 million. Coupled with the abatements and the economy going in the tank, we are now trying to get out of that without funding in place to provide services for our constituents.

In FY 2013, I went to our conservative County Board of Commissioners. I asked them to take the tax rate to the cap of 6.43 cents. That raised our general fund

revenue less than 0.05 percent. Without the abatements, it would be \$750,000. The difficulty we are facing now is the inability of the revenues to move up. We are a county with 2,100 square miles and eight different communities—mainly residential. We are the bedroom communities of Reno, Carson City and Fallon. As Tesla starts to go and we see other things move into the Tahoe-Reno Industrial Center, we anticipate more housing. That is a good thing in the long run, but it does not fix our problem in the short term.

If Senator Settelmeyer's new bill of 3 percent up or 3 percent down was in effect, that would be a big hurdle. Financially, we are not comfortable saying we are out of the Great Recession. If things turn bad again, we will not be able to recover. We do not want to end up being the county that the Department of Taxation takes over to pay our bills. Our concern is valid. Other counties have mining and industrial. We are in the beginning phase of that kind of new growth, and it is a 10-year to 15-year buildout for us.

Chair Roberson:

Could you clarify what you said about the 3 percent on both ends?

Mr. Page:

It would be fantastic.

Chair Roberson:

You would be supportive of that.

Mr. Page:

Very much supportive. In FY 2011 when we started to pay for the services as well as what was going on with abatements, we eliminated 30 percent of our workforce in 3 years. If we had the 3 percent cap going down, we would have been able to keep some of those people. We could have reorganized and provided the services better than we are now. I have to take 117 miles off the maintained road list in the budget because I do not have the staff to maintain it.

Ray Fierro (Chair, Board of Commissioners, Lyon County):

In Lyon County, we raised property taxes. That did not equate to raising property taxes. I live in a modest home and my taxes went down. One of the theories with the market economy is a hands-off government when dealing with economics. If you put controls on an economy, such as a tax cap, and you put in a ceiling and not a floor, that does not work. I reiterate what my County

Manager said. Senator Settelmeyer has a good plan. If you have a tax ceiling, you should have a tax floor. I hope you consider that in your decision.

Senator Spearman:

Tell me the implications for Tesla coming—positive and negative.

Mr. Page:

We are blessed in Lyon County because we have mining activities starting to take off. We do not anticipate seeing any revenue increases for at least 5 years.

My concern with Tesla is the majority of that population will be in Fernley, which is east of Storey County. It is the largest city in Lyon County with a population of 18,000. The population will move south to Silver Springs and Dayton. The problem is with rooftops. It takes a while for these houses to start paying for themselves. We hope that along with the number of houses coming, we will see some commercial growth. The problem with Lyon County is we are situated close enough to the Reno-Sparks area that the majority of the people work in Reno, Sparks and Carson City, and they do their shopping there. We do not see a rapid growth of commercial development because people are further away from the urban area. In southern Nevada terms, it would be as if you had a large population move to Pahrump and the people all work in Las Vegas. The big box stores do not come in and pay the taxes and fees. Eventually, more commercial growth will come. It takes longer to get to Lyon County than it does in the counties further east.

Wes Henderson (Executive Director, Nevada League of Cities and Municipalities):

I do not have much to add to the conversation. You have heard the facts and figures. I want to thank you for having this hearing and starting the discussion. We stand ready to assist this Committee with the process.

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Chair Roberson:

This is an important topic. We will hear bills this week related to property taxes.
The meeting is adjourned at 6:35 p.m.

RESPECTFULLY SUBMITTED:

Gayle Rankin,
Committee Secretary

APPROVED BY:

Senator Michael Roberson, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	1		Agenda
	B	2		Attendance Roster
	C	25	Terry Rubald	Property Tax - Part II
	D	1	Department of Taxation	Property Tax Abatement Report
	E		Tax Foundation	Nevada, Simplifying Nevada's Taxes: A Framework for the Future
	F	9	Mark R. Vincent	Testimony: Abatements
	G	11	Yolanda King	Clark County Property Taxes