

**MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON TAXATION**

**Seventy-Ninth Session  
May 4, 2017**

The Committee on Taxation was called to order by Chair Dina Neal at 4:07 p.m. on Thursday, May 4, 2017, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.leg.state.nv.us/App/NELIS/REL/79th2017](http://www.leg.state.nv.us/App/NELIS/REL/79th2017).

**COMMITTEE MEMBERS PRESENT:**

Assemblywoman Dina Neal, Chair  
Assemblywoman Irene Bustamante Adams, Vice Chair  
Assemblywoman Teresa Benitez-Thompson  
Assemblywoman Lesley E. Cohen  
Assemblyman Edgar Flores  
Assemblyman Al Kramer  
Assemblyman Jim Marchant  
Assemblyman Keith Pickard  
Assemblywoman Ellen B. Spiegel

**COMMITTEE MEMBERS ABSENT:**

Assemblyman Paul Anderson (excused)  
Assemblyman Jason Frierson (excused)

**GUEST LEGISLATORS PRESENT:**

Senator Ben Kieckhefer, Senate District No. 16

**STAFF MEMBERS PRESENT:**

Russell Guindon, Principal Deputy Fiscal Analyst  
Michael Nakamoto, Deputy Fiscal Analyst  
Gina Hall, Committee Secretary  
Olivia Lloyd, Committee Assistant



**OTHERS PRESENT:**

Claudia Andersen, Chief Executive Officer, Parasol Tahoe Community Foundation  
David A. Dawley, Assessor, Assessor's Office, Carson City; and representing  
Nevada Assessors' Association  
Cori Burke, Chief Deputy Assessor, Assessor's Office, Washoe County  
Debbie Sheltra, Private Citizen, Washoe Valley, Nevada  
Mary Anne Healy, Private Citizen, Washoe Valley, Nevada  
Jamie Rodriguez, Management Analyst, Government Affairs, Office of the  
County Manager, Washoe County  
Cheryl Blomstrom, Interim President, Nevada Taxpayers Association

**Chair Neal:**

[Roll was taken and Committee rules and protocol were reviewed.] We are going to hear the bills in order today. Senator Kieckhefer will be presenting both bills. I will open the hearing on Senate Bill 85.

**Senate Bill 85: Exempts certain property from taxation. (BDR 32-272)**

**Senator Ben Kieckhefer, Senate District No. 16:**

Before you today is Senate Bill 85, the first of two bills I will be presenting to you, that are not trying to solve the world's problems, but are trying to solve some very specific problems for a limited number of people.

Senate Bill 85 is two pages and it adds the Parasol Tahoe Community Foundation to the list of entities in our statute that are exempt from taxation under Chapter 361 of *Nevada Revised Statutes* (NRS). In section 1, subsection 1, paragraphs (a) and (b), there is a list already in place. This bill adds paragraph (c), to include the Parasol Tahoe Community Foundation.

The Foundation itself is already a tax exempt entity. The question obviously becomes why add something to statute that is already tax exempt. I think the answer is twofold. About six years ago the Washoe County Assessor decided to reinterpret some statute that led to the Assessor sending a \$60,000 tax bill to the Parasol Tahoe Community Foundation. The Foundation then had to use its resources to fight and argue—ultimately prevailing—against the bill, but it encumbered and expended some of those resources unnecessarily, resources that could have been used for the mission of the nonprofit. We are trying to avoid situations like that in the future by providing clarity under the law.

Equally important is the fact that as a community foundation it will accumulate property over time and its mission is then to divest of that property and use the resources for the intended purposes of the Foundation; however, there may be instances in the future that would lend the wise minds of the Foundation to want to hold on to that property for a brief time to ensure

the market conditions are optimal for the divestiture of that property and to get the greatest return based on the donors. We want to be sure they do not get taxed on that property while it is being held, awaiting market conditions that are favorable for the sale.

Those are the two reasons that it is appropriate to put them in statute, to make sure that clarity is in place. Claudia Andersen is here with me today. She is the Chief Executive Officer of the Parasol Tahoe Community Foundation. She can tell you more about what they do and why this bill is important to them.

**Claudia Andersen, Chief Executive Officer, Parasol Tahoe Community Foundation:**

To give you some background, as Senator Kieckhefer mentioned, we are a public charity. We have been around since 1996. We are coming up on our twenty-first anniversary. In that time frame we have given away almost \$58 million to over 700 nonprofit organizations. Our mission is to build prosperity through leadership, partnership, and philanthropy. We are basically a charitable bank. We have donors who give us money. We aggregate those charitable dollars and grant those dollars out in various areas—education, social services, environment, the arts, and community support. We are unique in that we run some different kinds of grant programs, aside from the actual cash money grants that we give. We ran an AmeriCorps program for 15 years, which allowed young enthusiastic graduates from college to go into various public charities and provide direct service. After 15 years of doing that program, the nonprofits were sustainable and could actually hire staff. That is a unique way to make grants.

Another unique program we have is the Donald W. Reynolds Community Non-Profit Center, which is a grant program as well. We have office space, storage space, and meeting rooms we grant out to nonprofits. Imagine, if you will, someone paid your mortgage. When they go to raise money, all the money they raise goes directly to people and programs. It is an operational overhead type of grant program. It is a 32,000 square foot building in Incline Village, and this is the property we were assessed taxes on. When that happened, we did not have the funds to grant out for those programs. As Senator Kieckhefer mentioned, we are a community foundation. We can take various kinds of complex gifts from donors that we then can turn into charitable dollars. Sometimes the market does not want you to make a play at a certain time so we wait until we have the optimal conditions. That is the reason we are here today, to give us clarity and surety of our tax exemption ([Exhibit C](#)).

**Senator Kieckhefer:**

For the record, letters of support have been submitted from some of the charitable organizations that participate in the Donald W. Reynolds Community Non-Profit Center, who are some of the beneficiaries of the good works done by Ms. Andersen and the Parasol Tahoe Community Foundation [([Exhibit D](#)), ([Exhibit E](#)), ([Exhibit F](#)), and ([Exhibit G](#))]. I am happy to answer any questions you may have.

**Assemblyman Pickard:**

I think this bill makes a lot of sense. My understanding was that under statute, all 501(c)(3) organizations are tax-exempt for all purposes. I generally try to stay away from naming individual organizations in statute because if we were to try to put all 501(c)(3) organizations in statute, I do not think we would have enough paper to print that on.

My initial question was going to be, could we write this in a different way to capture all that? However, obviously, that is not being interpreted. I understand the intent. I understand what we are trying to do here—to make sure this group is protected—but would it be appropriate to add language to say, "and any other 501(c)(3) organization"? Have you explored that and is there a reason not to? I just wonder what your experience has been.

**Senator Kieckhefer:**

Generally I think the statute itself—NRS 361.110—has been described by people to me as the "gold standard," and being included in that list in statute is something that has been reserved traditionally for instances where there have been identifiable problems that have resulted in the need for it. A lot of historical organizations are included in section 1, subsection 1, paragraph (a) of the bill—Young Women's Christian Association, Girl Scouts of America, Nevada Museum of Art, Inc., Boulder City Museum and Historical Association, et cetera. I would also note that in section 1, subsection 1, paragraph (b), the Thunderbird Lodge Preservation Society is included as a result of a bill I sponsored in 2013 [Senate Bill 281 of the 77th Session]. They were also having issues with getting assessed, having to pay, and then applying for a refund. I understand the idea of making it exceptionally broad, but the intent of the bill is to try to address the specific problem.

**Assemblyman Pickard:**

Why do we sunset this?

**Senator Kieckhefer:**

The organizations listed in section 1, subsection 1, paragraph (a) do not have a sunset. Those in paragraph (b) and the proposed language in paragraph (c) do. That is due to the constitutional amendment passed by the voters in 2008 allowing for the exemption of taxation from certain property, that requires that it end at a certain date [Article 10, Section 6, Subsection (2), Subparagraph (b) of the *Nevada Constitution*].

**Assemblyman Kramer:**

I would like to point out that Dave Dawley, the Carson City Assessor, is here and could probably comment on the tax exemption of nonprofits, if we wanted to call him up.

**Chair Neal:**

Are there any additional questions?

**Assemblywoman Cohen:**

Do you know if there are other charities attempting to get on this list right now?

**Senator Kieckhefer:**

I have not had additional specific requests from other organizations and cannot answer whether anyone has reached out to other legislators. The Parasol Tahoe Community Foundation is in my district. I have worked with members of their board during my time in public service. They reached out to me asking for this.

**Assemblywoman Spiegel:**

Is there an appeals process if there is an interpretation that an organization does not meet the criteria?

**Senator Kieckhefer:**

Yes. I know the Parasol Tahoe Community Foundation went through that process when they received their bill, as did the Thunderbird Lodge Preservation Society. They had to do it on an annual basis, as they were assessed. They would appeal through the State Board of Equalization within the Department of Taxation. It is not that the process does not always work or pan out, but in the amount of time it takes, that funding is encumbered. There are legal fees and other costs to the nonprofit eating away at their ability to fulfill their mission because their resources are being used elsewhere—tying up resources that could be used to meet their mission because they are currently undeposited with accounting.

**Chair Neal:**

In your statement you were talking about marketable conditions for selling of the property. Is that an actual reason for exemption?

**Senator Kieckhefer:**

I believe that it is. The purpose of the donation itself is charitable. A piece of property would be donated to the Foundation because of the intent of the donor to make a charitable contribution. I think maximizing the value of that contribution is a legitimate purpose to hold on to property by the Foundation itself. In the end, the increased value of that property over time is not going to benefit the Foundation. It will benefit the recipients of the charitable work of the organization. Holding that property without making them susceptible to a tax for holding it seems entirely legitimate to me because the end beneficiaries are going to be the charitable recipients.

**Chair Neal:**

Before we go into support of the bill, I would ask that Mr. Dawley come to the table to answer a question from Assemblyman Kramer.

**Assemblyman Kramer:**

There are rules on the assessment of nonprofits for purposes of property taxes. I think part of those have to do with whether they are income producing properties and whether they are in a sense used for the purpose of a nonprofit. Can you go into some of that and just explain it?

**David A. Dawley, Assessor, Assessor's Office, Carson City; and representing Nevada Assessors' Association:**

There are specific statutes that say that if you are looking for a tax exemption you are required to complete the application during a certain time period. Not all 501(c)(3) organizations are actually exempt from taxation because a lot of them may have

dues paying members. They are not all grant-given nor do they receive all of their funding through grants. They do not actually do all charitable work so they would not be eligible for a property tax exemption. Therefore, we really do not want to try to put all 501(c)(3) organizations into this statute. As Assemblyman Kramer stated, there are certain exemptions. If they own real property and they actually lease it out, then that property itself is not going to be exempt because the current statute says if it is made available to an entity then it is taxable. It would then become taxable. There are a lot of provisions and I think you would have to change a lot of laws in order to reflect all 501(c)(3) organizations to be exempt.

**Chair Neal:**

I will now take testimony from anyone in support of S.B. 85. [There was no one.] I will now take testimony from anyone in opposition to S.B. 85. [There was no one]. I will now take testimony from anyone neutral on S.B. 85. [There was no one]. Does the bill sponsor have any closing remarks? [He indicated he did not.] I will close the hearing on S.B. 85 and open the hearing on Senate Bill 352 (1st Reprint).

**Senate Bill 352 (1st Reprint): Revises provisions governing the taxation of property rebuilt after an event proclaimed an emergency or disaster by the Governor. (BDR 32-929)**

**Senator Ben Kieckhefer, Senate District No. 16:**

I am here to present Senate Bill 352 (1st Reprint). Assemblywoman Lisa Krasner is also with me today. I had intended to get her name on the top of this bill during our amendment process in the Senate. It came out the last day of deadline, and I could not send it back for another re-do. I apologize for that. She is here in support of the legislation as well, since the legislation before you was inspired by some of our mutual constituents.

Senate Bill 325 (1st Reprint) is designed to help homeowners who have been affected by a natural disaster—such as a flood, fire, earthquake, mudslide, or the rare volcanic eruption. This has been a significant problem in my district. The Washoe Drive Fire destroyed 29 homes in Pleasant Valley in 2012. While we were here, in the 30th Special Session last fall, most of us recall the fire that destroyed close to two dozen homes in Washoe Valley [Little Valley Fire]. Losing your home is an incredible moment in any family's life. I have some personal experience in this arena. My in-laws lost their home to a fire about four years ago, and losing everything you own is an incredibly difficult time. This bill is an attempt to recognize that oftentimes when there are moments of natural disaster or emergency, that a family is given some recognition by our property taxes that they should not only feel the loss of what they had but also an increase in their property tax liability.

The bill before you is simple in concept. It is designed to maintain a person's property tax liability at their preloss value, after they rebuild under most circumstances. It is, however, somewhat complex in its language. I know, Madam Chair, you have a fine pencil when it

comes to the language of the bill, as does your Committee. Hopefully, I will be able to answer any questions you may have. If not, I have worked closely with Mr. Guindon in getting this drafted.

The bill itself, in section 1, makes the legislative declarations that are appropriate for providing some relief to people who suffered an emergency based on a natural disaster or declared emergency. Section 2.3 of the bill outlines the effective date—ultimately before, on, or after July 1, 2017—if an individual loses a single-family residence due to a flood, fire, earthquake, or other event for which a state of emergency or declaration of disaster was proclaimed by the Governor pursuant to *Nevada Revised Statutes* (NRS) 414.070—those individuals may apply for an exemption of a portion of their assessed value.

The qualifications for that exemption are outlined in section 2.3, subsection 2: in paragraph (a), the single-family residence must have been owner occupied; in paragraph (b), it indicates that the single-family residence must have been lost due to the emergency or disaster directly; and in paragraph (b), subparagraph (2), it must have been rebuilt on the same parcel of property. Paragraph (c) applies to the original owner. The property cannot have been sold or transferred in a manner that would have required the payment of real property transfer tax under Chapter 375 of NRS. It also would have had to have been rebuilt within three years, or at least have a permit pulled for the reconstruction within three years of the disaster. In paragraph (d)—and this was news to me, that some counties do not require permits for construction—if it does not require a permit, then construction must have commenced within three years. It also allows for an application for an extension. The final qualification is in paragraph (e)—the floor area of the replaced home must not exceed 110 percent of the floor area of the home that was lost. Those are the qualifications for applying for the exemption.

The exemption from the assessed value calculation itself is outlined in section 2.3, subsection 3. Subsections 4 and 5 give you some timelines for when that application must be in to the county assessor, and when the exemption would take effect based on those application timelines. In a fiscal year, if you apply before June 15, you could receive an exemption for the following fiscal year that starts 16 days later. If you apply after June 15, it would be the year afterwards. It is a mechanism to give the county assessors time to do the findings and make sure the property is eligible.

Section 2.3, subsection 6 outlines what happens when a property that has received this exemption gets sold. The bill is designed to help people who suffered the loss. The exemption itself, and the benefit of that exemption, should not carry on to a property owner after the property is transferred. Subsection 6 indicates that the exemption of the assessed value is then reset upon the sale of the property in a manner that triggers payment of real property transfer tax under Chapter 375 of NRS. There are a couple definitions in subsection 7, and that wraps up section 2.3 of the bill.

Section 2.7 outlines the base year for calculating partial abatements. There are a couple of concepts. We have the exemption from the assessed value, in all the sections I just referenced, and then the calculation of partial abatements in section 2.7. Section 2.7 indicates that when a partial abatement is applied to a property that is rebuilt following a natural disaster, that the partial abatement is applied based on the value of the home at the time it was destroyed, on the assessed value of that home at the time it was destroyed, and the property tax bill of that home at the time that it was destroyed. The intent there is to ensure a partial abatement does not apply to a piece of property that is ultimately wiped out and does not have any value put on it because there is nothing on it at the time. That would be a significant loss of revenue to the local government and would provide people with an artificially low property tax bill. Again, it is designed to maintain somebody's property tax bill from when they lost their home to after it gets rebuilt. There is no substantial change. It would still be eligible for the 3 percent increase. Section 2.7, subsection 1, sets the baseline year. Subsection 2 does what we did in the previous section with the exemption, in terms of resetting it upon resale—since we are able to find an executive legislative declaration that this is an extraordinary circumstance. The rest of the language is conforming. Hopefully I did not take a simple concept of trying to help people and make it too muddy.

**Assemblyman Kramer:**

I am concerned with section 2.7, subsection 2, where you talk about the reset on sale. Would this mean if I had a home that was burned down, I rebuild that home, and five years later I sell that house, it would go to a depreciation based on when the house was actually rebuilt rather than when the first house was built? Is that correct?

**Senator Kieckhefer:**

The abatement in subsection 2 of section 2.7 resets to sort of its natural course. If there was a property that was destroyed by a wildland fire, and the home gets rebuilt by the original owner of the house that was destroyed, that original owner gets to have the property tax cap abatement applied to that property based on the most recent year prior to the destruction of the property. If five years later they sell that property, it will trigger a reset of the assessed value back to its natural place, so the owner would only get five years worth of depreciation on the property and any abatement under the property tax cap would be calculated based on that moment of reconstruction, as if it were new. Everything resets back to its natural course in time as if the property were built fresh and provisions of sections 1 and 2.3 do not apply.

**Assemblyman Kramer:**

Are you going through and having the county assessor reset the abated amount value down to where the prior depreciation goes away, based on when the property was rebuilt, thus the value would go up, and for that year it would be significantly more than the 3 percent maximum normally allowed with our abatement laws for the new owner?

**Senator Kieckhefer:**

Correct. The idea is to make sure there is no harm to local governments. Local governments are kept whole based on what happened before the disaster. We are not harming individuals who are going through ultimately one of the most tragic events of their lives.

**Assemblyman Pickard:**

Regarding the establishment of the assessment on the rebuilt home, having been a former builder, I know we can build to many different standards which affects the value and ultimately the assessed value. If we are talking about someone who essentially built what I would call a shack—a place they could throw their stuff and spend the night—it burns down, and they go in and build a fully functional home, we go from \$100 per square foot construction cost up to \$200 to \$400 per square foot construction. Do they go back to the \$100 per square foot value that is then assessed?

**Senator Kieckhefer:**

It has been a subject of significant discussion as to how this gets calculated. How it is calculated is outlined in subsection 3 of section 2.3. The exemption on the assessed value is calculated by taking the full assessed value the assessor would apply to the property based on existing laws—total land value, replacement cost, the usual calculation—then applying the depreciation factor that would have been in place had the other home not burned down. The higher elevated replacement cost is maintained in the assessed value calculation and the depreciation factor is what gets exempt.

**Assemblyman Pickard:**

I did read it that way. I was just thinking the depreciation on the less expensive home would actually be less than if it had been built to the higher standard in the first place. I am not hung up on this. If it is a minor windfall for a short period of time, I am not particularly concerned about it. I was just wanting some clarity on the intent. As I understand section 2.3, subsection 3, we are giving them the depreciation that they had on the prior property so they start out as if that same structure had continued past the disaster. Is that correct?

**Senator Kieckhefer:**

We are giving them the depreciation from the old property, but it is applied to what would be a higher assessed value based on the replacement cost.

**Assemblyman Pickard:**

Thank you. That helps me understand. In section 2.3, subsection 6, when we say "sold or transferred," we have been talking about sale. If we look at paragraph (b) in subsection 6, it talks about the sale of the single-family home. I am thinking in terms of living in southern Nevada. Say that I have a home up here as a vacation home; it burns down and we rebuild it. I am not going to be alive forever. I would want my family to have it.

We are going to transfer that to my children. Is that the kind of transfer we are contemplating here? It is staying in the family but does it then reset or do the children or the family members benefit from this as well? You commented that we want to make sure that the family reaps the benefit of this.

**Senator Kieckhefer:**

This has also been the subject of significant debate. We hang the reset upon a transfer that would trigger the payment of real property transfer tax. If you look under NRS 375.090, it lists out a series of exemptions for which real property transfer tax would not apply. Any transfer that would be listed within that series of exemptions would not lead to a reset of the property based on this bill. Transferring in a trust, for example, is listed in that. I believe an inheritance is also listed in that. There are 13 exemptions. Each of those exemptions would allow the exemption and abatement to continue after the transfer.

**Assemblywoman Benitez-Thompson:**

I want to start with something more basic. Tell me what the status quo is, what happens now, and what the experiences have been.

**Senator Kieckhefer:**

For anyone's constituents who have lost a single-family home that they have occupied—it gets burned down, they rebuild, the assessor comes out and reassesses the property as new construction, that would then trigger the loss of any depreciation that property would have had on it at the time it was lost. People will see a significant increase in their property tax bill based on the loss of that depreciation, as well as any increase in the value of the property replacement costs—things like that. That would be true for my constituents in Washoe Valley, for the homes that are going to have to be torn down in Lemmon Valley because of the flood—for any property lost under a natural disaster or emergency, as declared by the Governor under NRS 414.070—would then be eligible for this, to protect them from seeing that spike in property tax.

**Assemblywoman Benitez-Thompson:**

Whether the house is a complete loss or a partial loss, whether you have a completely new house or you have part of the house that has been rebuilt, is it considered a new build under statute?

**Senator Kieckhefer:**

Correct, and there are different calculations for a partial abatement. I would defer to Mr. Dawley as the expert in how they manage that assessment. Yes, it would apply to a partial or a complete abatement.

**Assemblywoman Benitez-Thompson:**

I am looking at the period of time we would be looking at. In section 2.3, subsection 1, it says on or before July 1, 2017. Further down in the section, you talk about a permit issued within three years, plus a three-year exemption, so we are really looking at a period of time from 2011 forward. Is that correct?

**Senator Kieckhefer:**

The language in section 2.3 of the bill says that before, on, or after July 1, 2017, indicates to be eligible for the exemption the declaration could have been made at any time—on a prospective or retroactive basis. The value of that diminishes over the course of time, due to depreciation. People are already capturing a significant amount of depreciation when you go further back in time to when the disaster may have taken place. The declaration itself could have happened at any time, and the disaster and loss could have happened at any time. The bill states unequivocally, however, that no one would be entitled to a refund for a property lost ten years ago and they are just about to apply now because the bill passes. It is only prospective in its effect but it is retroactive in its applicability.

**Assemblywoman Benitez-Thompson:**

When we look at the retroactive ability, it is retroactive for three years and then they can do another three-year extension. Is it up to a six-year look back if enacted?

**Senator Kieckhefer:**

I think it would be a six-year look back prospectively. If the bill passes and is effective July 1, and there is a loss on July 2, then it could be potentially six years of application period for the person who lost the property. People who lost their homes ten years ago could still apply for the exemption as long as they met the criteria outlined in section 2.3, subsection 2. They would still have had to build it within three years. Because this bill was not in place at the time they would not have been eligible for that three-year application extension. They would have had to rebuild on the same parcel within three years, at 110 percent of the floor space. It could not have been transferred before or after. All the applicability for qualifications is still in place. I think the utility of it for a lot of people who lost their homes in disasters gone by may be diminished. The true benefit is to those who are very recent or on a go-forward basis.

**Assemblywoman Benitez-Thompson:**

There is probably no way to estimate the number of people who might be eligible. It would really be a wait to see who comes out of the woodwork.

**Senator Kieckhefer:**

It is difficult. I think each individual county assessor would be able to offer some testimony as to that. I believe Mr. Dawley and Ms. Hunt from the Washoe County Assessor's Office may be able to give you some data in terms of what they think may be applicable.

**Assemblywoman Cohen:**

I do not know if you addressed this, but in section 2.3, subsection 2, paragraph (e) and the 110 percent floor area, I am not sure why that is there because we know the math of the value of what the home was—the previous home that was destroyed. Why are we restricting what people can build for the new home?

**Senator Kieckhefer:**

Due to the abatement that is going to be applied, imagine an individual who had a property tax bill of \$2,000. If the disaster wipes out that property, and that original structure was 1,500 square feet, and they decide to build a home that is 4,000 square feet, the thought was to limit the potential windfall that they would receive from the abatement that would get applied based on section 2.7 of the bill. The abatement would be calculated based on their most recent tax year before the disaster. Does that make sense?

**Assemblywoman Cohen:**

Can we not do that with the math though? We know what the existing house was. We know the value. Is it not just a math problem at that point?

**Chair Neal:**

I consider that the "you cannot build a mansion when you did not have one" provision.

**Senator Kieckhefer:**

That would be applicable. I think Assemblywoman Cohen recognizes that but I am not understanding the math problem.

**Assemblywoman Cohen:**

I do understand we do not want anyone to have a windfall. However, we know all the numbers, and I am thinking that if you plug in the math, you give someone the credit of what they would have.

**Senator Kieckhefer:**

I think I understand. We are not giving them credit for their assessed value but for the depreciation, and it deems the property to not be new. It then triggers the 3 percent abatement—the 3 percent property tax cap in section 2.7—off that previous year. If an individual had a smaller house, a depreciated low value, they would have a very low property tax. If they then built something worth five times more, and five times the size, the significance of that abatement that is still applicable under section 2.7 grows significantly. I do not think we could go in and ask the assessors to artificially assess something outside of statute, in other words, to artificially drop the value of their assessment. This is a method of ensuring that people are not taking advantage of the abatement that was designed to protect them by massively expanding the value of the property and the transfer.

**Assemblywoman Cohen:**

So it is more than just the math problem at that point?

**Senator Kieckhefer:**

I think so.

**Assemblywoman Cohen:**

Now I understand.

**Assemblywoman Spiegel:**

It seems to me this would then not result in decreased revenues going to the counties, but it would mean that revenues would not increase. Is that correct?

**Senator Kieckhefer:**

I think that is a fair statement.

**Assemblywoman Spiegel:**

God forbid there was a huge calamity, like a major earthquake or something. A county would not have its property tax base just wiped out. Is that correct?

**Senator Kieckhefer:**

As a pertinent question to me, as someone who represents Incline Village, there is a lot of property value with a lot of susceptibility to wildfire and wildland interface, as at the south shore of Lake Tahoe in Douglas County. In a situation where there was a catastrophic wildfire in a place like Lake Tahoe, there is going to be a significant loss of property tax revenue to the county anyway based on the loss of that property and the fact that the assessor is going to have to go in and assess the property based on current statute. I do not think there is anything in this bill that changes that. What it does is protect the individuals who lost their property—only single-family homeowners who lost their property—from having a massive spike in the property taxes if they rebuild. I think in the long run, the local governments will be able to see the revenue grow commensurate with current law, based on the 3 percent property tax caps. Property taxes will still be able to go up 3 percent annually if there is an increase in assessed value. In some ways it will allow them to capture larger chunks of revenue upon a transfer. It will just be spread out over a longer period of time, if that makes sense.

**Assemblywoman Bustamante Adams:**

Do you have information of how many times over the last five years the Governor has declared a state of emergency?

**Senator Kieckhefer:**

I do not have the total number. I can think of five—the fire in Pleasant Valley, the fire in Washoe Valley, the current ongoing flooding in Lemmon Valley, the earthquake out in Wells, and the Hawken Fire near Caughlin Ranch. Those are just in northern Nevada. I cannot speak to whether there have been any in southern Nevada that occurred in the last five years. Five years might be pushing it on the fire in Pleasant Valley. It may have been six years ago, I do not recall exactly. I think cumulatively, between those instances, you may have had 50 to 60 homes lost. That is a rough estimate.

**Assemblywoman Bustamante Adams:**

I am sure there is documentation of how many times the Governor has declared a state of emergency. I am not sure which agency would have that information. I wonder if they would document what the damage was. I am sure it is out there.

**Senator Kieckhefer:**

I asked for that data. It is actually more difficult to come by than you think. I think each individual county assessor would be better able to tell you. I believe the Washoe County assessor's office may have some data in terms of total disaster declarations. I remember them telling me that previously, but I do not recall the numbers off the top of my head.

**Assemblywoman Benitez-Thompson:**

I thought I would give more structure to the thought around my first question, just to see how this would play out using the 1997 flood in northern Nevada and if this bill were enacted in July 2017. If a single-family owner who occupied their house still owned the house, filed a permit within 3 years, rebuilt, and rebuilt within 110 percent of their original square footage, they can apply in 2017—the base year for which depreciation will be calculated—for depreciation since 1996. That would be subtracted from what they are currently paying in their property taxes and depreciation, and the number you get would be the number they would have to pay. All of the other years, there is the hold harmless provision that they cannot apply for from 2000 forward. Is that right.

**Senator Kieckhefer:**

I believe so. In section 2.3, subsection 5, it specifically says being eligible for a refund. I think the answer to your question is contingent on when the home that was destroyed was originally built. For example, let us say it was 20 years ago that the flood happened. There has been 20 years of depreciation applied to that property since it was rebuilt after the flood. The value of going in and applying for an exemption is the difference between that 20 years, how old the house was, and how much depreciation it had on it at the time it was destroyed. It is dependent upon that original build date.

**Assemblywoman Benitez-Thompson:**

It would be house by house. I was just trying to play out what might be applicable. I think the more recent disasters are easier to think about, but when you open it up to all of them and you go back, that was what I was trying to figure out.

**Senator Kieckhefer:**

It is difficult to go back on a case-by-case basis. I think the county assessors would be able to address some of that. Some of the provisions of the eligibility may have gone away over the extended period of time as well. It may have been transferred, they may have built it in excess of 110 percent, or they may have waited too long. All of those factors are still applicable. I think the number of properties from 20 years ago that would be eligible to take advantage of the bill is probably minimal.

I have some constituents who are still going through the mourning process that is involved in this loss. They were the inspiration in bringing the bill. I know they would like to testify. Other than that, I do not have a lineup for you.

**Chair Neal:**

Do members have any questions for Mr. Dawley they want answered before we hear real stories?

**Assemblywoman Benitez-Thompson:**

Yes, for legislative intent. Other assessors are going to look to this record to figure out how to implement this so I want to make sure we have a good record. Let us take an example of the Waterfall Fire. I cannot remember if there was a declaration of emergency issued on that, but I believe there was. If one of those homeowners came forward to apply for this today, as the assessor, what is your process you would go through to determine their exemption?

**David A. Dawley, Assessor, Assessor's Office, Carson City; and representing Nevada Assessors' Association:**

You are correct. The Waterfall Fire occurred in 2004 in Carson City. We actually had 17 structures that were destroyed. We have gone through and determined there would be three properties that actually meet all of the qualifications. Our intention is to send them a notification stating they are entitled to this. It is not retroactive, so there would be no refunds given for those properties that did rebuild.

For the sake of clarification, we actually have to go back to 1981 because that is the year they started using depreciation in the state of Nevada. It would be any declared disaster since 1981. We only had three so we are lucky. It is my understanding, per Michele Shafe who is the Clark County Assessor, there were not that many in Clark County. This really is a Washoe County issue because they have had the majority of the structure fires. Did that answer your question?

**Assemblywoman Benitez-Thompson:**

Yes, thank you.

**Senator Kieckhefer:**

I think Cori Burke might have more information about Washoe County.

**Cori Burke, Chief Deputy Assessor, Assessor's Office, Washoe County:**

We did have the Hawken Fire near Caughlin Ranch and the Washoe Drive Fire. I believe we would have 20 to 25 properties right now that would qualify, where we would be going back. The fiscal impact immediately for Washoe County is about \$25,000 per year, so that would be a savings to those taxpayers of \$25,000. We also did some research and I believe there were 65 declared disasters in the state, but homes were not necessarily partially or completely destroyed in all of those disasters.

**Assemblywoman Benitez-Thompson:**

Looking prospectively, when we think about Lemmon Valley and the loss of those homes, is there any way to gauge that? I think the homeowners are still trying to figure out what they do and do not have.

**Cori Burke:**

Lemmon Valley is a little bit tougher because we do not know the extent of the damage yet. We know some of the homes are uninhabitable. The Little Valley Fire is easier for us to analyze because we know what is gone. If this bill does not go into place, and all of the homes that were lost that we believe would qualify rebuilt within the 110 percent, their increase in tax dollars would be almost \$70,000.

**Assemblywoman Benitez-Thompson:**

Increase in tax dollars, meaning a savings to the taxpayer?

**Cori Burke:**

If this bill does not go into effect, and they do not get the benefit of their prior depreciation, they would be paying \$70,000 more per year in tax dollars.

**Assemblywoman Benitez-Thompson:**

Aggregate?

**Cori Burke:**

Aggregate.

**Chair Neal:**

Are there any additional questions for the assessors? [There were none.] I will open the hearing to those in support of S.B. 352 (R1).

**Debbie Sheltra, Private Citizen, Washoe Valley, Nevada:**

Some of you saw me on another bill from another neighborhood in Washoe County, so I want to clarify that I am not rebuilding. I am here supporting my former neighbors. This is really important to them. I had lived in Washoe Valley for 40 years, and if I was going to rebuild, I would not be able to afford the property taxes. We have multimillion dollar mansions out there now. I built 40 years ago. My house was a ranch-style home.

One of my rancher neighbors will speak shortly, but there are three rancher neighbors who have asked me to say something. Their ranches go back into the 1800s, and their houses maybe into the earlier 1900s, late 1800s. They would absolutely be taxed out of being able to stay in the business of agriculture. The agricultural base of Washoe Valley would be gone because they could not afford to pay the tax bills on houses they rebuild due to the value of the million dollar mansions in that area of Washoe Valley.

I was contacted by Senator Kieckhefer in November 2016. He stated his sorrow for my loss and asked if he could do anything for us. I asked him to sponsor something that would help the residents of Washoe Valley that were burned out. There were 23 of us. I have provided pictures for you. The picture of the ranch you have [page 1, ([Exhibit H](#))] is of Black Gold Arabian Ranch, and the other is of the foundation of my home, with my children [page 2, ([Exhibit H](#))].

I think this bill would work. I am not going to benefit from it. I am probably going to sell my property. I am not sure anybody would buy five acres of burned out pine tress but the ranchers have to rebuild. Their livelihood and the agriculture base is in Washoe Valley. I would really ask you to support this legislation. It is so important to the continuation of our valley as we know it.

**Mary Anne Healy, Private Citizen, Washoe Valley, Nevada:**

I have lived in Washoe Valley for 45 years. We have had a ranch. It was one of the original ranches on Franktown Road. It goes back to the Mormons. We lost a lot of Nevada history between three particular ranches. Ours was the Heidenreich Frey Ranch. There was the Cliff Brothers Ranch, and also the Evans Ranch [Black Gold Arabians]. These were all working ranches that raised mostly hay. Cattle would be put on them after the hay is cut.

The home that we lost in the fire goes back to the 1920s. It is the second house on the same foundation. The original one was built by the Mormons. There were actually three houses on our place. One of them made it through the fire. It was the second house on the same foundation, built in 1910. The house is approximately 1,100 square feet of livable space. There was a porch we lost in the fire that we are rebuilding. We are hoping to live in that home while we can rebuild our own home, which was not all that big for a Franktown Road home. It was built in 1920. I raised my children there. We want to pass this ranch down to our children and our grandchildren. The taxation for us building our primary home, with the mansion prices, it is going to put us out of existence. All these ranches are going to go out of existence. I am not going to beg for this, but it is heartfelt. So many of us lost our homes and our livelihoods.

**Chair Neal:**

Do the members have any questions? [There were none.] Thank you for your testimony. Is there anyone else speaking in support of S.B. 352 (R1).

**Jamie Rodriguez, Management Analyst, Government Affairs, Office of the County Manager, Washoe County:**

We are here in full support of the bill. We appreciate the sponsors bringing it forward and we feel it would be a great tool to help our constituents in difficult times.

**Cheryl Blomstrom, Interim President, Nevada Taxpayers Association:**

We are in full support of this bill. We supported it in its original iteration. We thank the bill sponsor for his hard work. He has set some boundaries which make it a much better bill.

**Cori Burke:**

Speaking for the Washoe County Assessor's Office, we are also in full support of this bill.

**David Dawley:**

I am here representing the Nevada Assessors' Association. I would like to make just a couple of comments. Like Senator Kieckhefer said, this bill is simple in concept, but when you get down to the details it is very technical. We appreciate Senator Kieckhefer's willingness to work with us. We appreciate the Fiscal Analysis Division of the Legislative Counsel Bureau's willingness to work with us. We met a number of times to try and work out all of the details on this.

The Association understands in order to receive this benefit, the circumstance for the loss has to be declared a natural disaster. What happens to a property that is destroyed by an electrical fire or chimney fire? They are not part of this because it was not deemed a natural disaster by the Governor. We understand from Ms. Erdoes of the Legal Division of the Legislative Counsel Bureau that this is a policy the Legislature has to take up. I hope you will take that up.

**Chair Neal:**

Members, do you have any questions? [There were none.]. Is there anyone else speaking in support of S.B. 352 (R1)? [There was no one.] I will now take testimony from anyone speaking in opposition to S.B. 352 (R1). [There was no one]. I will now take testimony from anyone who is neutral on S.B. 352 (R1). [There was no one]. I will now ask the bill sponsors back to the table for closing remarks. We also have an additional question from Assemblyman Pickard.

**Assemblyman Pickard:**

Given the statement that was just made, was there any discussion about maybe expanding this from those properties destroyed as the result of a declared natural disaster, to any home that was destroyed in Nevada? I know that would probably have a huge fiscal impact, when we are talking about someone losing their home. I do not know that the cause is really the determining factor. It is the fact that they lost everything. Was there some discussion about maybe expanding that, and if so, where that went?

**Senator Kieckhefer:**

I did think about that. As I indicated earlier, my in-laws lost their home based on a fire that was not their fault, but not a natural disaster. I have found through the legislative process that oftentimes when you try to do too much, you are more likely to run into issues of unintended consequences and difficulty in accomplishing anything.

As I said before, this is not a bill that is going to solve the world's problems but it will solve some people's problems. I came up with the idea of trying to take a measured bite of the apple, trying to help people who I knew were struggling. I think this bill does that.

**Chair Neal:**

Do you have any actual closing remarks in addition to that?

**Senator Kieckhefer:**

I kind of folded them into that last statement. I appreciate you taking the opportunity to hear the bill.

**Chair Neal:**

I will close the hearing on S.B. 352 (R1). I will now open the meeting for public comment. [There was none.] I will close public comment. We are adjourned [at 5:15 p.m.].

RESPECTFULLY SUBMITTED:

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Gina Hall  
Committee Secretary

APPROVED BY:

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Assemblywoman Dina Neal, Chair

DATE: \_\_\_\_\_

## EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is written testimony in support of [Senate Bill 85](#), dated May 4, 2017, submitted by Claudia Andersen, Chief Executive Officer, Parasol Tahoe Community Foundation.

[Exhibit D](#) is a letter in support of [Senate Bill 85](#) to Chair Neal, dated April 28, 2017, authored by Amy R. Berry, Chief Executive Officer, Tahoe Fund, Tahoe City, California.

[Exhibit E](#) is a letter in support of [Senate Bill 85](#) to Chair Neal, dated May 4, 2017, authored by Seth Ehrlich, Executive Director, SOS Outreach, Avon, Colorado.

[Exhibit F](#) is a letter in support of [Senate Bill 85](#) to Chair Neal and the Assembly Committee on Taxation, dated April 28, 2017, authored by Ginny Lewis, District Executive Assistant, Rotary District 5190, Incline Village, Nevada.

[Exhibit G](#) is a letter in support of [Senate Bill 85](#) to Chair Neal, dated May 1, 2017, authored by Bob Taylor, Executive Director, Lake Tahoe Shakespeare Festival, Incline Village, Nevada.

[Exhibit H](#) is photographs of the burnt remains of the Black Gold Arabian Ranch and Debbie Sheltra's home in Washoe Valley, Nevada, in support of [Senate Bill 352 \(1st Reprint\)](#), submitted by Debbie Sheltra, Private Citizen, Washoe Valley, Nevada.