

**ADOPTED REGULATION OF THE
COMMITTEE ON LOCAL GOVERNMENT FINANCE**

LCB File No. R023-08

Effective April 17, 2008

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §§1-11, NRS 361.4733.

A REGULATION relating to property taxes; providing a methodology for the allocation of any reduction in tax revenue resulting from certain partial abatements of taxes imposed on property located outside of any redevelopment area or tax increment area; and providing other matters properly relating thereto.

Section 1. Chapter 361 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 10, inclusive, of this regulation.

Sec. 2. *As used in sections 2 to 10, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 9, inclusive, of this regulation have the meanings ascribed to them in those sections.*

Sec. 3. *“Combined overlapping adjusted tax rate” means the sum of all the entity-adjusted parcel tax rates of all the taxing entities that levy an ad valorem tax on a parcel or other taxable unit of property.*

Sec. 4. *“Combined overlapping tax rate” has the meaning ascribed to it in NRS 361.4715.*

Sec. 5. *“Entity-adjusted parcel tax rate” has the meaning ascribed to it in NAC 361.611.*

Sec. 6. *“Entity parcel tax rate increase” means:*

1. Except as otherwise provided in subsection 2, the remainder obtained by subtracting the entity-adjusted parcel tax rate of a taxing entity applicable to a parcel or other taxable unit of property for the immediately preceding fiscal year from the rate of ad valorem taxes imposed by or on behalf of that taxing entity on that parcel or other taxable unit of property for the current fiscal year; or

2. If the remainder determined pursuant to subsection 1 is a negative number, zero.

Sec. 7. *“Redevelopment area” means a redevelopment area, as defined in NRS 279.410, regarding which any taxes levied on property in that area are distributed as provided in NRS 279.676.*

Sec. 8. *“Tax increment area” means a tax increment area, as defined in NRS 278C.130, regarding which any taxes levied on property in that area are distributed as provided in NRS 278C.250.*

Sec. 9. *“Taxing entity” has the meaning ascribed to it in NRS 361.4721.*

Sec. 10. *1. Except as otherwise provided in subsection 2 or required to carry out the provisions of NRS 361.4732:*

(a) On or before August 1 of each fiscal year, the tax receiver of each county shall determine for each parcel or other taxable unit of property located in that county, other than any property to which paragraph (b) applies, for which the combined overlapping tax rate applicable to the property for the current fiscal year exceeds the combined overlapping adjusted tax rate applicable to the property for the immediately preceding fiscal year, the amount which equals the lesser of:

(1) The amount of any partial abatement of taxes to which the owner of the property is entitled pursuant to NRS 361.4722, 361.4723 or 361.4724 for the current fiscal year; or

(2) The product of the assessed value of the property for the current fiscal year and the difference between:

(I) The combined overlapping tax rate applicable to the property for the current fiscal year; and

(II) The combined overlapping adjusted tax rate applicable to the property for the immediately preceding fiscal year.

(b) On or before August 1 of each fiscal year, the Department shall determine for each parcel or other taxable unit of property which is valued pursuant to NRS 361.320 or 361.323 and for which the combined overlapping tax rate applicable to the property for the current fiscal year exceeds the combined overlapping adjusted tax rate applicable to the property for the immediately preceding fiscal year, the amount which equals the lesser of:

(1) The amount of any partial abatement of taxes to which the owner of the property is entitled pursuant to NRS 361.4722, 361.4723 or 361.4724 for the current fiscal year; or

(2) The product of the assessed value of the property for the current fiscal year and the difference between:

(I) The combined overlapping tax rate applicable to the property for the current fiscal year; and

(II) The combined overlapping adjusted tax rate applicable to the property for the immediately preceding fiscal year.

(c) That portion of the amount of any reduction in the ad valorem taxes levied on any parcel or other taxable unit of property as a result of the application of NRS 361.4722, 361.4723 and 361.4724 which is determined pursuant to paragraph (a) or (b) must be deducted from the amount of ad valorem taxes that would otherwise be distributed to the

taxing entities whose entity parcel tax rate increase is greater than zero in proportion to their respective entity parcel tax rate increases.

(d) Each calculation required pursuant to this section must be:

(1) Calculated separately for each parcel or other taxable unit of property; and

(2) Recalculated for each fiscal year.

2. The provisions of this section must not be applied in any manner that:

(a) Would provide for the abatement of any increase in ad valorem taxes which, in accordance with NRS 361.4726, subsection 3 of NRS 361.4727 or NRS 361.4728, is exempt from each partial abatement from taxation provided pursuant to NRS 361.4722, 361.4723 and 361.4724; or

(b) Would not allocate the revenue from any increase in ad valorem taxes described in paragraph (a) to the taxing entity who levies that increase or on behalf of whom that increase is levied.

3. As used in this section, "property" means property which is located outside of any redevelopment area or tax increment area.

Sec. 11. NAC 361.611 is hereby amended to read as follows:

361.611 1. For the purpose of calculating any amount required to be deducted pursuant to subsection 4 of NRS 361.4722, subsection 3 of NRS 361.4723 or subsection 3 of NRS 361.4724 for a fiscal year from the amount any taxing entity would otherwise be entitled to receive from the ad valorem taxation of a parcel or other taxable unit of property, the entity-adjusted parcel tax rate of each taxing entity must be used to determine:

(a) The rate of ad valorem taxes levied in the county on that property by or on behalf of each taxing entity for that fiscal year; and

(b) The combined rate of all ad valorem taxes levied in the county on that property by or on behalf of all taxing entities for that fiscal year.

2. ~~[For the purpose of making the calculations required for each parcel or other taxable unit of property pursuant to NRS 361.473 or 361.4731, the entity-adjusted parcel tax rate of each taxing entity must be used to determine:~~

~~—(a) The ad valorem tax rate of each taxing entity applicable to that property for the immediately preceding fiscal year; and~~

~~—(b) The combined overlapping tax rate applicable to that property for the immediately preceding fiscal year.~~

~~—3.]~~ For the purposes of this section, the “entity-adjusted parcel tax rate” of a taxing entity means the rate of ad valorem taxes imposed by or on behalf of that taxing entity upon a parcel or other taxable unit of property for a fiscal year, as calculated by:

(a) Multiplying the actual rate of ad valorem taxes levied by or on behalf of that taxing entity for that fiscal year by the assessed value of that property for that fiscal year;

(b) Subtracting from the amount determined pursuant to paragraph (a) any amount deducted for that fiscal year pursuant to ~~[subsection 3 of NRS 361.473 or paragraph (a) of subsection 3 of NRS 361.4731]~~ *paragraph (c) of subsection 1 of section 10 of this regulation* from the amount that taxing entity would otherwise be entitled to receive from the ad valorem taxation of that property; and

(c) Dividing the amount determined pursuant to paragraph (b) by the assessed value of that property for that fiscal year to determine that entity-adjusted parcel tax rate.

NOTICE OF ADOPTION OF REGULATION

The Committee on Local Government Finance adopted regulations assigned LCB File No. R023-08, which pertain to chapter 361 of the Nevada Administrative Code

INFORMATIONAL STATEMENT

1. **A description of how public comment was solicited, a summary of public response, and an explanation how other interested persons may obtain a copy of the summary.**

The Department of Taxation, as staff to CLGF, solicited comment from the public by sending notice of workshops and hearings by electronic or regular mail as follows:

<u>Date of Notice</u>	<u>Workshop/Hearing</u>	<u>Date of Workshop</u>	<u>Number Notified</u>	<u>Representing Businesses</u>
1/14/08	Workshop	1/30/08	354	196
3/3/08	Hearing	4/2/08	352	192

The mailing list included the interested parties list maintained by the Department, as well as officials of local jurisdictions subject to these regulations.

Many oral and two written comments were received at the workshops and hearing. A copy of the audio taped comments or the record of proceedings may be obtained by calling the Nevada Department of Taxation at (775) 684-2100 or by writing to the Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Department at **lhopper@tax.state.nv.us**.

The Legislative Counsel Bureau completed its review and revisions on March 6, 2008.

2. **The number persons who:**

- (a) **Attended and testified at each workshop:**

<u>Date of Workshop</u>	<u>Attended</u>	<u>Testified</u>
1/30/08	20	2

- (b) **Attended and testified at each hearing:**

<u>Date of Hearing</u>	<u>Commission/ Public Attended</u>	<u>Public Testified</u>
4/2/08	9/30	2

(c) Submitted to the agency written comments:

<u>Date of Workshop / Hearing</u>	<u>Number Received</u>
1/30/08	1
4/2/08	0

3. A description of how comment was solicited from affected businesses, a summary of their response, and an explanation how other interested persons may obtain a copy of the summary.

Comments were solicited from affected and interested businesses, local governments, and persons, by notices posted at the Nevada State Library; various Department of Taxation locations throughout the state; and at the Main Public Libraries in counties where an office of the Department of Taxation is not located. Comments were also solicited by direct mail to assessors and the interested parties list maintained by the Department. Approximately 55% of the approximately 354 direct mail notices were sent to individuals or associations representing business.

Members of the CLGF, officials of the Nevada Department of Taxation, local government officials, and members of the general public commented on some or all of the proposed language changes during the workshop process and during the Adoption Hearing.

A copy of the audio taped comments or the record of proceedings may be obtained by calling the Nevada Department of Taxation at (775) 684-2100 or by writing to the Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Department at **lhopper@tax.state.nv.us**

4. If the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.

The permanent regulation was adopted with changes reflecting the verbal and written comments submitted to, or received by, the Department of Taxation primarily from attorneys representing private industry, government entities and CLGF members during the workshops and hearings listed above. CLGF adopted the permanent regulation as revised in a workshop and at the adoption hearing; and believed no changes other than those made were necessary.

5. The estimated economic effect of the adopted regulation on the businesses which it is to regulate and on the public. These must be stated separately, and each case must include:

- (a) Both adverse and beneficial effects; and**
- (b) Both immediate and long-term effects.**

CLGF found that the regulation does not impose a direct and significant burden upon businesses and the public in Nevada. The permanent regulation provides clarification

of the process for the allocation of property tax abatements inside redevelopment and tax increment financing areas.

The regulations present no reasonably foreseeable or anticipated immediate or long-term negative economic effects to businesses. The regulation provides a process for the standard calculation and distribution of property tax abatements by determining the parcel effective assessed value and the parcel share of the base value of the tax increment or redevelopment area. The parcel's share of base value multiplied by the combined overlapping adjusted tax rate equals the amount of taxes to go to the taxing entities that share in the base value. The immediate and long-term effects of the regulation are to provide an equitable distribution methodology.

6. The estimated cost to the agency for enforcement of the adopted regulation.

The Department anticipates little additional cost for local governments to administer the regulation.

7. A description of any regulations of other state or government agencies which the proposed regulation overlaps or duplicates and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.

There are not other state or government agency regulations that the proposed amendments duplicate.

8. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of such provisions.

CLGF is not aware of any provision in this regulation which is also governed by federal regulation.

9. If the regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.

CLGF is not aware of any provision in this regulation that provides for a new fee, or increases an existing fee.