

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

LCB File No. R022-08

Effective on April 17, 2008, for the purposes of budgeting and making any calculations required for planning and budgeting for the fiscal year beginning on July 1, 2008; and on July 1, 2008, for all other purposes

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

AUTHORITY: §§1-21, NRS 361.4733.

A REGULATION relating to property taxes; providing a methodology for the allocation of any reduction in revenue resulting from certain partial abatements of taxes imposed on property located in a 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 20, inclusive, of this regulation.

Sec. 2. *As used in sections 2 to 20, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 15, 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. *“Debt tax rate” means the rate of ad valorem taxes levied by or on behalf of a taxing entity in a fiscal year for the payment of the bonded indebtedness of that taxing entity, as included in the combined tax rate certified by the Commission for that fiscal year in accordance with NRS 361.4547.*

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

Sec. 6. *“Entity-adjusted 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 entity-adjusted parcel tax rate of that taxing entity applicable to that property for the current fiscal year; or

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

Sec. 7. *“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 property for the current fiscal year; or

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

Sec. 8. *“Entity percentage allowed parcel tax rate increase” means:*

1. Except as otherwise provided in subsection 2, the percentage obtained by dividing the entity-adjusted parcel tax rate of a taxing entity applicable to a parcel or other taxable unit of property by the entity parcel tax rate increase of that taxing entity applicable to that property; or

2. If the entity parcel tax rate increase of a taxing entity applicable to a parcel or other taxable unit of property is zero, 100 percent.

Sec. 9. *“Parcel effective assessed value” means the amount calculated by dividing the dollar amount of ad valorem taxes levied on a parcel or other taxable unit of property, after taking into account any applicable partial abatement of taxes pursuant to NRS 361.4722,*

361.4723 or 361.4724, by the combined overlapping adjusted tax rate applicable to that property.

Sec. 10. *“Parcel effective incremental value” means:*

1. Except as otherwise provided in subsection 2, the remainder obtained by subtracting the parcel share of base value of a parcel or other taxable unit of property from the parcel effective assessed value of that property; or

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

Sec. 11. *“Parcel share of base value” means, for a parcel or other taxable unit of property located in a:*

1. Redevelopment area, the product obtained by multiplying the base value of the taxable property in the redevelopment area, as determined in accordance with the provisions of paragraph (a) of subsection 1 of NRS 279.676, by the quotient obtained by dividing the parcel effective assessed value of that parcel or other taxable unit of property by the sum of the parcel effective assessed values of all the parcels and other taxable units of property in that redevelopment area.

2. Tax increment area, the product obtained by multiplying the base value of the taxable property in the tax increment area, as determined in accordance with the provisions of paragraph (a) of subsection 1 of NRS 278C.250, by the quotient obtained by dividing the parcel effective assessed value of that parcel or other taxable unit of property by the sum of the parcel effective assessed values of all the parcels and other taxable units of property in that tax increment area.

Sec. 12. *“Property” means property located in a redevelopment area or tax increment area.*

Sec. 13. *“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. 14. *“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. 15. *“Taxing entity” has the meaning ascribed to it in NRS 361.4721.*

Sec. 16. *1. Except as otherwise provided in sections 2 to 20, inclusive, of this regulation, each calculation required pursuant to those provisions must be:*

- (a) Calculated separately for each parcel or other taxable unit of property; and*
- (b) Recalculated for each fiscal year.*

2. For the purposes of sections 2 to 20, inclusive, of this regulation, the entity-adjusted parcel tax rate applicable to a parcel or other taxable unit of property must be calculated in the same manner as if the property was not located in a redevelopment area or tax increment area.

Sec. 17. *The ad valorem taxes collected on a parcel or other taxable unit of property for which the parcel effective incremental value is zero must be distributed in the same manner as if the property was not located in a redevelopment area or tax increment area.*

Sec. 18. *1. Except as otherwise provided in subsection 2 of NRS 279.676 and section 20 of this regulation, the ad valorem taxes collected on a parcel or other taxable unit of property which is located in a redevelopment area and for which the parcel effective incremental value is greater than zero must be distributed as follows:*

(a) The amount of taxes determined by multiplying the parcel share of base value by the combined overlapping adjusted tax rate applicable to that property must be distributed to the entities entitled to receive those taxes pursuant to paragraph (a) of subsection 1 NRS 279.676 in proportion to their respective entity adjusted parcel tax rates;

(b) The amount of taxes determined by multiplying the combined overlapping post-1996 adjusted parcel tax rate by the parcel effective incremental value applicable to that property must be distributed to the entities described in paragraphs (c) and (d) of subsection 1 of NRS 279.676 in proportion to their respective post-1996 adjusted parcel tax rates; and

(c) After deducting the amount of taxes required to be distributed pursuant to paragraphs (a) and (b), any remaining amount must be distributed to the redevelopment agency as provided in paragraph (b) of subsection 1 of NRS 279.676.

2. For the purposes of this section:

(a) “Combined overlapping post-1996 adjusted parcel tax rate” means the sum of all the post-1996 adjusted parcel tax rates of all the taxing entities that levy an ad valorem tax on a parcel or other taxable unit of property.

(b) “Post-1996 adjusted parcel tax rate” means:

(1) For the fiscal year beginning on July 1, 2004, the post-1996 debt tax rate of a taxing entity applicable to a parcel or other taxable unit of property for that fiscal year; and

(2) For each subsequent fiscal year, the sum obtained by adding:

(I) The post-1996 adjusted parcel tax rate of a taxing entity applicable to a parcel or other taxable unit of property for the immediately preceding fiscal year; and

(II) The product obtained by multiplying the post-1996 parcel tax rate increase of that taxing entity applicable to that property for the current fiscal year by the entity percentage allowed parcel tax rate increase of that taxing entity applicable to that property.

(c) “Post-1996 debt tax rate” means the portion of the debt tax rate of a taxing entity which is levied to pay any bonded indebtedness approved by the voters of the taxing entity on or after November 5, 1996, as described in paragraph (c) of subsection 1 of NRS 279.676. The post-1996 debt tax rate of a taxing entity for a fiscal year must be determined by multiplying the debt tax rate of that taxing entity for that fiscal year by a fraction, the numerator of which is the total amount of principal and interest coming due in that fiscal year on all the bonded indebtedness of that taxing entity which was approved by the voters of that taxing entity on or after November 5, 1996, and is to be paid with ad valorem taxes, and the denominator of which is the total amount of principal and interest coming due in that fiscal year on all the bonded indebtedness of that taxing entity for which the debt tax rate is being levied. For the purposes of this paragraph, the amount of principal and interest on the bonded indebtedness of a taxing entity coming due in a fiscal year for which the debt tax rate is being levied, and the amount of such indebtedness coming due in a fiscal year to be paid with ad valorem taxes approved by the voters of that taxing entity on or after November 5, 1996, must be determined by reference to the approved final budget of that taxing entity which was used by the Commission to certify the combined tax rate in accordance with NRS 361.4547, and must not be adjusted thereafter despite the occurrence of any event that changes the amount of bonded indebtedness of the taxing entity coming due in that fiscal year to be paid with ad valorem taxes.

(d) “Post-1996 parcel tax rate increase” means the remainder obtained by subtracting the post-1996 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 post-1996 tax rate of that taxing entity applicable to that property for the current fiscal year.

(e) “Post-1996 tax rate” means the portion of the rate of ad valorem taxes of a taxing entity which is equal to the sum obtained by adding the post-1996 debt tax rate of that taxing entity to the rate of ad valorem taxes of that taxing entity attributable to a new or increased tax rate which is approved by the voters of that taxing entity on or after November 5, 1996, as described in paragraph (d) of subsection 1 of NRS 279.676.

(f) “Property” means property located in a redevelopment area.

Sec. 19. 1. *Except as otherwise provided in subsection 2, section 20 of this regulation and subsections 2 and 3 of NRS 278C.250, the ad valorem taxes collected on a parcel or other taxable unit of property which is located in a tax increment area and for which the parcel effective incremental value is greater than zero must be distributed as follows:*

(a) The amount of taxes determined by multiplying the parcel share of base value by the combined overlapping adjusted tax rate applicable to that property must be distributed to the entities entitled to receive those taxes pursuant to paragraph (a) of subsection 1 of NRS 278C.250 in proportion to their respective entity-adjusted parcel tax rates;

(b) The amount of taxes determined by multiplying the combined overlapping debt and override adjusted parcel tax rate by the parcel effective incremental value applicable to that property must be distributed to the entities described in paragraphs (a), (b) and (c) of subsection 4 of NRS 278C.250 in proportion to their respective debt and override adjusted parcel tax rates;

(c) The amount of taxes determined by multiplying the tax rate specified in subsection 1 of NRS 387.195 by the parcel effective incremental value applicable to that property must be distributed as provided in paragraph (d) of subsection 4 of NRS 278C.250;

(d) After deducting the amount of taxes required to be distributed pursuant to paragraphs (a), (b) and (c), any remaining amount which does not exceed the combined total amount required for annual debt service on any bonds that have been issued by the entity that created that tax increment area and regarding which any revenues of that tax increment area have been pledged, must be distributed to that entity as provided in paragraphs (b) and (c) of subsection 1 of NRS 278C.250; and

(e) After deducting the amount of taxes required to be distributed pursuant to paragraphs (a) to (d), inclusive, any remaining amount must be distributed:

(1) Except as otherwise provided in subparagraph (2), to the taxing entities that impose a nonschool, nondebt and nonoverride adjusted parcel tax rate in proportion to their respective nonschool, nondebt and nonoverride adjusted parcel tax rates as provided in paragraph (d) of subsection 1 of NRS 278C.250; or

(2) If the taxes are collected on property located in a tax increment area created pursuant to NRS 278C.155, to the entity that created the tax increment area.

2. Paragraph (c) of subsection 1 does not apply to any taxes levied on property located in a tax increment area created pursuant to NRS 278C.155.

3. For the purposes of this section:

(a) “Combined overlapping debt and override adjusted parcel tax rate” means the sum of all the debt and override adjusted parcel tax rates of all the taxing entities that levy an ad valorem tax on a parcel or other taxable unit of property.

(b) “Debt and override adjusted parcel tax rate” means:

(1) For the fiscal year beginning on July 1, 2004, the debt and override tax rate of a taxing entity applicable to a parcel or other taxable unit of property for that fiscal year; and

(2) For each subsequent fiscal year, the sum obtained by adding:

(I) The debt and override adjusted parcel tax rate of a taxing entity applicable to a parcel or other taxable unit of property for the immediately preceding fiscal year; and

(II) The product obtained by multiplying the debt and override parcel tax rate increase of that taxing entity applicable to that property for the current fiscal year by the entity percentage allowed parcel tax rate increase of that taxing entity applicable to that property.

(c) “Debt and override parcel tax rate increase” means the remainder obtained by subtracting the debt and override 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 debt and override tax rate of that taxing entity applicable to that property for the current fiscal year.

(d) “Debt and override tax rate” means the portion of the rate of ad valorem taxes of a taxing entity which is equal to the sum obtained by adding:

(1) The debt tax rate of that taxing entity which is levied to pay any bonded indebtedness approved by a majority of the registered voters within the area of that taxing entity voting upon the question;

(2) The portion of the rate of ad valorem taxes of that taxing entity attributable to any increase in that rate since the creation of the tax increment area which was approved by a majority of the registered voters within the area of that taxing entity voting upon the question; and

(3) The portion of the rate of ad valorem taxes of that taxing entity which is levied pursuant to NRS 387.3285 or 387.3287, and which was approved by a majority of the registered voters within the area of that taxing entity voting upon the question,

↪ as respectively described in paragraphs (a), (b) and (c) of subsection 4 of NRS 278C.250.

(e) “Nonschool, nondebt and nonoverride adjusted parcel tax rate” means the remainder obtained by subtracting from the entity-adjusted parcel tax rate of a taxing entity applicable to a parcel or other taxable unit of property:

(1) If included in that entity-adjusted parcel tax rate, the tax rate mandated by subsection 1 of NRS 387.195; and

(2) The debt and override adjusted parcel tax rate of that taxing entity applicable to that property.

(f) “Property” means property located in a tax increment area.

Sec. 20. *The provisions of sections 18 and 19 of this regulation must not be applied in any manner that:*

1. 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

2. Would not allocate the revenue from any increase in ad valorem taxes described in subsection 1 to the taxing entity who levies that increase or on behalf of whom that increase is levied.

Sec. 21. This regulation becomes effective:

1. On April 17, 2008, for the purposes of budgeting and making any calculations required for planning and budgeting for the fiscal year beginning on July 1, 2008; and
2. On July 1, 2008, for all other purposes.

NOTICE OF ADOPTION OF REGULATION

The Committee on Local Government Finance adopted regulations assigned LCB File No. R022-08, 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 of property taxes among local governments.

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.