

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

LCB File No. R043-09

Effective July 1, 2010

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

AUTHORITY: §§1-11, NRS 361.4732 and 361.4733.

A REGULATION relating to the partial abatement of property taxes; providing for the administration and interpretation of the statutory provisions governing the effect of an annexation of real property to a taxing entity; 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 9, inclusive, of this regulation.

Sec. 2. *As used in NAC 361.613 and sections 2 to 9, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 7, 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. *“Entity-adjusted parcel tax rate” has the meaning ascribed to it in NAC 361.611.*

Sec. 5. *“Revised tax base” means the amount of ad valorem taxes which, after a parcel or other taxable unit of real property is annexed to a taxing entity, would have been levied on the property for the immediately preceding fiscal year if the annexation had occurred 1 year earlier, based upon the tax rates that would have applied to the property for the immediately*

preceding fiscal year if the annexation had occurred 1 year earlier and without regard to any exemptions from taxation that applied to the property for the immediately preceding fiscal year but do not apply to the property for the current fiscal year.

Sec. 6. *“Taxing entity” has the meaning ascribed to it in NRS 361.4721.*

Sec. 7. *“Year of annexation” means the first fiscal year in which a taxing entity that annexes a parcel or other taxable unit of real property is entitled to levy or require the levy on its behalf of any ad valorem taxes on that property as a result of that annexation of the property.*

Sec. 8. 1. *Except as otherwise provided in subsections 2 and 3, for the purposes of carrying out the provisions of NRS 361.4732 with respect to the annexation of a parcel or other taxable unit of real property to a taxing entity, the tax receiver of the county in which that property is located after that annexation shall, when making any calculations pursuant to the provisions of this chapter for the year of annexation of that property and each subsequent fiscal year which require a determination of:*

(a) The entity-adjusted parcel tax rates applicable to the property for the fiscal year immediately preceding the year of annexation:

(1) Disregard the entity-adjusted parcel tax rate for that prior fiscal year of any taxing entity which, as a result of that annexation, is no longer entitled to levy or require the levy on its behalf of any ad valorem taxes on the property; and

(2) Include as an entity-adjusted parcel tax rate applicable to that property for that prior fiscal year:

(I) The ad valorem tax rate for that prior fiscal year of the taxing entity annexing that property; or

(II) If that taxing entity did not exist in that prior fiscal year, the ad valorem tax rate of that taxing entity for the year of annexation.

(b) The combined overlapping adjusted tax rate applicable to the property for the fiscal year immediately preceding the year of annexation:

(1) Exclude from that determination the entity-adjusted parcel tax rate for that prior fiscal year of any taxing entity which, as a result of that annexation, is no longer entitled to levy or require the levy on its behalf of any ad valorem taxes on the property; and

(2) Include in that determination, as an entity-adjusted parcel tax rate applicable to that property for that prior fiscal year:

(I) The ad valorem tax rate for that prior fiscal year of the taxing entity annexing that property; or

(II) If that taxing entity did not exist in that prior fiscal year, the ad valorem tax rate of that taxing entity for the year of annexation.

2. Except as otherwise provided in subsection 3, for the purposes of carrying out the provisions of NRS 361.4732 with respect to the annexation of a parcel or other taxable unit of real property to a taxing entity, the tax receiver of the county in which that property is located after that annexation shall:

(a) Calculate the revised tax base for that property as follows:

(1) Subtract the combined overlapping adjusted tax rate which actually applied to the property for the fiscal year immediately preceding the year of annexation, as determined without regard to the provisions of subsection 1, from the combined overlapping adjusted tax rate applicable to that property for that prior fiscal year, as determined in accordance with the provisions of subsection 1;

(2) Divide the result obtained pursuant to subparagraph (1) by the combined overlapping adjusted tax rate which actually applied to the property for the fiscal year immediately preceding the year of annexation, as determined without regard to the provisions of subsection 1;

(3) Multiply the result obtained pursuant to subparagraph (2) by the actual amount of ad valorem taxes applicable to the property for the fiscal year immediately preceding the year of annexation, as determined after the deduction of any partial abatement of taxes that applied to the property for that prior fiscal year pursuant to NRS 361.4722, 361.4723 or 361.4724 and without regard to any tax exemptions that applied to the property for that prior fiscal year; and

(4) Add the result obtained pursuant to subparagraph (3) to the actual amount of ad valorem taxes applicable to the property for the fiscal year immediately preceding the year of annexation, as determined after the deduction of any partial abatement of taxes that applied to the property for that prior fiscal year pursuant to NRS 361.4722, 361.4723 or 361.4724 and without regard to any tax exemptions that applied to the property for that prior fiscal year.

(b) Except as otherwise required to carry out the provisions of NRS 361.4729, use the revised tax base for that property, as calculated pursuant to paragraph (a), in lieu of the amount otherwise required to be determined pursuant to paragraph (a) of subsection 1 of NRS 361.4722, paragraph (a) of subsection 2 of NRS 361.4722, paragraph (a) of subsection 1 of NRS 361.4723 or paragraph (a) of subsection 1 of NRS 361.4724 for the purpose of determining 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 year of annexation.

3. 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 which levies that increase or on behalf of which that increase is levied.

Sec. 9. 1. *The tax receiver of a county and the Department, as applicable, shall ensure that the amount of any property taxes which are excluded from any partial abatement of taxes provided pursuant to NRS 361.4722, 361.4723 or 361.4724 and added to the tax roll for the current fiscal year as a result of the annexation of a parcel or other taxable unit of real property to a taxing entity:*

(a) Is due solely to an incremental increase in the rate of property taxes applicable to the property which is directly attributable to the annexation of the property to the taxing entity; and

(b) Is not due to any increase in the assessed value of the property as a result of any other cause, including, but not limited to, a general appreciation in the market value of property in the area.

2. *The tax receiver of a county shall:*

(a) Provide on a website or other Internet site, if any, that is operated or administered by or on behalf of the county or tax receiver:

(1) A description of each taxing district and taxing entity in the county; and

(2) The ad valorem tax rate of each taxing entity in the county for the current fiscal year and the immediately preceding 2 fiscal years; and

(b) Make readily available to any person, upon request:

(1) A description of each taxing district and taxing entity in the county; and

(2) The ad valorem tax rate of each taxing entity in the county for the current fiscal year and each prior fiscal year which commenced on or after July 1, 2004.

3. The Department shall provide on its website or other Internet site concerning property taxes a worksheet for performing the calculations required to carry out the provisions of NAC 361.613 and sections 2 to 9, inclusive, of this regulation.

Sec. 10. NAC 361.613 is hereby amended to read as follows:

361.613 For the purpose of carrying out the provisions of NRS 361.4732, *this section and sections 2 to 9, inclusive, of this regulation*, the annexation of a parcel or other taxable unit of real property to a taxing entity includes:

1. The inclusion of the property within the boundaries of an existing taxing entity as a result of a change in the boundaries of that taxing entity;
2. The inclusion of the property within the boundaries of a new taxing entity; and
3. The assumption by a taxing entity of the functions of another taxing entity that:
 - (a) Was entitled to levy or require the levy on its behalf of any ad valorem taxes on the property during the immediately preceding fiscal year; and
 - (b) Has been dissolved.

Sec. 11. This regulation becomes effective on July 1, 2010.

**LEGISLATIVE REVIEW OF ADOPTED REGULATIONS AS REQUIRED BY
ADMINISTRATIVE PROCEDURES ACT, NRS 233B.066**

LCB FILE R043-09

**Procedures for the calculation of the amount of taxes not subject to abatement pursuant to
NRS 361.4732 regarding annexation**

The following statement is submitted for amendments, additions and deletions, to Nevada Administrative Code (NAC) Chapter 361 adopted by the Committee on Local Government Finance (CLGF), clarifying the procedures for calculating the amount of taxes not subject to abatement pursuant to NRS 361.4732 regarding the effect of annexation on the calculation of the abatement of property tax, and providing other matters properly relating thereto.

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 Hearing/ Workshop</u>	<u>Number Notified</u>	<u>Representing Businesses</u>
Temporary Regulation				
1-30-09	Workshop	2-17-09	366	177
3-23-09	Hearing	4-22-09	366	177
4-24-09	Hearing	5-7-09	366	177
Permanent Regulation				
6-19-09	Workshop	7-15-09	336	182
3-18-10	Hearing	4-19-10	534	182

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

Oral 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 srains@tax.state.nv.us.

The Legislative Counsel Bureau completed its review and revisions on December 2, 2009.

2. The number of persons who:

(a) Attended and testified at each workshop:

<u>Date of Workshop</u>	<u>Attended</u>	<u>Testified</u>
2-17-09	23	5
7-15-09	24	2

(b) Attended and testified at each hearing:

<u>Date of Hearing</u>	<u>Commission/ Public Attended</u>	<u>Public Testified</u>
4-22-09	29	3
5-7-09	13	2
4-19-10	15	2

(c) Submitted to the agency written comments:

<u>Date of Workshop / Hearing</u>	<u>Number Received</u>
5-7-09 Hearing	1

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 34% of the approximately 534 direct mail or email 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 Hearings.

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 srains@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 comments submitted to, or received by, the Department of Taxation primarily from 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 regulation provides the process by which the property tax abatement may be calculated pursuant to NRS 361.4732 regarding annexation.

The regulations present no reasonably foreseeable or anticipated immediate or long-term negative economic effects to businesses. The immediate and long-term effects of the regulation are to provide a uniform procedure for the calculation of the property tax abatement for parcels annexed into a new tax jurisdiction.

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

The Department anticipates some 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 no 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.

- 10. If the proposed regulation is likely to impose a direct and significant economic burden upon a small business or directly restricted the formation, operation or expansion of a**

small business? What methods did the agency use in determining the impact of the regulation on a small business?

The Director has determined that the proposed regulation does not impose a direct and significant economic burden upon a small business or restrict the formation, operation or expansion of a small business. In making this determination the Director considered the fact that the proposed amendment only applies to activity by local and state government officials and imposes no direct requirements on any private businesses.