

LCB File No. R153-09

**PROPOSED REGULATION OF THE
STATE BOARD OF EQUALIZATION**

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

The need and purpose of this regulation is to provide the procedures whereby the Nevada State Board of Equalization carries out its duties under NRS 361.395.

AUTHORITY: §§ 1-42, Sec. NRS 361.375(9); NRS 361.395; NRS 360.090; 360.250

A REGULATION relating to taxation; providing for the process by which the State Board ensures that property under its jurisdiction is appraised equitably at the taxable value required by law.

Section 1. Chapter 361 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 43 inclusive, of this regulation.

Sec. 2. *As used in sections 2 to 36, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 10, inclusive, of this regulation have the meanings ascribed to them in those sections.*

Sec. 3. *“Commission” means the Nevada Tax Commission.*

Sec. 4. *“Department” means the Department Of Taxation.*

Sec. 5. *“Equalization” means the process by which the State Board ensures that property under its jurisdiction is appraised uniformly by the methods and at the taxable value required by law. The process includes, without limitation:*

- (a) Investigative procedures such as procedural audits, ratio studies, and hearings; and*
- (b) Determination and implementation of remedies necessary to achieve assessment uniformity as provided in this regulation.*

Sec. 6. *“Interested person” means the person or entity shown to be owner in the records of the county assessor or, with respect to centrally assessed properties, the records of the Nevada Department of Taxation.*

Sec. 7. *“Population” means all the items of interest, for example, all the properties in a jurisdiction or neighborhood; all the observations in a data set from which a sample may be drawn.*

Sec. 8. *“Procedural audit” means the systematic investigation or evaluation of procedures or operations of a county assessor for the purpose of determining conformity with methods of valuation prescribed by the Commission.*

Sec. 9. *“Ratio study” means an evaluation of appraisal performance that compares the assessed value produced by the assessor for each parcel in a sample to the estimate of taxable value produced either by the Department or other independent appraisal; or to the sales price of a sold property as appropriate. The comparison is called a “ratio.”*

Sec. 10. *“Stratification” means the division of a population into two or more subsets according to some criterion or set of criteria.*

Sec. 11. *The State Board shall annually determine at one or more hearings held during the session of the current fiscal year whether the taxable value of property reported on the tax rolls of the various counties as corrected by the county boards of equalization thereof must be raised, lowered, or otherwise corrected as provided by NRS 361.395.*

Sec. 12. *The State Board may obtain information regarding whether uniform assessments have been achieved from any of the following, without limitation:*

1. Appeals made pursuant to NRS 361.355;

2. Tax rolls submitted pursuant to NRS 361.390(1) and the central assessment roll required by NRS 361.3205;

3. The results of the ratio studies and audits of work practices performed pursuant to NRS 361.333;

4. The results of procedural audits ordered by the State Board, of the methods used by county assessors or the Department to determine taxable value for a class or group of property;

5. The results of one or more ratio studies ordered by the State Board to determine the quality and uniformity of assessments; or

6. Information requested by the State Board pursuant to Section 13 of this regulation.

Sec. 13. 1. *The State Board may order additional information from county assessors to supplement the published tax roll, including, without limitation, the following:*

a. Assessor's parcel number;

b. Total taxable value and assessed value of the land, improvements, or personal property prior to and after adjustment by a county board;

c. The per unit value established for the land or personal property prior to and after adjustment by a county board;

d. Land use codes;

e. Market areas;

f. Year built;

g. Quality class of improvements;

h. Improvement size;

i. Lot size;

j. Zoning;

k. Price and date of most recent sale of the property; or

l. Summary statistics such as medians or modes by tax district, market area, neighborhood, or land use code.

2. Information requested by the State Board must be delivered to the State Board within ten business days of the postmark date of the request and in the format and media requested by the State Board.

Sec. 14. *The State Board may order the Department or the county assessor to prepare ratio studies or other statistical analyses and reports informing the State Board of the level of assessed value and the quality of assessment of the classes and groups of property in each county.*

Sec. 15. *Ratio studies or statistical analyses on the level and quality of assessment prepared by the Department or the county assessor must:*

(1) Be performed in accordance with the Standard on Ratio Studies (July, 2007) and any subsequent versions published by the International Association of Assessing Officers, except those portions of the Standard, if any, which conflict or are inconsistent with the Nevada Revised Statutes, regulations adopted by the Nevada Tax Commission or these regulations. The Standard on Ratio Studies may be obtained from the International Association of Assessing Officers (IAAO), 314 West 10th Street, Kansas City, Missouri 64105-1616 or from the IAAO website at <http://www.iaao.org/>. The current price for purchase of the publication is \$10.00.

(2) Identify the population that is the subject of the study. The population may be subject to stratification by neighborhood, age, construction type, or other appropriate division of properties into two or more subsets.

(3) Include an adequate sample of each strata of property and any statistical criteria that will indicate an accurate ratio of assessed value to taxable value and an accurate measure of equality in assessment.

Sec. 16. *The State Board shall determine the appropriate time frame from which sales may be drawn to develop ratio studies or statistical analyses concerning the level of assessment and quality of assessments. The State Board shall provide the reasons why a time frame different from the time frame required by NAC 361.118(1)(f)(2) may be necessary for analysis.*

Sec. 17. *The State Board shall evaluate whether a ratio study produced by the Department or the assessor reliably portrays the quality of appraisals. The State Board may consider, without limitation, whether:*

- (1)The number of sales or appraisals used in the ratio study is sufficient;*
- (2)The sample adequately represents the total makeup of the target population;*
- (3)The sample properties have been correctly adjusted for market conditions; and*
- (4)The variation among sales or appraisal ratios affects the reliability of the results.*

Sec. 18. *The State Board will order the Department to perform a procedural audit before making any determination about whether property is uniformly appraised using the valuation methods adopted by the Commission.*

Sec. 19. *The State Board may adjourn from time to time during the current year session until the equalization process is complete.*

Sec. 20. *If the State Board determines after its investigation that the method of valuation or level of assessment of a class or group of property within a county or among counties may not satisfy the requirements of law, the State Board must issue a Notice of Hearing to each affected County and set a date for hearing at least 10 days following the mailing of the Notice of Hearing. The Notice of Hearing must:*

- (1) Specify the information on which the State Board relies to determine the method of valuation or level of assessment does not satisfy the requirements of law;*
- (2) Include a copy of any analysis or information used by the State Board; and*
- (3) State the proposed order for remedies.*

Sec. 21. *(1) The Notice of Hearing shall be sent by registered or certified mail to the county clerk, county assessor, chairperson of the county board, and the county attorney of each affected county or to the Department, as applicable. A copy of the Notice of Hearing shall also be provided to the Nevada Tax Commission.*

(2) If the State Board proposes to increase the valuation of any property on the assessment roll, the Notice of Hearing shall also be sent to interested persons in the manner required by NRS 361.395. In the absence of a mailing address for the interested person, the mail shall be sent to the address of the property or, in the case of an entity, the address of the resident agent of record with the Secretary of State.

(3) The State Board shall cause a copy of the notice and the agenda to be placed on the Department's website (www.tax.state.nv.us) not less than 10 days prior to the hearing.

(4) Interested persons may obtain a copy of any analysis or information used by the State Board upon request.

(5) Each affected county must reimburse the Department for the cost of any certified or registered notice to affected taxpayers sent on behalf of the State Board, upon receipt of a bill itemizing the cost of any mailing required in subsection 2 of Section 20.

Sec. 22. *A legal representative of each affected County may waive notice of hearing.*

Sec. 23. *The county assessor or his representative must appear at all hearings involving consideration of equalization of the properties within his county. Representatives of the county commission and the county board of equalization must also appear. The county assessor and other representatives may:*

(1) Provide additional information and analysis which supports or denies a proposed equalization action; or

(2) Show cause why the value of a class or group of property within the county should not be adjusted or a reappraisal not performed.

Sec. 24. *At a hearing, the State Board may receive testimony under oath from any interested person.*

Sec. 25. *Hearings held pursuant to NRS 361.395(1) may be held by means of video conference.*

Sec. 26. *The presiding chairman may exclude any person from the hearing room when that person is disrupting the hearing.*

Sec. 27. *Upon completion of the hearing or hearings, the State Board may consider any of the following remedies, without limitation:*

(1) Increase or decrease the value of a class or group of property in any county or property valued by the state so that the median of the ratio of assessed value established by the assessor to the taxable value established in the ratio study of the

class or group of property in the aggregate falls within the range of 32 percent to 36 percent;

(a) A factor may not be applied unless the ratio study indicates failure by the assessor to meet the ratio study standards with at least 95 percent confidence.

(b) If high dispersion prevents a determination with 95% confidence that the level of assessment is not within the statutory requirement, or if the factor cannot meet the coefficient of dispersion performance recommendations published in the Standard on Ratio Studies as identified in Section 14 of this regulation, the State Board shall order the assessor to undertake the reappraisal of a class or group of property.

(2) Order the assessor to undertake the reappraisal of a class or group of property;

(3) Adopt a motion to take no action; or

(4) Refer the matter to the Nevada Tax Commission to determine whether to order the reappraisal of the jurisdiction or class of property pursuant to the requirements of NRS 361.333(5)(c).

↳The State Board shall inform the Nevada Tax Commission of its findings and order.

Sec. 28. The order shall specify:

(1) The percentage increase or decrease, if applicable;

(2) Whether reappraisal is necessary, and if so, the purpose and objectives of the reappraisal and the procedures to be used;

(3) The class or group of property affected or the corrections or adjustments to be made to the class or group of property affected; or

(4) The reasons why no action will be taken.

Sec. 29. If the reappraisal ordered pursuant to subparagraph (2) of section 27 is the result of a finding that a method of valuation was used that was not authorized in the regulations of the Nevada Tax Commission, the State Board will:

(1) Specify the methods of the Nevada Tax Commission which must be used for the reappraisal; and

(2) Notify the Nevada Tax Commission of its findings and order.

Sec. 30. Upon completion of a reappraisal, the State Board shall hold a hearing to determine whether to accept the reappraisal in its completed form or as modified by the State Board. Notice of said hearing shall be provided pursuant to NRS 361.395(2) to affected taxpayers whose values would be increased under the reappraisal.

Sec. 31. The order of the State Board shall be sent by certified mail to the county assessor of each affected county and by regular mail to the county clerk and chairperson of the county board of each affected county.

Sec. 32. The specified changes shall be made by the county assessor to each parcel or part of a parcel of real property in the county so affected.

Sec. 33. On or before June 30 of each year, the county assessor of any county adjusted by an order of the State Board shall recertify the Tax Roll to the Department, unless the State Board specifies a different implementation date. On or before August 1 of each year, the Department shall certify to the State Board that any order issued pursuant to these regulations was implemented by the county assessor. The Department may audit the records of the county assessor to determine whether the orders were implemented.

Sec. 34. *The State Board may reconsider any Order issued by the State Board in the manner provided by NAC 361.7475, except that a petition for reconsideration must be filed within 5 days of the date of service of the equalization order; and if the State Board takes no action on the petition within 10 days of receipt of the petition, the petition shall be deemed to be denied.*

Sec. 35. *Any party aggrieved by a final decision of the State Board is entitled to judicial review in accordance with NRS 361.410 and 361.420.*

Sec. 36. *Sections 1 through 34, inclusive, of these regulations shall govern the performance of equalization duties by the State Board for*

(1) the fiscal year the session for which is not final as of the effective date of these regulations;

(2) any fiscal year the session for which commences after the effective date of these regulations; and

(3) any other fiscal year when the State Board performs such duties in order to comply with a court order.