Senate Joint Resolution 14
Senate Committee on Revenue and Economic Development

Overview:

• Calculation of Property Taxes (Applied Analysis)
  • Tax Base & Tax Rates Defined
  • Property Tax Calculation of a $150k Typical Home

• Comparison on Property Tax of Similar Valued Homes (New vs. Old)
  • Northern Nevada Comparison ($250k, $500k, and $1M)
  • Southern Nevada Comparison ($250k, $500k, and $1M)

• Questions?
The Calculation
• **Determination of Taxable Value (Tax Base)**
  – Land: Full cash value
  – Improvements: Replacement cost less depreciation at 1.5 percent per year for up to 50 years

• **Assessment Rate:** 35% of Taxable Value

• **Tax Rates**
  – Vary by jurisdiction
  – Legislatively imposed cap: $3.64 per $100 of assessed value*
  – Constitutionally imposed cap: $5.00 per $100 of assessed value

*Note: The state imposes an additional $0.02 outside of the cap, making the effective cap $3.66.
A Typical Home
($150,000)

Taxable Value $150,000
Taxable Value ≠ Market Value
A Typical Home
($150,000)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable Value</td>
<td>$150,000</td>
</tr>
<tr>
<td>Assessment Ratio</td>
<td>35%</td>
</tr>
<tr>
<td>Assessed Value</td>
<td>$52,500</td>
</tr>
<tr>
<td>Taxable Rate / $100</td>
<td>$2.8985</td>
</tr>
<tr>
<td>Property Taxes Due</td>
<td>$1,522</td>
</tr>
</tbody>
</table>
# Property Tax Calculation Summary

## Typical $150,000 Home

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Value of Land*</th>
<th>Repl. Cost of Improvements*</th>
<th>Less: Depreciation Factor</th>
<th>Total Taxable Value</th>
<th>Assessment Rate</th>
<th>Assessed Value</th>
<th>Tax Rate (Per $100 of Value)</th>
<th>Resulting Tax Liability</th>
<th>Effective Tax Rate (Tax Liability as a Share of Taxable Value Before Depreciation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$50,000</td>
<td>$100,000</td>
<td>$ -</td>
<td>$150,000</td>
<td>35%</td>
<td>$52,500</td>
<td>$2.8985</td>
<td>$1,522</td>
<td>1.01%</td>
</tr>
<tr>
<td>2</td>
<td>$51,250</td>
<td>$102,500</td>
<td>$(1,538)</td>
<td>$152,213</td>
<td>35%</td>
<td>$53,274</td>
<td>$2.8985</td>
<td>$1,544</td>
<td>1.00%</td>
</tr>
<tr>
<td>3</td>
<td>$52,531</td>
<td>$105,063</td>
<td>$(3,152)</td>
<td>$154,442</td>
<td>35%</td>
<td>$54,055</td>
<td>$2.8985</td>
<td>$1,567</td>
<td>0.99%</td>
</tr>
<tr>
<td>4</td>
<td>$53,845</td>
<td>$107,689</td>
<td>$(4,846)</td>
<td>$156,688</td>
<td>35%</td>
<td>$54,841</td>
<td>$2.8985</td>
<td>$1,590</td>
<td>0.98%</td>
</tr>
<tr>
<td>5</td>
<td>$55,191</td>
<td>$110,381</td>
<td>$(6,623)</td>
<td>$158,949</td>
<td>35%</td>
<td>$55,632</td>
<td>$2.8985</td>
<td>$1,612</td>
<td>0.97%</td>
</tr>
<tr>
<td>51</td>
<td>$171,855</td>
<td>$343,711</td>
<td>$(257,783)</td>
<td>$257,783</td>
<td>35%</td>
<td>$90,224</td>
<td>$2.8985</td>
<td>$2,615</td>
<td>0.51%</td>
</tr>
</tbody>
</table>

*Note: For illustrative purposes, assumes an annual growth rate of 2.5 percent for land and improvements.
Policy Underpinnings

Nevada is the only state in the United States that applies a depreciation factor to residential buildings (improvements) for property tax calculations.
Northern Nevada

Homes with an estimated marked value of $250,000:

**Homebuyer A**
Sparks (89431)

- Year Built
  - 1965

- Estimated Market Value
  - $248,000

- Property Tax paid in 2016
  - $951

**Homebuyer B**
East Sparks (89506)

- Year Built
  - 2013

- Estimated Market Value
  - $267,500

- Property Tax paid in 2016
  - $2,080

*Homebuyer B pays $1,129 more on property taxes than Homebuyer A.*
Northern Nevada

Homes with an estimated market value of $500,000:

**Homebuyer A**
North of UNR (89506)

- Year Built
  - 1945

- Estimated Market Value
  - $579,900

- Property Tax paid in 2016
  - $1,285

**Homebuyer B**
Somersett Parkway (89523)

- Year Built
  - 2013

- Estimated Market Value
  - $519,900

- Property Tax paid in 2016
  - $4,497

*Homebuyer B pays $3,212 more on property taxes than Homebuyer A.*
### Northern Nevada

Homes with an estimated market value of $1,000,000:

<table>
<thead>
<tr>
<th>Homebuyer A</th>
<th>Old Southwest Reno (89509)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Built</td>
<td>1956</td>
</tr>
<tr>
<td>Estimated Market Value</td>
<td>$1,199,000</td>
</tr>
<tr>
<td>Property Tax paid in 2016</td>
<td>$4,104</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Homebuyer B</th>
<th>Southwest Reno – Chalets (89511)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Built</td>
<td>2013</td>
</tr>
<tr>
<td>Estimated Market Value</td>
<td>$1,498,000</td>
</tr>
<tr>
<td>Property Tax paid in 2016</td>
<td>$7,828</td>
</tr>
</tbody>
</table>

*Homebuyer B pays $3,724 more on property taxes than Homebuyer A.*
Southern Nevada

Homes with an estimated market value of $250,000:

**Homebuyer A**
North Las Vegas (89104)
- Year Built: 1963
- Estimated Market Value: $250,000
- Property Tax paid in 2016: $794

**Homebuyer B**
Southwest Las Vegas (89179)
- Year Built: 2014
- Estimated Market Value: $249,999
- Property Tax paid in 2016: $2,014

*Homebuyer B pays $1,220 more on property taxes than Homebuyer A.
Southern Nevada

Homes with an estimated market value of $500,000:

**Homebuyer A**  
Central Las Vegas (89102)  
- Year Built  
  ▪ 1954  
- Estimated Market Value  
  ▪ $565,000  
- Property Tax paid in 2016  
  ▪ $2,244

**Homebuyer B**  
McCullough Hills (89012)  
- Year Built  
  ▪ 2014  
- Estimated Market Value  
  ▪ $544,900  
- Property Tax paid in 2016  
  ▪ $4,915

*Homebuyer B pays $2,671 more on property taxes than Homebuyer A.*
Southern Nevada

Homes with an estimated market value of $1,000,000:

**Homebuyer A**
East Las Vegas (89107)
- Year Built
  - 1955
- Estimated Market Value
  - $1,260,000
- Property Tax paid in 2016
  - $2,494

**Homebuyer B**
Southern Highlands (89141)
- Year Built
  - 2014
- Estimated Market Value
  - $1,149,000
- Property Tax paid in 2016
  - $6,709

*Homebuyer B pays $4,215 more on property taxes than Homebuyer A.*
## Comparison Summary:

<table>
<thead>
<tr>
<th></th>
<th>Property Tax Paid under each Estimated Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 250,000</td>
</tr>
<tr>
<td><strong>Northern Nevada</strong></td>
<td></td>
</tr>
<tr>
<td>Homebuyer A</td>
<td>$ 951.00</td>
</tr>
<tr>
<td>Homebuyer B</td>
<td>$ 2,080.00</td>
</tr>
<tr>
<td><strong>Difference in Property Tax Paid (B-A)</strong></td>
<td>$ 1,129.00</td>
</tr>
<tr>
<td><strong>Southern Nevada</strong></td>
<td></td>
</tr>
<tr>
<td>Homebuyer A</td>
<td>$ 794.00</td>
</tr>
<tr>
<td>Homebuyer B</td>
<td>$ 2,014.00</td>
</tr>
<tr>
<td><strong>Difference in Property Tax Paid (B-A)</strong></td>
<td>$ 1,220.00</td>
</tr>
</tbody>
</table>
INFLATION BEFORE AND AFTER ADJUSTMENT FOR DEPRECIATION

Value of a Dollar in 1976 Adjusted Each Year for the Rate of Inflation as Measured by the Consumer Price Index Before and After Adjustment for Depreciation Each Year of 1.5% Times the Number of Years from 1976

After accounting for inflation over 20 years, it would require $2.76 in 1996 to have the same purchasing power as the $1.00 in 1976. But due to the impact of the depreciation, the $2.76 is worth only $1.33 in 1996.

After accounting for inflation over 40 years, it would require $4.22 in 2016 to have the same purchasing power as the $1.00 in 1976. But due to the impact of the depreciation, the $4.22 is worth only $1.69 in 2016.
Senate Joint Resolution 14
Senate Committee on Revenue and Economic Development

Questions?