

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?



APPLIED
ANALYSIS

Calculation of

PROPERTY TAXES IN NEVADA

A REVIEW & ANALYSIS

The Calculation

Tax Base & Tax Rates

- **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 \neq
Market Value**

A Typical Home (\$150,000)



Taxable Value	\$150,000
Assessment Ratio	35%
Assessed Value	\$52,500
Taxable Rate / \$100	\$2.8985
Property Taxes Due	\$1,522

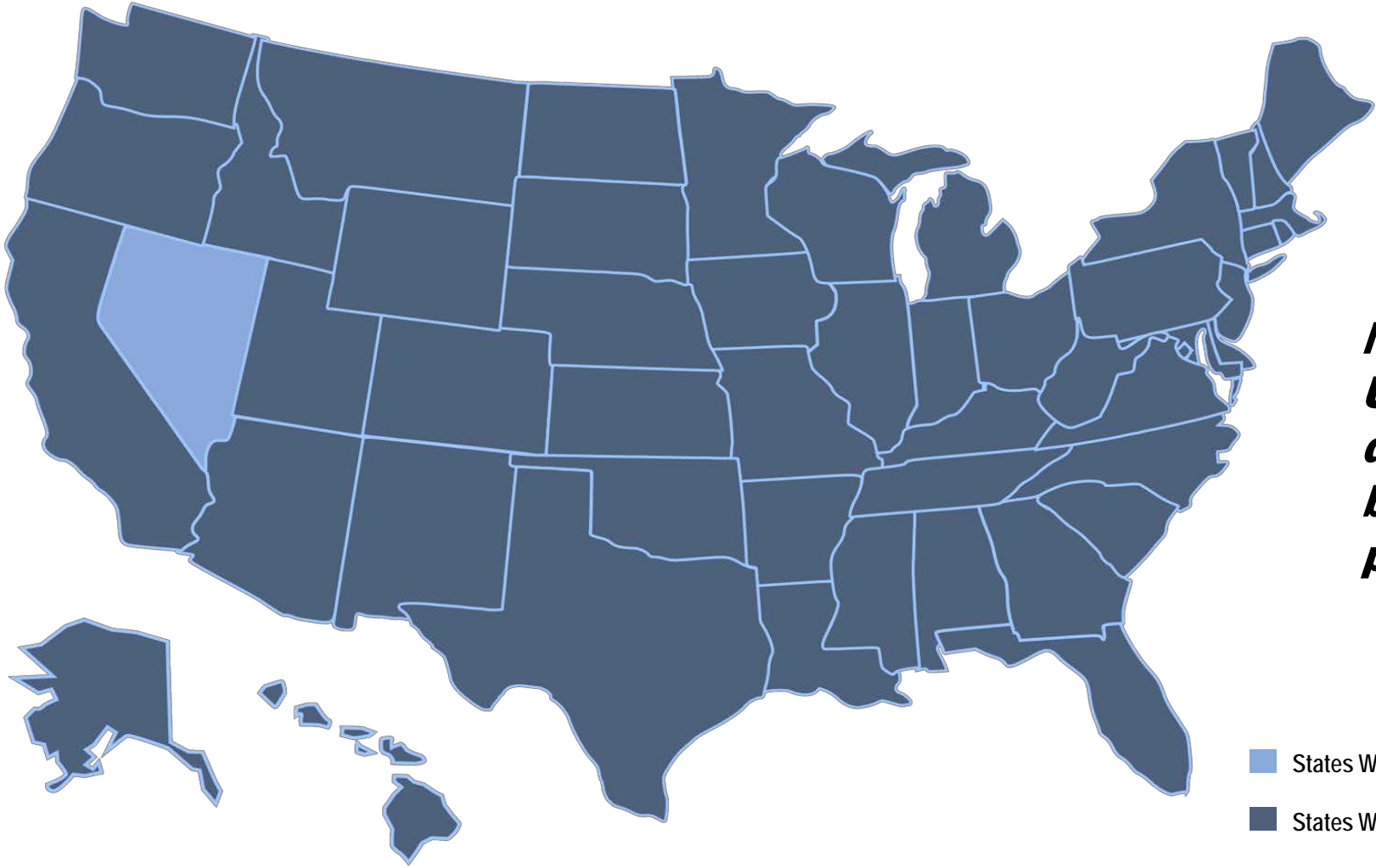
Property Tax Calculation Summary

Typical \$150,000 Home

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

*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

- States With a Depreciation Deduction for Real Property Improvements
- States Without a Depreciation Deduction for Real Property Improvements



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

Somerset 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 :



Homebuyer A Old Southwest Reno (89509)

- Year Built
 - 1956

- Estimated Market Value
 - \$1,199,000

- Property Tax paid in 2016
 - \$4,104

Homebuyer B Southwest Reno – Chalets (89511)

- Year Built
 - 2013

- Estimated Market Value
 - \$1,498,000

- Property Tax paid in 2016
 - \$7,828

***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.**

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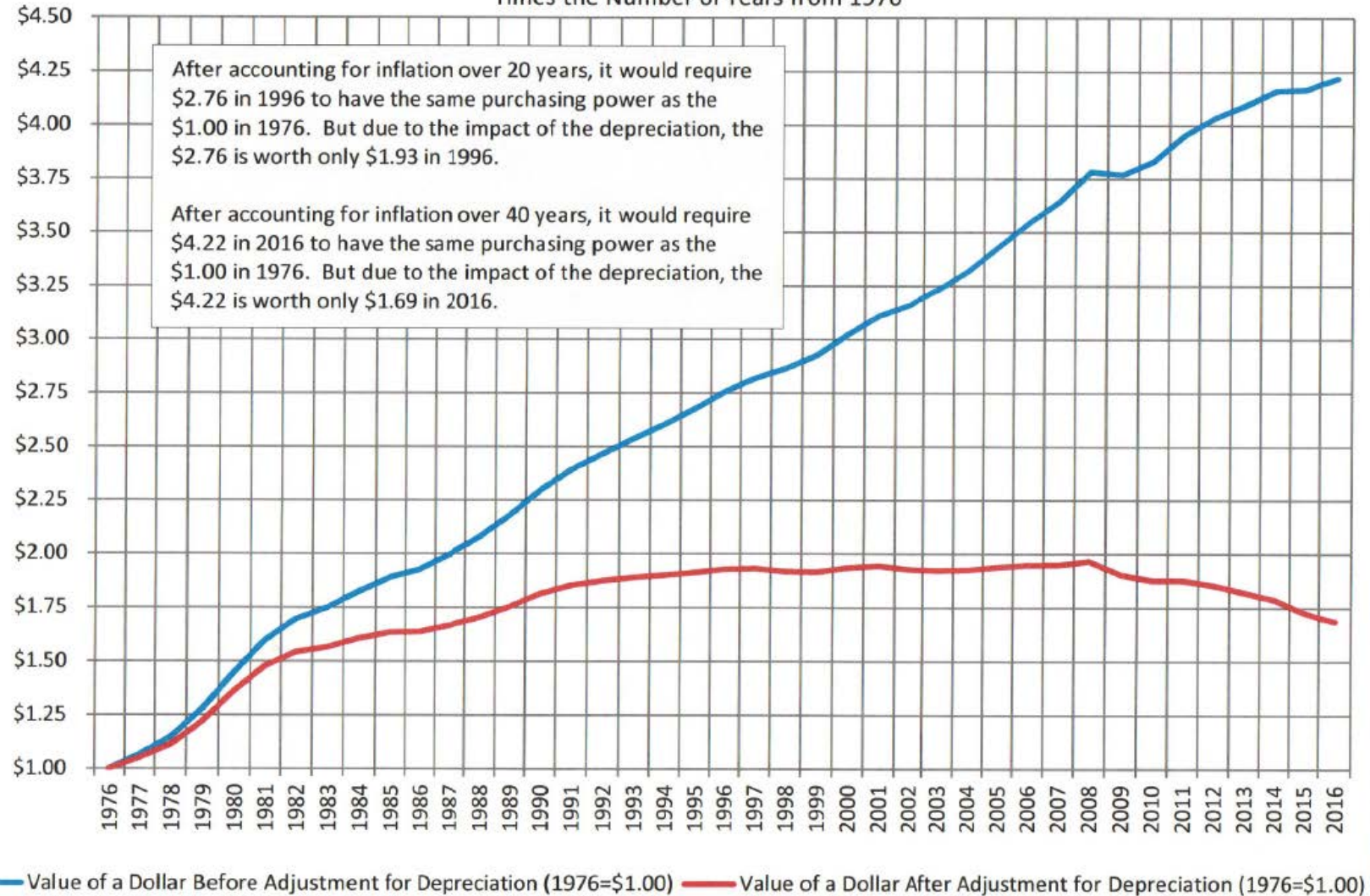
Comparison Summary:

Property Tax Paid under each Estimated Market Value				
		\$ 250,000	\$ 500,000	\$ 1,000,000
Northern Nevada	Homebuyer A	\$ 951.00	\$ 1,285.00	\$ 4,104.00
	Homebuyer B	\$ 2,080.00	\$ 4,497.00	\$ 7,828.00
<i>Difference in Property Tax Paid (B-A)</i>		\$ 1,129.00	\$ 3,212.00	\$ 3,724.00
Southern Nevada	Homebuyer A	\$ 794.00	\$ 2,244.00	\$ 2,494.00
	Homebuyer B	\$ 2,014.00	\$ 4,915.00	\$ 6,709.00
<i>Difference in Property Tax Paid (B-A)</i>		\$ 1,220.00	\$ 2,671.00	\$ 4,215.00



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



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Questions?