

STUDY OF THE CENTRAL ASSESSMENT OF PROPERTY



Bulletin No. 83-4

LEGISLATIVE COMMISSION
OF THE
LEGISLATIVE COUNSEL BUREAU
STATE OF NEVADA

December 1982

S T U D Y O F T H E C E N T R A L
A S S E S S M E N T O F P R O P E R T Y



BULLETIN NO. 83-4

LEGISLATIVE COMMISSION
OF THE
LEGISLATIVE COUNSEL BUREAU
STATE OF NEVADA

DECEMBER 1982

TABLE OF CONTENTS

	<u>Page</u>
1. Senate Concurrent Resolution No. 64, 1981 Session of the Nevada Legislature	iii
2. Report of the Legislative Commission	iv
3. Summary of Recommendations	vi
4. Report to the Legislative Commission from the Subcommittee to Study the Procedures Used by the Department of Taxation in Central Assessment of Property	
I. Introduction	1
II. Subcommittee Procedure.....	2
III. The Kinds of Property Being Centrally Assessed and the Methods Used in Making the Assessments	3
IV. The Benefits and Detriments of Central Assessment	5
V. Whether the Methods Used Meet the Constitutional Requirements of Uniform and Equal Rate of Assessment and a Just Valuation	9
A. Bank Shares	9
B. Net Proceeds of Mines	11
C. Interstate and Intercounty Property	12
D. Power Generation Plants	13
VI. Conclusion	15
5. Appendices:	
Appendix A	
Assessed Value and Estimated Taxes of Centrally Assessed Property	16

	<u>Page</u>
Appendix B	
Comparison of Centrally Assessed Values to Total Assessed Value	30
Appendix C	
Analysis of Senate Bill 687 (1981)	32
Appendix D	
Proposed Legislation	50

SENATE CONCURRENT RESOLUTION—Directing the legislative commission to study the procedures used by the department of taxation in central assessment of property.

WHEREAS, The Nevada tax commission is required by law to establish the valuation for assessment purposes of property of an interstate or intercountry nature, including the property of certain railroads, telephone companies, electric power companies and other public utilities; and

WHEREAS, The department of taxation is required by law to assess the net proceeds of all operating mines and all supplies, equipment and improvements used in connection with mining operations; and

WHEREAS, Other property in this state is assessed locally by the county assessors; and

WHEREAS, The practices and procedures used by the county assessors in their local assessment of property have recently been evaluated and improved; and

WHEREAS, The practices and procedures used by the department of taxation in its central assessment of certain property have not been reviewed since the committee to study assessment and tax equities conducted such a review in 1973 and 1974; now, therefore, be it

Resolved by the Senate of the State of Nevada, the Assembly concurring, That the legislative commission is directed to study the practices and procedures used by the department of taxation in its central assessment of property, and that the study include determinations of:

1. The kinds of property being centrally assessed and the methods used in making the assessments;
 2. The benefits and detriments of central assessment; and
 3. Whether the methods being used for central assessment follow the constitutional principles of having a uniform and equal rate of assessment and securing a just valuation;
- and be it further

Resolved, That the results of the study and any recommendations for legislation be reported to the 62d session of the legislature.

REPORT OF THE LEGISLATIVE COMMISSION

TO THE MEMBERS OF THE 62ND SESSION OF THE NEVADA LEGISLATURE:

This report is submitted in compliance with Senate Concurrent Resolution No. 64 of the 61st session which directed the legislative commission to study the procedures used by the department of taxation in central assessment of property. Appointed by the legislative commission to conduct the study were:

Senator Keith Ashworth, Chairman
Assemblyman Paul W. May, Jr., Vice Chairman
Senator Don W. Ashworth
Senator James N. Kosinski
Assemblyman Erik Beyer
Assemblyman Louis W. Bergevin
Assemblyman Lonie Chaney
Assemblyman John Marvel
Assemblyman Robert E. Price

This study focuses on the central assessment of property for taxation purposes by the department of taxation. The state department of taxation, local officials, members of the various industries that are centrally assessed and others provided the subcommittee with suggestions and proposals regarding the assessment of property. Staff services were provided by the legal division and the fiscal analysis division of the legislative counsel bureau. These suggestions and proposals served as a basis for the subcommittee's review and recommendations. The subcommittee wishes to recognize and thank the many persons who attended and participated in the meetings of the subcommittee for their cooperation in providing valuable information about central assessment of property in Nevada.

This report is transmitted to the members of the 1983 legislature for its consideration and appropriate action.

Respectfully submitted,

Legislative Commission
Legislative Counsel Bureau
State of Nevada

Carson City, Nevada
December 1982

LEGISLATIVE COMMISSION

Assemblyman Robert R. Barengo, Chairman
Assemblyman Joseph E. Dini, Jr., Vice Chairman

Senator Keith Ashworth	Assemblyman Mike Malone
Senator Richard E. Blakemore	Assemblyman Paul W. May, Jr.
Senator Jean E. Ford	Assemblyman Kenneth K.
Senator Virgil M. Getto	Redelsperger
Senator Lawrence E. Jacobsen	Assemblyman Robert F. Rusk
Senator James N. Kosinski	

SUMMARY OF RECOMMENDATIONS

1. Amend article 10 of the Nevada constitution to eliminate the requirement that bank shares be taxed. (BDR C-29)
2. Add to NRS 362 a definition of the gross yield of a mine to include all proceeds sold, exchanged for value or removed from the state. (BDR 32-31)
3. Amend NRS 362 to change the reporting period of net proceeds of mines from a calendar year basis to a fiscal year basis. (BDR 32-31)
4. Amend NRS 361 to require that the assessment of interstate and intercounty properties be conducted in the same manner as all other properties. (BDR 32-138)
5. Amend NRS to reduce the delay in placing construction work in process of power generation facilities on the assessment rolls by requiring that it be placed on the next ensuing tax roll. (BDR 32-32)
6. Delay implementation of section 2.5 of S.B. 687 (1981) until July 1, 1985. (BDR 32-245)
7. Amend NRS to prohibit decreasing any taxing districts share of assessed value from electric power companies as a result of S.B. 687 (1981). (BDR 32-245)
8. Amend the Nevada constitution to provide for a separate property tax on power generation facilities. (BDR C-124)
9. Amend NRS to provide compatibility between S.B. 687 (1981) and the revenue limitations on local governments. (BDR 32-245)
10. Amend NRS to provide a method by which the department of taxation can require estimates of taxable purchases from power companies involved in the construction or operation of a power generation facility in order to determine the amount of sales tax attributable to it. (BDR 32-32)

REPORT TO THE LEGISLATIVE COMMISSION FROM THE SUBCOMMITTEE
TO STUDY THE PROCEDURES USED BY THE DEPARTMENT OF
TAXATION IN CENTRAL ASSESSMENT OF PROPERTY

I. INTRODUCTION

The 1981 Nevada legislature adopted S.C.R. 64 which directs the legislative commission to study the procedures used by the department of taxation in the central assessment of property. Major tax legislation of the 1981 legislature focused on assessment and taxation of residential and commercial property and no specific legislation concerning the central assessment of property was considered or passed during that session.

In 1981, reform measures centered on the procedures for assessing homes because: (a) homes under the market value concept were not allowed depreciation to the extent allowed for commercial and industrial properties; (b) valuations for homes were set by using comparable sales only; (c) the 5-year reassessment cycle coupled with runaway inflation in residential valuations and the supply and demand imbalance discriminated against homeowners. As a result of these reforms, homes are assessed and taxed as are commercial and industrial properties. The land upon which the home is situated is valued based on its use. Houses, buildings, and other improvements are assessed by determining replacement costs less straight-line depreciation and obsolescence.

A 3-year schedule was established for phasing in these reforms beginning in fiscal year 1981-82. Personal property will also be valued at replacement cost less depreciation and obsolescence in accordance with standards approved by the Nevada tax commission (NTC) beginning in 1983. Taxable values will be kept current between physical reappraisals by application of factors which reasonably represent the year-to-year change of the value of the property. None of the reforms addressed the valuation of centrally assessed properties and these properties continue to be appraised and assessed under laws in existence prior to 1981.

Centrally assessed properties are those properties which are appraised and assessed at the state level rather than at the county level by the local assessor. Central assessment generally includes those types of property of an interstate or intercounty nature where actual value cannot be determined solely on the basis of property located within a specific county. The 1981 legislature felt that further study was required in order to determine if changes in central assessment procedures were required to maintain uniform and equal taxation among all classes of property as required by article 10 of the Nevada constitution and to provide for assessment methods similar to those in use by county assessors on all other types of properties.

S.C.R. 64 directs the legislative commission to study the procedures currently in use by the department of taxation. The resolution requires the commission to determine:

1. The kinds of property being assessed and the methods used in making the assessments;
2. The benefits and detriments of central assessment; and
3. Whether the methods used meet the constitutional requirements of a uniform and equal rate of assessment and a just valuation.

II. SUBCOMMITTEE PROCEDURE

The subcommittee, following the mandate of S.C.R. 64, limited the focus of the study to those properties that are centrally assessed. In addition to taking testimony from the public, representatives of the affected industries, local government representatives and the department of taxation, the subcommittee developed information through the legal division and the fiscal analysis division of the legislative counsel bureau. The subcommittee was allocated \$9,000 for the costs of meetings and printing of the final report. It held an initial meeting in Carson City on February 11, 1982, and took public testimony at a subsequent meeting on March 24, 1982. Two work sessions were held, one on July 14, 1982, and one on November 8, 1982. All meeting announcements were posted in compliance with the open meeting law and an attempt was made to notify all interested parties in order for them to provide testimony and information to the subcommittee.

III. THE KINDS OF PROPERTY BEING CENTRALLY ASSESSED AND THE METHODS USED IN MAKING THE ASSESSMENTS

At its meetings and through examination of existing statutes the subcommittee found that the following types of property are centrally assessed:

1. Interstate and intercounty companies, including power, railroad, telephone and telegraph, gas and pipeline, airline, water and carline companies;
2. Bank shares;
3. Mine property--improvements and equipment; and
4. Net proceeds of mines.

Included in appendix A are schedules and charts depicting the relative values of these various types of properties in the State of Nevada and the estimated property taxes derived from them.

The valuation of interstate and intercounty property is governed by NRS 361.320. This section requires that the NTC adopt formulas providing for the method or methods to be used in establishing a taxable value of centrally assessed property. The law requires that "these formulas take into account, as indicators of value, the company's income, stock and debt, and the cost of its assets."

The NTC has adopted regulation 15 to comply with this provision of law. Regulation 15, generally calls for valuations to be computed using the cost approach, the income approach, and the stock and debt approach, and further specifies methods to value each approach for every centrally assessed company operating in Nevada in order to arrive at a single valuation.

In addition, NRS 361.320 requires the use of a "unitary concept" of valuation. The "unitary concept" requires that a company be valued in total and that valuation be divided into the amount appropriately belonging to the State of Nevada based on a formula. The value attributable to Nevada is further allocated to the various counties based on additional allocation statistics. An example of this method of allocation for railroads is the division of total company value based upon a number of line miles located in Nevada and then the various counties.

Mine improvements and equipment valuations are required to be prepared by the department of taxation by NRS 362.100, and are valued using generally accepted appraisal techniques just as all other equipment and improvements are appraised by county assessors.

Net proceeds of mines are computed by the department of taxation pursuant to NRS 362. Generally, the net proceeds are arrived at by deducting specified expenses from the gross yield of each mine.

Valuation of bank shares is done by the department of taxation pursuant to NRS 367. The valuation of bank shares is computed by capitalizing at 9 percent the net deposits of each bank or branch bank less required reserves. Taxable value is the bank share value less the amount of real property assessed to the bank.

Appraisal of interstate and intercounty properties, bank shares, net proceeds of mines and mine improvements are performed by the centrally assessed properties section of the division of assessment standards of the department of taxation. This section consists of six professional positions including a supervisor, two utility analysts, two mine appraisers, and one tax examiner. This section is responsible for the valuation of approximately 180 interstate and intercounty companies, appraisal of nearly 500 mines, and the calculation of net proceeds for approximately 350 operating mines and royalty recipients each year.

All companies of an interstate or intercounty nature are required to file an annual report with the department of taxation providing specific information on the costs of assets, income and stock and debt values, in addition to other data such as facility mileage and production or distribution statistics which are used as a basis to allocate values to Nevada and the various counties.

Valuations for all centrally assessed properties and allocations of those values to the various counties are compiled by the department of taxation and certified by the NTC. Further allocation to taxing units within each county is accomplished by the county assessors from data gathered by the department of taxation. Any centrally assessed property owner who disputes the certified valuation can appeal to the state board of equalization. There is no appeal right to the local boards of equalization.

IV. THE BENEFITS AND DETRIMENTS OF CENTRAL ASSESSMENT

S.C.R. 64 required the subcommittee to examine the benefits and detriments of central assessment of property. The subcommittee reviewed this central process in comparison to the likely alternative of local assessment of these properties. In general, the subcommittee found that central assessment of property was not only beneficial to the State of Nevada but also perhaps the only realistic approach to appraising and assessing these types of properties which are not of a single county location or business activity.

In addition, the subcommittee found that as a result of central assessment, substantial tax revenues accrue to local government entities within the state and that many taxing districts depend on these assessments as a major portion of their property tax base. The subcommittee also expressed concern that these valuations are becoming a less important factor in the overall makeup of statewide assessed valuations.

Below is a schedule of the ratio of centrally assessed property to total assessed value by county which indicates the degree of dependence each had on centrally assessed property and mine values in assessment year 1980-81. These values are the basis for fiscal year 1981-82 taxes. Currently, dependence on interstate and intercounty companies ranges from 36.1 percent of the total valuations in Pershing County to 2.9 percent in Douglas County. Statewide, these companies make up 7.6 percent of the total property value. Dependence on mine valuations range from virtually zero percent in Carson City and Douglas County to 26.9 percent in Lander County and statewide values are 1.1 percent of total assessed value.

RATIO OF CENTRALLY ASSESSED PROPERTY
TO TOTAL ASSESSED VALUE
BY COUNTY

1981-82					
County	Total Property	Mine Values	%	Interstate & Intercounty	%
Carson City	\$ 321,392,786	\$ 15,710	0.0%	\$ 15,945,834	5.0%
Churchill	93,656,071	417,120	.4	16,828,497	18.0
Clark	4,469,796,125	6,444,430	.1	326,740,518	7.3
Douglas	509,894,118	78,270	.0	14,762,816	2.9
Elko	219,188,825	4,828,370	2.2	22,162,598	10.1
Esmeralda	21,973,182	2,005,450	9.1	6,180,263	28.1
Eureka	72,410,516	6,179,130	8.5	5,582,340	7.7
Humboldt	136,869,706	4,746,630	3.5	34,277,977	25.0
Lander	56,617,711	15,228,090	26.9	11,700,009	20.7
Lincoln	38,027,599	5,311,580	14.0	10,842,689	28.5
Lyon	147,196,994	4,116,170	2.8	29,651,649	20.1
Mineral	40,529,954	5,558,380	13.7	13,612,545	33.6
Nye	207,464,792	24,699,680	11.9	19,529,299	9.4
Pershing	50,349,364	4,368,330	8.7	18,196,923	36.1
Storey	31,661,224	3,623,070	11.4	3,084,412	9.7
Washoe	2,670,858,446	1,634,570	.1	135,761,692	5.1
White Pine	63,071,123	10,748,260	17.0	7,230,682	11.5
Total	\$9,150,958,536	\$100,003,240	1.1%	\$692,090,743	7.6%

* Includes utilities, railroads, airlines, telephone and telegraph companies, gas and pipeline companies, water companies and bank shares as published in Nevada Tax Commission Bulletin 146.

Unlike assessment and taxation of utilities and mining properties, collection of taxes on net proceeds of mines is based on the actual gross yield less certain expenses of each mine. Below is a schedule of the actual net proceeds values for each county in fiscal year 1981-82 and their percentage of dependence on these proceeds. Net proceeds values are taxed at the applicable property tax rate in the jurisdiction in which the mine is located.

RATIO OF NET PROCEEDS OF MINES
TO TOTAL ASSESSED VALUE
BY COUNTY

1981-82			
<u>County</u>	<u>Total Property</u>	<u>Net Proceeds Value*</u>	<u>Percent</u>
Carson City	\$ 321,392,786	\$ -0-	0.00%
Churchill	93,656,071	336,403	.40
Clark	4,469,796,125	2,119,527	.05
Douglas	509,894,118	6,942	.01
Elko	219,188,825	11,199,440	5.11
Esmeralda	21,973,182	7,819,357	35.59
Eureka	72,410,516	44,437,068	61.37
Humboldt	136,869,706	22,987,308	16.80
Lander	56,617,711	27,382,278	48.36
Lincoln	38,027,599	1,236,160	3.25
Lyon	147,196,994	215,364	.15
Mineral	40,529,954	3,844,500	9.49
Nye	207,464,792	21,626,160	10.42
Pershing	50,349,364	4,690,996	9.32
Storey	31,661,224	4,293,840	13.56
Washoe	2,670,858,446	-0-	0.00
White Pine	63,071,123	12,543,236	19.89
Total	\$9,150,958,536	\$164,738,579	1.80%

* Net proceeds are actual values compared with total assessed values which include estimated net proceeds. Actual proceeds may or may not exceed estimated proceeds.

Last fiscal year dependence on net proceeds of mines ranged from 61.37 percent in Eureka County to zero percent in Carson City and Washoe County. Statewide net proceeds were 1.8 percent of total assessed value.

Through public testimony and examination of the actual procedures used by the department of taxation, the subcommittee has determined that central assessment provides the following benefits to the state in addition to producing substantial assessed valuations for local property taxes:

1. The requirement of unitary valuation of interstate and intercounty companies requires some sort of central assessment in order to provide consistent and equal valuations.

2. The intercounty nature of bank shares lends itself to central valuation.
3. Net proceeds taxation is readily administered centrally and consistent tax treatment is enhanced by centralization.
4. Centralized valuation generally provides more consistent treatment among taxpayers and therefore more equity.
5. Central assessment is accomplished for the entire state by six staff members in the department of taxation and sufficient expertise may be difficult to obtain at the county level especially for the appraisal of complex utilities and railroad companies.
6. More uniform and consistent standards result when an assessment program is administered from one level.
7. The appraisal of mine improvements and property provides consistent treatment of those properties throughout the state and can provide correlation between that assessment requirement and the valuation of net proceeds of mines.

In addition, the subcommittee has determined that there are certain detriments to central assessment of property. These include:

1. The state pays for the cost of central assessment but derives no revenue from it. All taxes derived from central assessment go to local governments and school districts.
2. County assessors could assess mine improvements since they have the final responsibility in this area and they may be more aware of mining developments in their county.
3. Continued state budgetary constraints may impede assessment activities and indicate a return of some central assessment practices to the county assessor.

The subcommittee feels that the benefits enumerated above, plus the substantial tax revenues produced, far outweigh any detriments of centralized assessment and therefore

make no alternative recommendation for valuing this category of property.

V. WHETHER THE METHODS USED MEET THE CONSTITUTIONAL REQUIREMENTS OF UNIFORM AND EQUAL RATE OF ASSESSMENT AND A JUST VALUATION

Of major concern to the subcommittee was the question of equity and uniformity of taxes. The subcommittee feels that not only must equity exist between general classes of property but also within classes. Shown in appendix B is a comparison of centrally assessed values to total assessed value. This chart includes interstate and intercounty companies, bank shares, and mine improvements and equipment. This schedule also depicts a general trend indicating total interstate and intercounty values have been increasing at a slower rate than all property combined and as a result comprise an increasingly smaller portion of total assessed value.

As a result of their concern for equity and uniformity in taxation and the general shift in the tax burden from those properties that are centrally assessed to commercial and residential properties, the subcommittee has made a number of recommendations in several specific areas of central assessment each of which are discussed below and are included in the proposed legislation appended to this report.

A. BANK SHARES

The subcommittee recommends that legislation be submitted to the 1983 legislature to eliminate the constitutional requirement that bank shares be taxed (see appendix D, BDR C-29).

Article 10 of the Nevada constitution provides in part "shares of stock, except shares of stock in banking corporations, bonds, mortgages, notes, bank deposits, book accounts and credits, and securities and choses in action of like character are deemed to represent interest in property already assessed and taxed, either in Nevada or elsewhere, and shall be exempt (emphasis added)."

NRS 367 implements the constitutional requirement that bank shares be taxed. NRS 367 provides that the valuation of bank shares shall be determined by the total deposits

of the bank as determined through regulations of the federal reserve system capitalized at 9 percent. From the valuation of bank shares so derived is subtracted the full cash value of all real property assessed to the bank in order to avoid double taxation on the assets of the bank.

From testimony of the department of taxation and others, the subcommittee determined that recent changes in the Federal Reserve System requirements have the effect of substantially reducing valuations of bank shares. Since the value of real property of banks is deducted from the shares to determine taxable bank shares, it is possible that a bank's real property may exceed the value of the shares resulting in a zero taxable bank share value.

The actual assessed value of bank shares has declined from \$61.5 million in 1981-82 to \$43.2 million in 1982-83 and is predicted to decline substantially further. In addition, personal property of banks is not currently taxed in order to avoid the double taxation of those assets since they are part of the overall value of the bank as already determined through the assessment of bank shares. The subcommittee considered the following factors in making their recommendations:

1. Banks are the only corporation and more particularly the only financial institution to be so taxed.
2. Considering the status of the economy and the financial difficulty of many savings and loans, thrift companies and other depository and lending institutions, it may be counterproductive to extend the shares' tax to these financial institutions.
3. Currently, the valuation of bank shares is dependent on Federal Reserve regulations and definitions of deposits and reserves. Changes in these federal regulations have resulted in substantial decreases in the valuation of bank shares. In addition, each bank's personal property is exempt from taxation by statute and this exemption would be removed by eliminating the bank shares' tax. As a result, the elimination of the bank shares' tax would not create a substantial loss in tax revenues. These revenues have not been estimated since the value of personal property of banks is not known.

B. NET PROCEEDS OF MINES

The subcommittee recommends legislation be submitted to the 1983 legislature which defines the gross yield of a mine to include all proceeds sold, exchanged for value, or removed from the state (see appendix D, BDR 32-31).

The department of taxation recommended to the subcommittee that the term gross yield be clearly defined in the statutes since current mining practices sometimes makes this a difficult figure to determine. Currently, no such definition exists and determination of gross yield is the province of the department of taxation with the concurrence of the NTC. NTC regulations require that the mined product be sold before a gross yield occurs.

Testimony before the subcommittee indicated that there could be instances where the mined product is used elsewhere in the mining operation and there are no sale results, or the product is withheld from sale and stored in repositories. In addition, the opportunity exists for the mined product to be transferred to royalty recipients in lieu of cash, thereby avoiding inclusion in the gross yield of the mine. The subcommittee therefore recommends a definition be added to statute using the current concept of gross yield as the sold product but eliminating those instances which would allow avoidance of taxation through hidden proceeds.

The subcommittee recommends legislation be introduced in the 1983 legislature to change the basis of the net proceeds tax from a calendar to a fiscal year.

The existing calendar year tax period for net proceeds creates problems for local governments and mine operators. Currently, a local government must finalize their budget and set tax rates for the ensuing fiscal year before they know what the actual net proceeds are for the current fiscal year. In addition, mine operators must now make an estimated tax payment in August of each year. If the estimated payment is less than 50 percent of the actual tax, the operator must pay a 10 percent penalty.

Approval of S.J.R. 21 (1981 session) would amend the constitution to separately tax net proceeds and would provide an opportunity to convert from a calendar year to a fiscal year basis. The first year of such a conversion would only include 6 months of mining (January-June) and therefore a decrease in taxes available to local

government. This could be alleviated, should S.J.R. 21 be approved in the 1983 session as well as by the voters in 1984, by allowing for an increase in tax rates for that initial year, or should it be necessary, from advances to local governments by the state. The subcommittee further recommends that this legislation be effective on July 1, 1985, and only if S.J.R. 21 of the 61st session is approved and ratified by the people.

C. INTERSTATE AND INTERCOUNTY PROPERTY

The subcommittee recommends that legislation be introduced in the 1983 legislature which would have the effect of requiring that the assessment of utility properties be conducted in the same manner as all other properties (see appendix D, BDR 32-138).

NRS 361.320 requires that the NTC adopt formulas providing for a method of valuation of utility companies. In a district court decision, the court ruled and the supreme court confirmed that this meant establishing regulations that clearly set out the methods and procedures to be used. As a result, the NTC adopted Regulation 15 in 1979. This regulation was established and can only be amended through the administrative procedures act (NRS 233B).

Regulation 15 calls for valuations to be computed using the cost approach, the income approach, and the stock and debt approach. The regulation further specifies a weighted value to assign each approach for every interstate or intercounty company operating in Nevada in order to arrive at a single valuation.

Testimony before the subcommittee indicated that in order to propose a regulation to the NTC in 1979 that could be adopted and not opposed by the industry, a number of concessions were made to the industry. Additional testimony indicated that the industry is requesting further concessions through the NTC and that these may, if adopted, lead to unrealistic valuations of these companies.

Further evidence presented to the subcommittee indicated that regulation 15, as approved by the NTC, is not in itself uniform and equal. Specific instances were pointed out where the regulation requires valuation at original cost of assets in some instances and replacement cost of assets in other.

The legislation as proposed by the subcommittee would require that the valuation of all interstate and inter-county property be conducted using the same methods and procedures as all other property as specified in NRS 361.227. This, in effect, would require the use of replacement cost less depreciation rather than original cost less depreciation in valuing the improvements and equipment of interstate and intercounty companies, and would eliminate the use of the stock and debt approach which is currently authorized by NRS 361.320. The recommended legislation would allow the full cash value of the property as determined through the replacement cost approach to be modified by taking into account the company's income from that property.

D. POWER GENERATION PLANTS

The subcommittee recommends legislation be introduced in the 1983 legislature concerning power generation plants in the following areas:

1. Reduce the delay from 18 months to 6 months in placing work in process of new generation plants on the assessment rolls by requiring that it be placed on the next ensuing tax roll (see appendix D, BDR 32-32).
2. Delay implementation of section 2.5 of S.B. 687 until July 1, 1985 (see appendix D, BDR 32-245).
3. Employ new language in statute that would prohibit decreasing any taxing district's share of assessed value from electric power companies as a result of S.B. 687. This language will use assessed values for 1982-83 as a base year with an inflationary factor for future increases in order to protect the small counties from any adverse impacts (see appendix D, BDR 32-245).
4. Amend the Nevada constitution to provide for a separate property tax on power generation facilities. This would allow, if approved by the voters, for the legislature to develop a distribution formula at some future date which would equitably distribute the assessed values from such a plant throughout the state (see appendix D, BDR C-123).
5. Amend the revenue limitations on local governments as approved by the 1981 session in order to make the

provisions of S.B. 687 compatible with those limitations. This would include the ability to establish new ad valorem tax rates should an entity's tax rate reach zero because of the receipt of large amounts of supplemental city-county relief tax during a construction of a new plant and inclusion of in-lieu taxes from such a power plant in NRS 354.5982 (see appendix D, BDR 32-245).

6. Provisions which would provide a method by which the department of taxation can require estimates of taxable purchases from power companies involved in the construction and operation of power generation, transmission or distribution facilities in order to determine the amount of sales tax attributable to it for the special distributions required by S.B. 687 (see appendix D, BDR 32-32).

The 1981 legislature approved S.B. 687 which substantially changes the method of allocating assessed value derived from electrical power companies throughout the State of Nevada. Currently, electric power companies are valued on the unitary basis, that is, a single value is determined for the company on a statewide basis which is then allocated throughout the counties based on a formula using the number of miles of transmission lines in each county.

S.B. 687 would change that allocation formula to use population as the basis for distribution of the assessed values of such companies to the counties. Specifically, S.B. 687 provides that during the construction of power generation, transmission or distribution facilities, 100 percent of the assessed value of the work in process shall be allocated to the county of situs and 100 percent of the additional supplemental city-county relief tax and basic city-county relief tax attributable to the construction of such a plant be distributed to the county of situs. No such special distribution is required for local school support tax during construction.

On completion of construction of such a plant, all city-county relief taxes related to the operation of the project would be apportioned 10 percent to the county of project location and 90 percent to all other counties based on population. Also upon completion, the assessed value of such facilities would be apportioned 10 percent to the county of project location and 90 percent to all other counties based on population where it would be taxed

in its entirety at the school rate and at the county rate for that fraction which represents the proportionate share of population in the unincorporated area and at city rates for that fraction which represents their proportionate share of population within the county. Commencing July 1, 1983, section 2.5 of S.B. 687 would become effective implementing this population allocation procedure.

Passage of S.B. 687 by the 1981 legislature proved to be a very controversial issue both from the standpoint of the effect upon electrical power companies and also the effect upon the property tax base of local government entities. As a result of this controversy, the subcommittee requested that the fiscal analysis division prepare an analysis of S.B. 687 and its potential impacts upon the tax revenues of local governments. (For this analysis and a thorough discussion of S.B. 687, see appendix C.)

VI. CONCLUSION

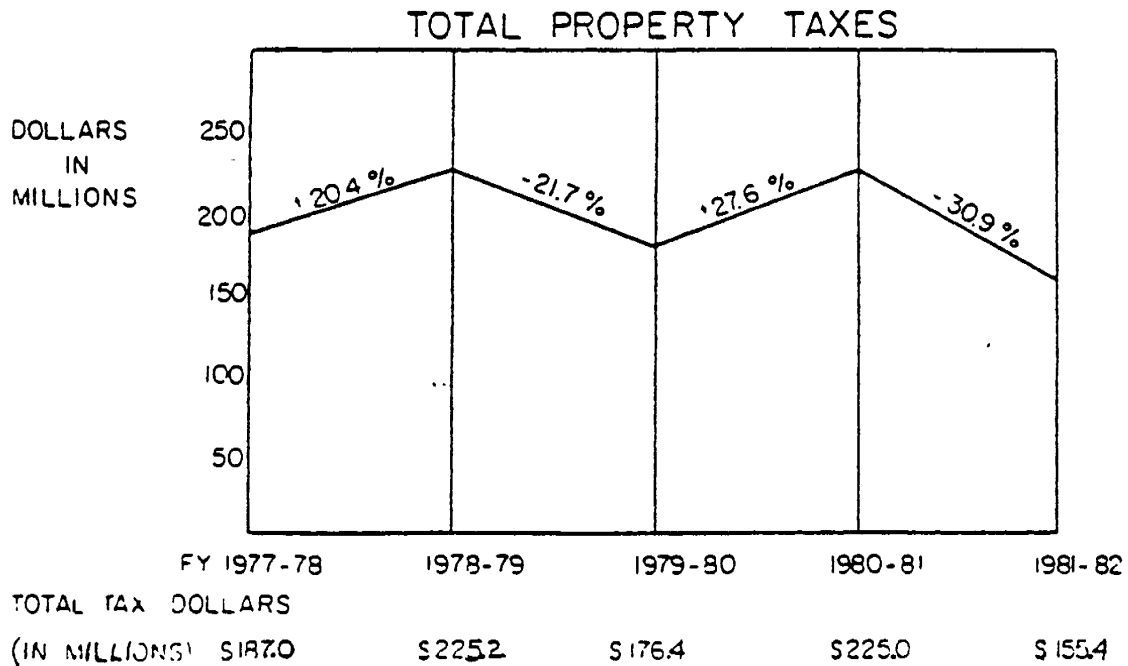
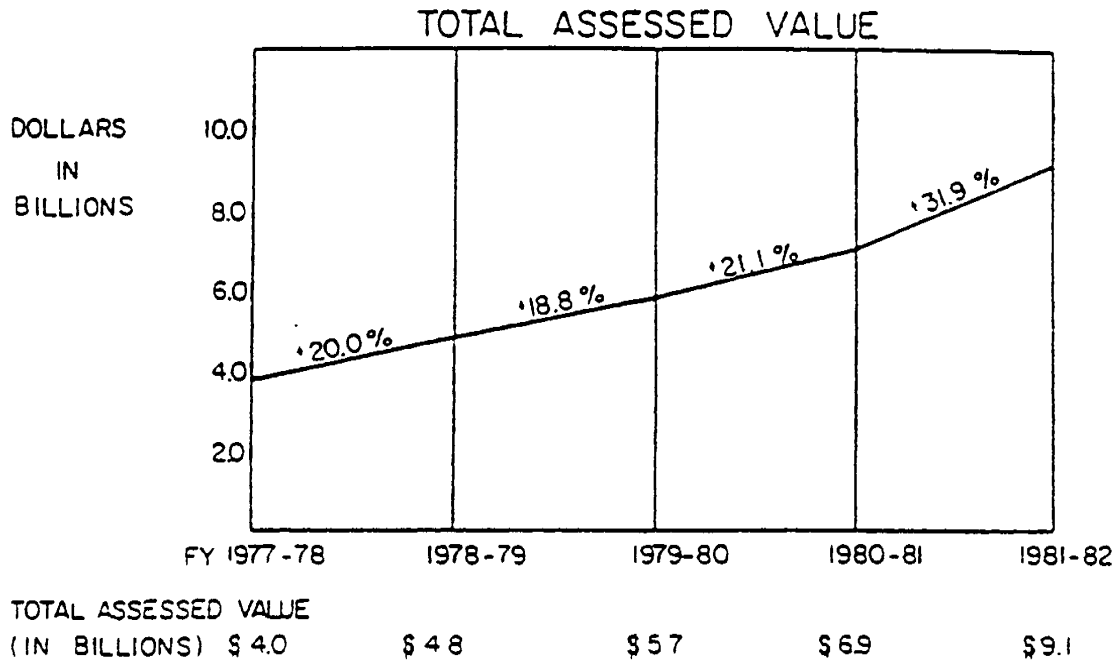
The subcommittee believes that the recommendations of this report and the accompanying proposed legislation will enhance the equity and uniformity of property taxes within the state as required by the constitution. These recommendations are an effort to increase uniform tax treatment between the various classes of property and, in the case of recommended changes to S.B. 687 (1981), provide for equitable treatment of the many taxing districts within the state. Although the subcommittee examined all areas of central assessment, only those that required recommendations are reported here.

A P P E N D I X A

ASSESSED VALUE AND ESTIMATED TAXES OF
CENTRALLY ASSESSED PROPERTY

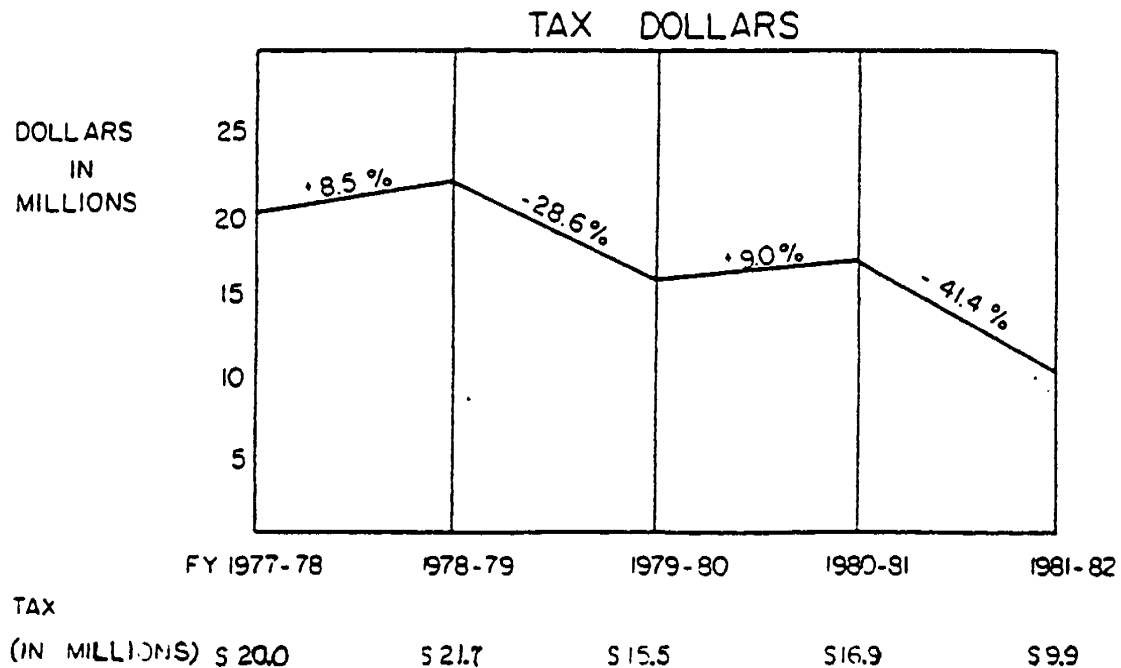
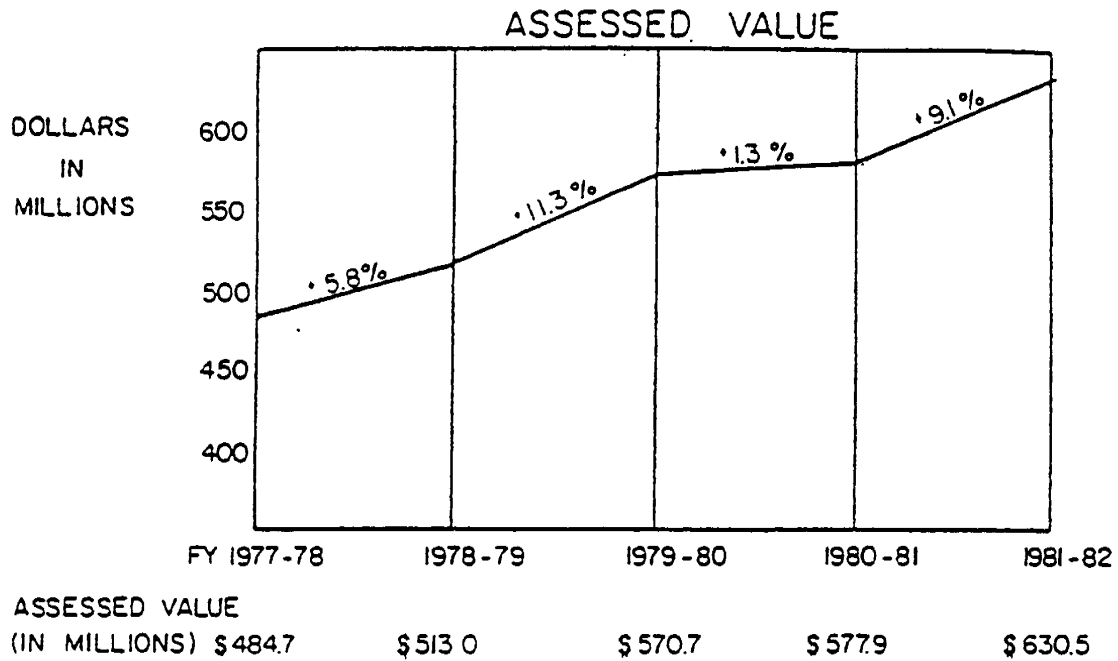
TOTAL PROPERTY TAXES

1977-78 TO 1981-82



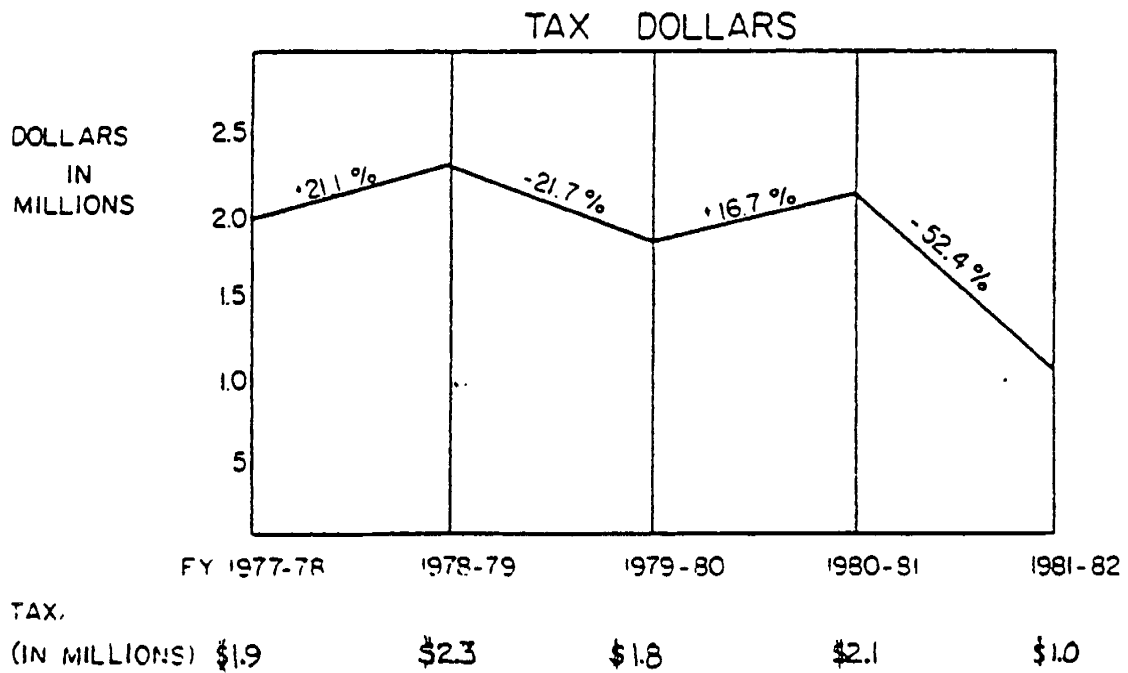
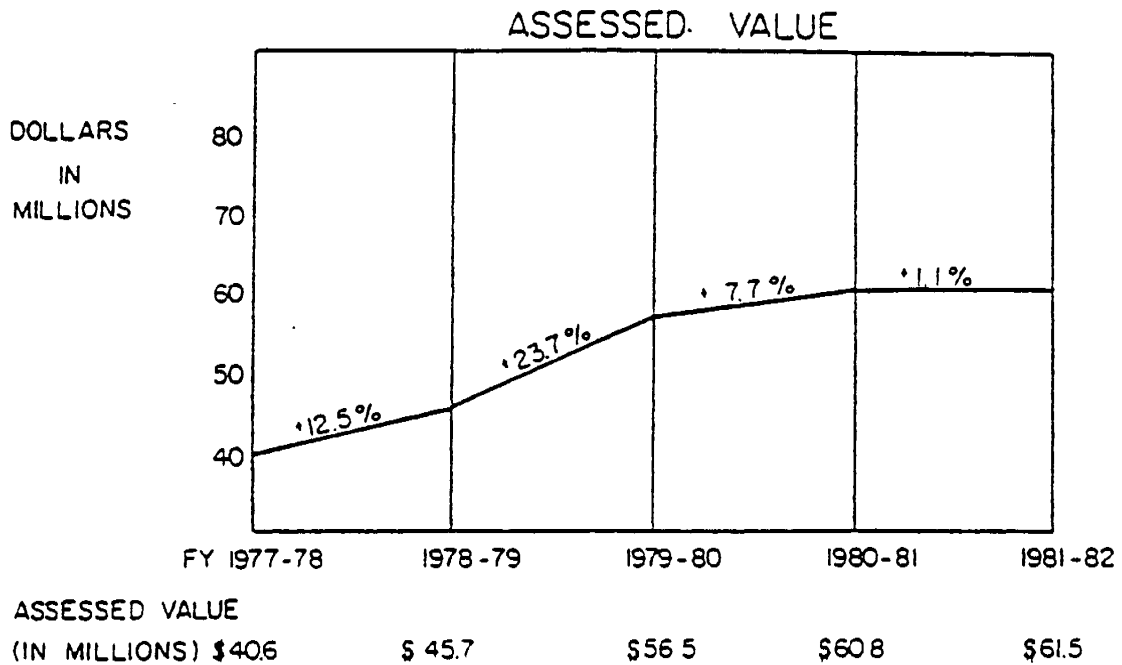
CENTRALLY ASSESSED PROPERTY

UTILITIES, RAILROADS, CARLINES AND AIRLINES



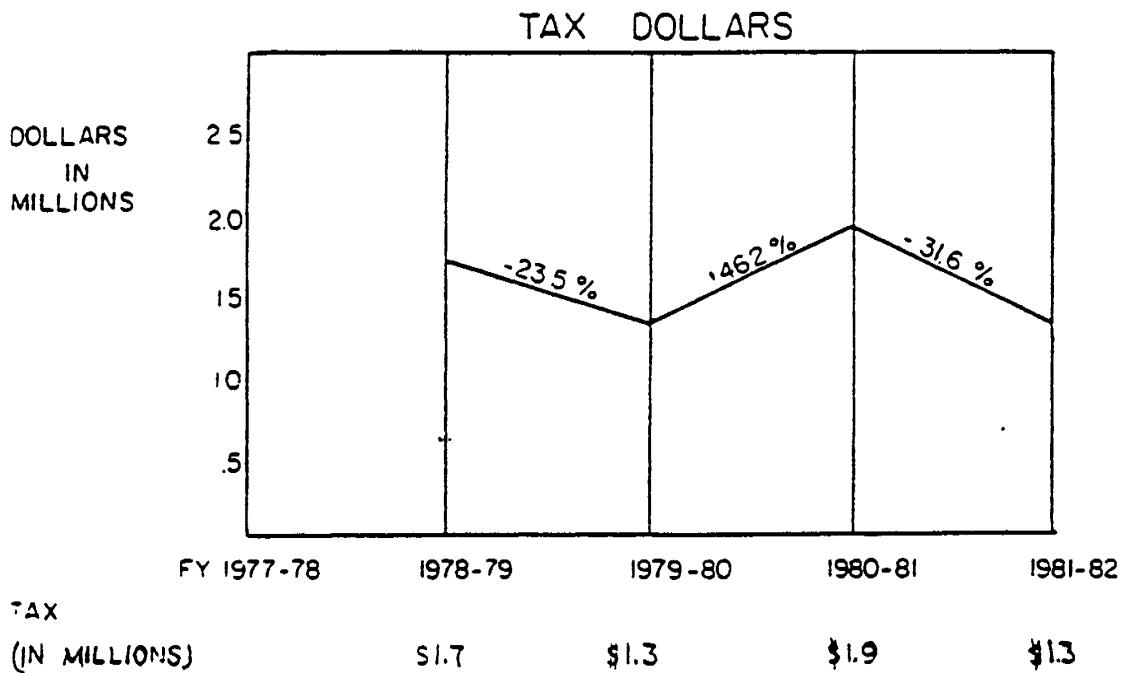
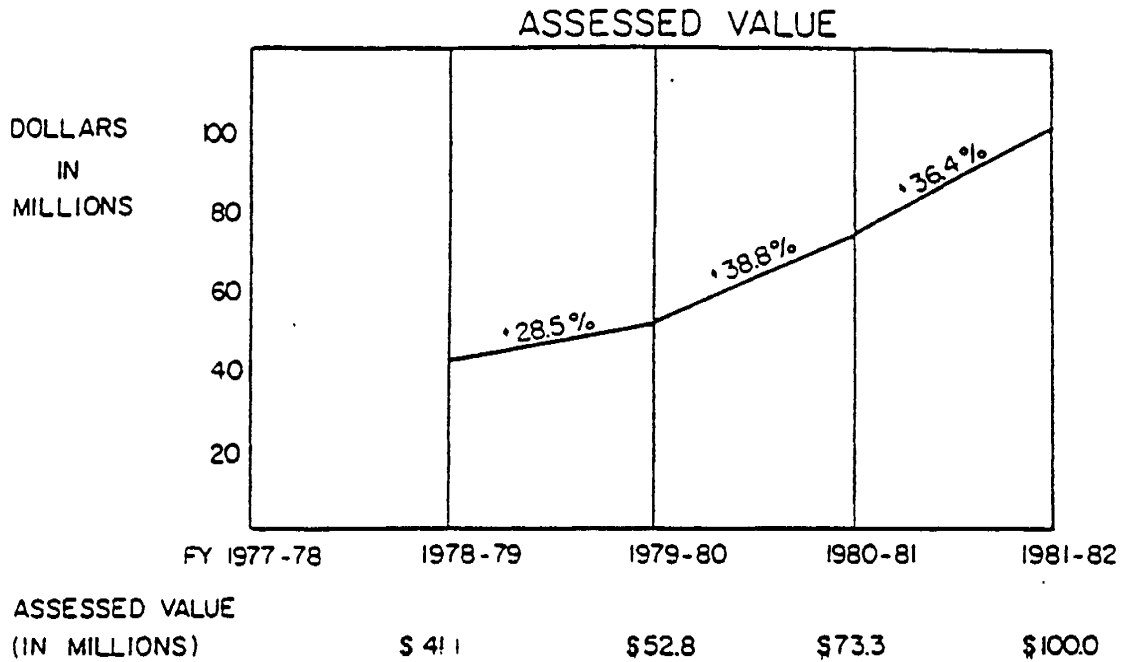
CENTRALLY ASSESSED PROPERTY

BANK SHARES



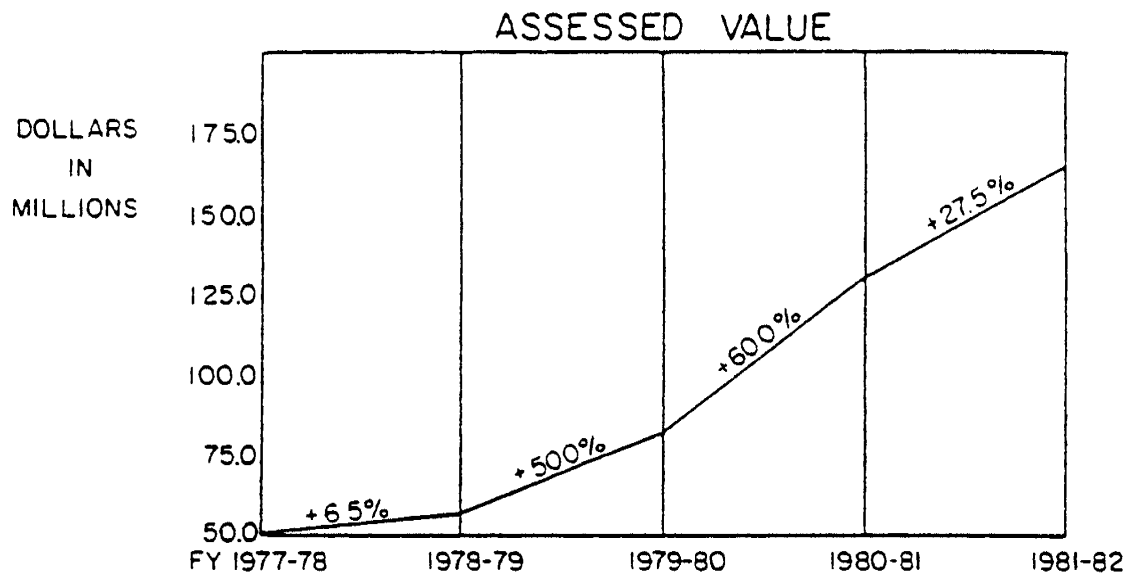
CENTRALLY ASSESSED PROPERTY

MINE IMPROVEMENTS & EQUIPMENT

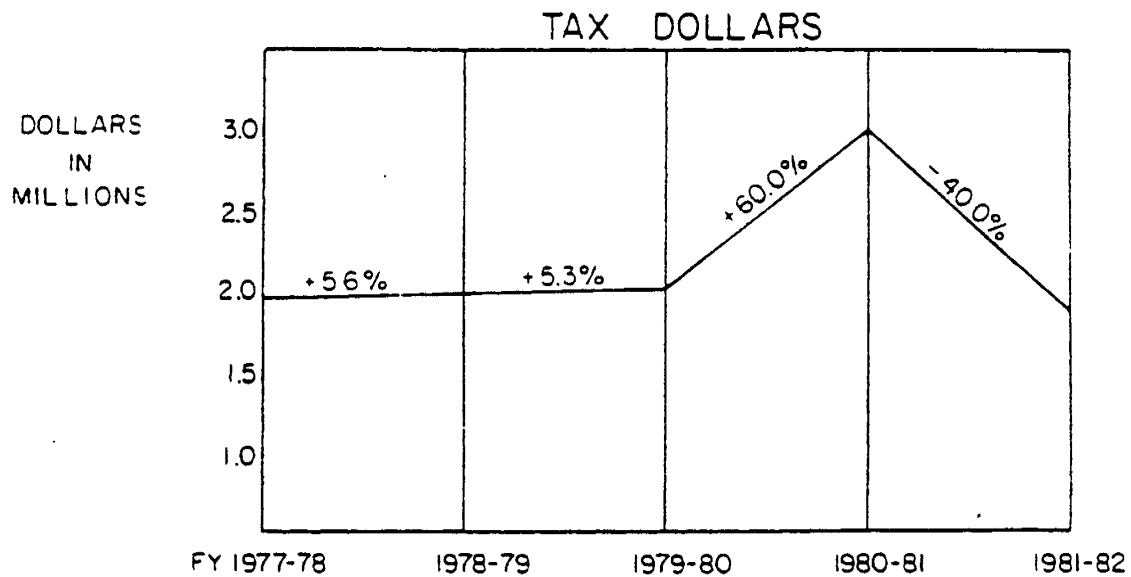


CENTRALLY ASSESSED PROPERTY

NET PROCEEDS OF MINES



NET PROCEEDS
(IN MILLIONS) \$ 50.5 \$ 53.8 \$ 80.7 \$ 129.1 \$ 164.7



TAX
(IN MILLIONS) \$ 1.8 \$ 1.9 \$ 2.0 \$ 3.2 \$ 1.9

ESTIMATED PROPERTY TAXES
UTILITIES, RAILROADS AND AIRLINES

	TAX YEAR			
	1978-79	1979-80	1980-81	1981-82
Carson City	\$ 321,477	\$ 228,626	\$ 279,496	\$ 147,599
Churchill	562,729	378,551	396,379	189,699
Clark	10,526,723	7,918,678	8,242,119	5,494,246
Douglas	462,277	306,440	335,169	203,331
Elko	843,314	468,533	460,539	245,902
Esmeralda	220,036	173,638	218,548	106,889
Eureka	196,528	116,901	116,474	41,300
Humboldt	637,045	456,638	630,865	348,135
Lander	362,900	275,747	289,816	159,055
Lincoln	411,637	256,588	248,757	135,762
Lyon	989,781	639,688	905,894	427,331
Mineral	623,185	491,381	487,647	175,037
Nye	613,849	432,280	473,096	292,355
Pershing	582,424	366,871	465,088	245,851
Storey	140,063	110,343	96,757	40,665
Washoe	3,969,124	2,715,717	3,067,994	1,629,738
White Pine	233,306	144,092	151,411	64,735
Total	\$21,705,398	\$15,480,712	\$16,866,049	\$9,947,630

ESTIMATED PROPERTY TAXES
BANK SHARES

	TAX YEAR			
	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
Carson City	\$ 103,482	\$ 73,385	\$ 78,685	\$ 30,183
Churchill	35,790	30,681	35,389	11,650
Clark	1,080,134	950,589	1,051,677	629,487
Douglas	60,598	48,792	57,148	31,398
Elko	63,021	44,414	56,023	26,752
Esmeralda	-0-	-0-	-0-	-0-
Eureka	3,227	2,007	2,246	825
Humboldt	30,720	26,566	32,907	14,550
Lander	9,961	7,992	8,240	5,400
Lincoln	7,261	4,991	6,208	4,134
Lyon	26,485	21,960	27,527	13,909
Mineral	6,948	6,071	7,442	2,865
Nye	13,840	11,484	11,836	6,745
Pershing	10,642	9,116	9,834	5,250
Storey	-0-	-0-	-0-	-0-
Washoe	772,376	594,019	669,425	246,093
White Pine	<u>41,513</u>	<u>28,604</u>	<u>33,282</u>	<u>13,878</u>
Total	\$2,265,998	\$1,860,671	\$2,087,869	\$1,043,119

ESTIMATED PROPERTY TAXES
MINE IMPROVEMENTS & EQUIPMENT

	TAX YEAR			
	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
Carson City	\$ 357	\$ 311	\$ 331	\$ 186
Churchill	4,825	3,771	16,908	3,622
Clark	215,076	149,258	155,149	107,851
Douglas	2,884	1,916	1,953	1,244
Elko	76,309	23,745	38,943	50,180
Esmeralda	-0-	41,569	46,666	34,636
Eureka	160,101	96,795	123,181	46,220
Humboldt	43,209	45,851	50,568	51,747
Lander	317,675	250,993	364,231	214,046
Lincoln	98,846	90,738	124,496	68,117
Lyon	454,503	130,883	140,723	69,373
Mineral	14,826	11,521	14,686	72,642
Nye	169,203	296,992	401,953	387,293
Pershing	72,353	46,743	67,568	59,658
Storey	69,439	67,999	161,153	48,271
Washoe	47,472	28,804	34,953	19,618
White Pine	-0-	-0-	192,470	111,685
Total	\$1,747,078	\$1,287,889	\$1,935,932	\$1,346,389

STATE OF NEVADA
DEPARTMENT OF TAXATION
NET PROCEEDS OF MINES 1981-82

<u>COUNTY</u>	<u>METALLIC</u>	<u>NONMETALLIC</u>	<u>TOTAL</u>	<u>NET PROCEEDS</u>	<u>TAX DOLLARS</u>
Carson City	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Churchill	302,379.	1,085,968.	1,388,347.	336,403.	4,032.07
Clark	192,337.	11,373,079.	11,565,416.	2,119,527.	36,025.29
Douglas	290.463.	3,750.	294,213.	6,942.	91.37
Elko	15,955,823.	22,224,172.	38,179,995.	11,199,440.	117,335.66
Esmeralda	17,298,119.	844,510.	18,142,629.	7,819,357.	135,048.11
Eureka	72,648,619.	1,562,658.	74,211,277.	44,437,068.	332,389.27
Humboldt	35,349,954.	1,309,780.	36,659,734.	22,987,308.	245,303.36
Lander	47,698,023.	53,401,228.	101,099,251.	27,382,278.	384,885.30
Lincoln	11,052,723.	2,030,796.	13,083,519.	1,236,160.	15,678.23
Lyon	4,667.	1,005,313.	1,009,980.	215,364.	3,371.20
Mineral	22,602,091.	1,037,037.	23,639,128.	3,844,500.	49,978.52
Nye	44,837,194.	32,127,382.	76,964,576.	21,626,160.	336,857.25
Pershing	296,296.	6,730,179.	7,026,475.	4,690,996.	64,064.93
Storey	13,312,057.	4,082,392.	17,394,449.	4,293,840.	57,357.12
Washoe	-0-	-0-	-0-	-0-	-0-
White Pine	31,746,237.	-0-	31,746,237.	12,543,236.	130,336.77
TOTAL	<u>\$313,586,982.</u>	<u>\$138,818,244.</u>	<u>\$452,405,226.</u>	<u>\$164,738,579.</u>	<u>\$1,912,754.45</u>

STATE OF NEVADA
DEPARTMENT OF TAXATION
NET PROCEEDS OF MINES

1980-81

COUNTY	G R O S S Y I E L D			NET PROCEEDS	TAX DOLLARS
	METALLIC	NONMETALLIC	TOTAL		
Carson City	\$ 3,780	\$ -0-	\$ 3,780	\$ 3,780	\$ 97.89
Churchill	196,737	1,227,890	1,424,627	220,196	5,571.18
Clark	18,581	10,968,224	10,986,805	2,294,780	56,639.76
Douglas	-0-	4,500	4,500	201,197	3,337.56
Elko	5,637,147	13,496,991	19,134,138	6,007,608	103,330.86
Esmeralda	238,815	15,293,650	15,532,465	7,206,158	215,968.55
Eureka	73,397,567	503,239	73,900,806	49,953,775	1,067,262.40
Humboldt	10,196,302	83,805	10,280,107	6,998,583	160,967.41
Lander	43,210,828	33,474,512	76,685,340	10,934,406	289,761.76
Lincoln	12,744,049	3,849,478	16,593,527	3,308,624	78,745.25
Lyon	-0-	879,718	879,718	34,151	1,217.82
Mineral	3,368,174	1,126,156	4,494,330	383,361	14,299.37
Nye	42,893,936	19,365,154	62,259,090	34,660,845	1,029,427.10
Pershing	340,369	2,713,442	3,053,811	1,487,681	39,721.08
Storey	17,562,138	432,019	17,994,157	4,914,627	164,409.03
Washoe	-0-	-0-	-0-	-0-	-0-
White Pine	603,772	8,418	612,190	531,174	12,388.04
TOTAL	<u>\$210,412,195</u>	<u>\$103,427,196</u>	<u>\$313,839,391</u>	<u>\$129,140,946</u>	<u>\$3,243,145.06</u>

STATE OF NEVADA
DEPARTMENT OF TAXATION
NET PROCEEDS OF MINES

1979-80

COUNTY	G R O S S Y I E L D			NET PROCEEDS	TAX DOLLARS
	METALLIC	NONMETALLIC	TOTAL		
Carson City \$	1,550	\$ -0-	\$ 1,550	\$ -0-	\$ -0-
Churchill	36,081	1,268,452	1,304,533	189,352	4,558.85
Clark	-0-	12,367,788	12,367,788	4,235,065	96,836.40
Douglas	6,679	1,440	8,119	577	9.27
Elko	4,556,555	7,916,290	12,472,845	4,764,073	73,479.80
Esmeralda	65,787	13,552,562	13,618,349	6,753,163	165,520.02
Eureka	42,209,859	313,865	42,523,724	24,454,769	479,443.90
Humboldt	9,133,451	66,184	9,199,635	5,996,259	124,090.50
Lander	18,916,913	25,421,057	44,337,970	9,125,313	236,168.01
Lincoln	7,466,035	1,886,279	9,352,314	792,080	16,720.19
Lyon	-0-	431,431	431,431	442,144	13,375.32
Mineral	86,186	1,257,623	1,343,809	368,766	13,441.65
Nye	15,409,280	29,987,224	45,396,504	18,154,629	600,862.00
Pershing	1,247,636	4,540,835	5,788,471	2,037,355	38,614.96
Storey	9,233,896	444,895	9,678,791	3,376,744	118,728.43
Washoe	-0-	-0-	-0-	-0-	-0-
White Pine -	136,730	-0-	136,730	-0-	-0-
TOTAL	<u>\$108,506,638</u>	<u>\$99,455,925</u>	<u>\$207,962,563</u>	<u>\$80,690,289</u>	<u>\$1,981,849.30</u>

STATE OF NEVADA
DEPARTMENT OF TAXATION
NET PROCEEDS OF MINES

1978-79

COUNTY	G R O S S Y I E L D			NET PROCEEDS	TAX DOLLARS
	METALLIC	NONMETALLIC	TOTAL		
CARSON CITY \$	3,156	\$ -0-	\$ 3,156	\$ -0-	\$ -0-
Churchill	48,199	1,206,433	1,254,632	362,627	13,779.83
Clark	-0-	11,560,460	11,560,460	3,543,547	129,647.73
Douglas	7,750	900	8,650	5,326	160.31
Elko	2,347,824	5,213,591	7,561,415	2,238,344	68,269.49
Esmeralda	-0-	12,126,388	12,126,388	5,432,527	206,219.27
Eureka	30,331,056	5,441	30,336,497	18,410,060	629,624.05
Humboldt	2,849,562	104,313	2,953,875	367,320	12,724.38
Lander	19,598,094	20,974,131	40,572,225	8,004,237	313,766.12
Lincoln	4,257,558	1,503,993	5,761,551	761,522	27,423.86
Lyon	5,892,496	620,782	6,513,278	240,706	10,143.06
Mineral	5,417	317,020	322,437	5,983	299.15
Nye	9,919,456	14,783,760	24,703,196	12,727,607	498,220.66
Pershing	966,302	3,009,399	3,975,701	1,588,071	52,088.44
Storey	3,655,726	293,737	3,949,463	98,613	4,727.51
Washoe	-0-	-0-	-0-	-0-	-0-
White Pine	11,992,764	30,463	12,023,227	-0-	-0-
TOTAL	<u>\$91,875,340</u>	<u>\$71,750,811</u>	<u>\$163,626,151</u>	<u>\$53,786,490</u>	<u>\$1,967,094.15</u>

STATE OF NEVADA
DEPARTMENT OF TAXATION
NET PROCEEDS OF MINES

1977-78

COUNTY	G R O S S Y I E L D			NET PROCEEDS	TAX DOLLARS
	METALLIC	NONMETALLIC	TOTAL		
Churchill	\$ 100,153	\$ 960,582	\$ 1,060,735	\$ 306,717	\$ 11,902
Clark	462,927	10,119,742	10,582,669	3,503,561	128,185
Douglas	3,937	860	4,797	860	23
Elko	7,962,895	3,050,826	11,033,721	3,762,935	114,958
Esmeralda	51,681	15,749,111	15,800,792	8,219,738	320,569
Eureka	29,649,439	32,133	29,681,572	19,886,569	630,121
Humboldt	3,575,489	129,296	3,704,785	1,368,417	48,758
Lander	12,540,745	15,187,390	27,728,135	5,270,545	206,597
Lincoln	5,264,584	65,634	5,350,218	338,252	11,864
Lyon	22,457,844	349,714	22,807,558	38,383	1,644
Mineral	1,912	321,784	323,696	114,374	5,719
Nye	6,612,583	14,782,395	21,594,978	6,114,448	237,846
Carson City	152	-0-	152	-0-	-0-
Pershing	970,078	2,775,075	3,745,153	1,179,453	39,106
Storey	683,263	275,164	958,427	64,019	3,075
Washoe	-0-	-0-	-0-	-0-	-0-
White Pine	<u>37,188,857</u>	<u>38,961</u>	<u>37,227,818</u>	<u>330,932</u>	<u>11,914</u>
TOTAL	<u>\$127,766,539</u>	<u>\$63,838,667</u>	<u>\$191,605,206</u>	<u>\$50,499,203</u>	<u>\$1,842,283</u>

A P P E N D I X B

COMPARISON OF CENTRALLY ASSESSED VALUES
TO TOTAL ASSESSED VALUE

Comparison of Centrally Assessed Values
To Total Assessed Value

Assessment Year	Total Valuation	Percent Increase	Interstate & Intercounty ¹	Increase	Percent of Total	Bank Shares ¹	Percent Increase	Percent of Total	Mine Values ²	Percent Increase	Percent of Total
1974-75	\$ 3,305,269,085		\$436,076,845		13.2%	\$37,069,480		1.1%			
1975-76	3,543,355,077	7.2%	465,202,953	6.7%	13.1	38,362,194	3.5%	1.1			
1976-77	3,989,574,838	12.6	484,701,119	4.2	12.1	40,623,110	5.9	1.0			
1977-78	4,783,282,531	19.9	513,011,690	5.8	10.7	45,696,791	12.5	1.0	\$ 41,127,300		.9%
1978-79	5,676,274,742	18.7	570,742,335	11.3	10.1	56,520,022	23.7	1.0	52,809,955	28.4%	.9
1979-80 ³	6,894,753,571	21.5	577,983,921	1.3	8.4	60,848,935	7.7	.9	73,348,640	38.9	1.1
1980-81 ³	9,150,958,536	32.7	630,544,789	9.1	6.9	61,545,954	1.1	.7	100,003,240	36.3	1.1
1981-82	10,270,890,391	12.2	732,480,220	16.2	7.1	43,238,268	-29.7	.4	184,598,820	84.6	1.8

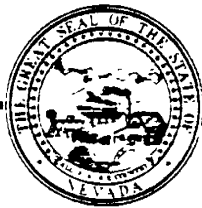
1. Values as published in Department of Taxation Bulletins 134, 136, 138, 140, 142, 144, 146, and 148 which are published before final equalization each year.
2. Mine valuations were centralized in the Department of Taxation by the 1975 Legislature.
3. Valuations of all property except centrally assessed were prepared in accordance with S.B. 69 (1981) which included factoring to current values.

A P P E N D I X C

ANALYSIS OF SENATE BILL 687 (1981)

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 885-5627

ROBERT R. BARENGO, *Assemblyman, Chairman*
Arthur J. Palmer, *Director, Secretary*

INTERIM FINANCE COMMITTEE (702) 885-5640

FLOYD R. LAMB, *Senator, Chairman*
William A. Bible, *Fiscal Analyst*
Daniel G. Miles, *Fiscal Analyst*

ARTHUR J. PALMER, *Director*
(702) 885-5627

FRANK W. DAYKIN, *Legislative Counsel* (702) 885-5627
JOHN R. CROSSLEY, *Legislative Auditor* (702) 885-5622
ANDREW P. GROSE, *Research Director* (702) 885-5637

Fiscal Analysis Division

ANALYSIS OF SENATE BILL 687 (1981)

Background:

At their meeting of July 14, 1982, the Legislative Commission's Subcommittee on Centrally Assessed Property (S.C.R. 64) directed the Fiscal Analysis Division of the Legislative Counsel Bureau to study the effects of Senate Bill 687 upon local government tax sources. Specifically, the subcommittee wanted to know the effect of S.B. 687 on White Pine county and its ability to meet the impact of the proposed White Pine Power Project (WPPP). S.B. 687 changes the method of allocating sales taxes and assessed value related to electric power companies and power generating plants.

We have reviewed data and information from the White Pine Power Project, White Pine County School District, City of Ely, Humboldt county, Humboldt County School District, Lander county, Lander County School District and Sierra Pacific Power Company (Sierra Pacific Power is one of the parties in the WPPP and Valmy I). Many of the conclusions of this report are based on the projected data received from the WPPP and is therefore only as accurate as that data. In addition, the analysis required the interpretation of a number of features of S.B. 687 which affect the conclusions arrived at. Since all data supplied by the WPPP was stated in terms of 1981 dollars, that is, without any inflation over the course of the project, all calculations in this report are also stated in current dollars.

Valmy Power Project:

The Valmy Power Project (Valmy I) is a 250-megawatt coal fired electrical generation plant located at Valmy, Nevada

near the Humboldt and Lander county border. Valmy I was constructed between September 1978 and November 1981. Operation of Valmy I began in December 1981, and it is owned jointly by Sierra Pacific Power Company and Idaho Power Company.

The construction of Valmy I produced impacts on Humboldt and Lander counties, Humboldt and Lander County School Districts, Battle Mountain, Valmy and Winnemucca. Prior to construction of Valmy I, estimates placed the peak work force at 450 workers while the actual peak work force is estimated to have been between 750 and 900. Original estimates were exceeded in part because of an accelerated construction schedule.

A post-construction study prepared for Sierra Pacific Power Company by outside consultants concluded that construction of Valmy I had no major impact in the area either beneficial or adverse. Reasons advanced for this included: impacts were dispersed among several communities; mitigation measures, such as, onsite housing and health care; school transportation; and the ability of the community and schools to absorb the influx of people and students. Results of the study are not conclusive, however, since the impacts specifically attributable to Valmy I were not easily identifiable because of other large scale construction projects in the area and increased mining activities. The study and information supplied by local government officials does indicate, however, impacts in the following areas:

Housing--Construction of Valmy I and other local projects depleted the supply of vacant housing in the area which resulted in a rapid increase in rental rates.

Schools--During the construction period, schools in Battle Mountain and Winnemucca experienced rapid growth resulting in utilization of portable classrooms, makeshift classrooms and additional teachers. Humboldt County School District officials indicate Valmy caused an increased enrollment of approximately 7 percent at peak construction (158 students)

resulting in an average increase of only two to three students per class and did not require expansion of school facilities by itself.

Law Enforcement--The Valmy I project increased the workload of law enforcement officials in Lander and Humboldt counties. Humboldt county increased its law enforcement coverage of the project area.

Health Care--Health care problems in local communities were largely mitigated by onsite health care capabilities.

Water--The water demands of Valmy I and Valmy II may preclude other types of development in eastern Humboldt county.

Business--Retail trade nearly doubled in the period 1976-1981 in Humboldt county (as measured by the Basic City-County Relief Tax). This increase cannot be solely attributable to the Valmy I project, however, since the county was experiencing other rapid growth. Trade has, however, declined since the completion of Valmy I.

Local Taxes--Tax revenues generated by construction of Valmy I were substantially less than originally projected. Assessed valuation attributable to the project originally estimated to exceed \$70 million in 1981, actually only totaled \$52,029,000. Additionally, Basic City-County Relief Tax (BCCRT) for Humboldt county only increased from approximately \$204,000 in 1977 to \$396,000 in 1981. The poor experience in sales tax is at least partially due to the fact that project related taxes were not reported as originating in Humboldt county.

In addition to the above-mentioned areas of impact, Humboldt county officials indicate many other impacts did occur but went unsatisfied. These include items relating to the increase in population, such as, water, sewage disposal, streets, recreation facilities, law enforcement,

fire protection personnel and equipment and garbage disposal.

White Pine Power Project:

The White Pine Power Project is a 1,500-megawatt coal fired electrical generation plant to be located in the vicinity of Ely. The WPPP will be constructed in two 750-megawatt phases over a seven-year period beginning in late-1984 or early-1985. The peak work force level is currently estimated to be between 2,500 and 2,600. The WPPP is in the process of completing a costly and lengthy impact study using impact alleviation subcommittees to identify potential problems and propose remedies to alleviate them. This work will not be completed until sometime in 1983. For this reason, we are not able to predict with any certainty what community impacts to expect. We have projected, however, additional revenues that will be available to these entities based on current data. These are presented separately for White Pine county, Ely and the White Pine County School District. The primary finding of these analyses is that substantial additional revenues may accrue to affected local government entities to mitigate potential impacts, however, these funds may not be timely for that purpose and they may not be spendable under current revenue limitations.

White Pine County:

White Pine county's general fund budget for fiscal year 1982-83 totals \$2.4 million. The maximum combined allowable revenue from taxes ad valorem and the Supplemental City-County Relief Tax (SCCRT) is \$1,125,344. The total assessed valuation including net proceeds of mines for 1982-83 is \$74,162,843, and the tax rate of \$.00364 for purposes other than debt service will yield ad valorem revenue of \$269,951.

The WPPP will result in substantial amounts of new revenue becoming available to White Pine county from the 1/2¢ BCCRT and the 1 3/4¢ SCCRT. Additionally, the assessed valuation of work in progress will for several years cause an increase in the counties' assessed valuation measured

in the hundreds of percent. These increases are detailed in the table on page 6.

During the peak year of construction purchases--fiscal year 1988-89--the increase from the BCCRT and SCCRT combined will equal about \$3.9 million. If the present tax rate of \$.00364 were applied to the increased assessed valuation due to the plant, an additional \$.7 million would be generated that year. This \$4.6 million increase is nearly twice the total fiscal year 1982-83 general fund budget.

Revenue limitations imposed by the 1981 Legislature do not apply to the BCCRT. So the full amounts shown in the table under the column headed BCCRT would be available to White Pine county. Conversely, the limitations would apply to new SCCRT revenue and taxes ad valorem, and to the total combined revenue from these sources. Increases in assessed valuation will expand the cap to allow the county to receive and spend more money from the combined SCCRT and ad valorem revenue. However, there is a lag of several years between increases in SCCRT and assessed valuation increases as is apparent when the SCCRT and assessed valuation columns are compared.

The result will be that during the first two years of construction--fiscal year 1984-85 and fiscal year 1985-86 --no new assessed valuation from the power plant will be available to expand the county's authority to spend SCCRT revenue. Consequently, under the limitation formula, the SCCRT increases would be a direct offset to ad valorem revenue (presently \$269,951 per year).

By fiscal year 1985-86, new SCCRT revenue will more than replace the total ad valorem revenue resulting in a zero tax rate. Once a zero tax rate is reached, an anomaly in the limitation formula will allow no ad valorem rate in future years. Therefore, the major increases in assessed valuation due to construction of the power plant will produce no new property tax revenue for White Pine county. The increases will provide some new authority to spend increases in the SCCRT revenue beginning in fiscal year 1986-87. However, these increases in authority to spend

the SCCRT will be minimized because of the time lag in assessed valuation increases.

WHITE PINE COUNTY

Increases in City County Relief Taxes
and Assessed Valuation Due to
White Pine Power Project

	<u>BCCRT Increase</u>	<u>SCCRT Increase</u>	<u>Assessed Valuation Increase</u>
1984-85	\$ 69,946	\$ 244,820	
1985-86	154,368	540,288	
1986-87	377,478	1,321,173	\$ 7,100,000
1987-88	713,952	2,498,832	29,890,000
1988-89	871,230	3,049,303	83,910,000
1989-90	454,737	1,591,581	194,770,000
1990-91	215,030	752,604	355,370,000
1991-92	32,924	115,233	156,595,000
1992-93	32,924	115,233	218,400,000
1993-94	32,924	115,233	23,099,000
<u>82-83 Budget*</u>	<u>\$130,162</u>	<u>\$660,429</u>	<u>\$ 74,162,483</u>

* For comparison, these are amounts anticipated for fiscal year 1982-83. (prior to any power plant construction).

Ely:

The entire fiscal year 1982-83 general fund budget for Ely totals \$1.1 million. The "maximum combined allowable revenue" from taxes ad valorem and the SCCRT is \$299,082. Of this amount, \$54,457 is produced by the city's \$.00211 property tax rate. The fiscal year 1982-83 assessed valuation of Ely is \$25,807,280.

When construction commences on the White Pine Power Project in late 1984 or early 1985 substantial amounts of new revenue will become available to Ely from both the 1/2 cent BCCRT and the 1 3/4¢ SCCRT as shown in the table on page 8. During the peak year for construction purchases, fiscal year 1988-89, total revenue available from the two will be \$5.8 million or more than five times the fiscal year 1982-83 general fund budget. Beginning fiscal year 1991-92, when construction will be completed, Ely will receive approximately \$220,000 per year from the BCCRT and SCCRT combined on coal purchases. Also, taxation of the portion of the power plant's valuation allocated to Ely potentially would provide an additional but less significant source of new revenue.

Revenue limitations imposed by the 1981 Legislature do not apply to the BCCRT. So the full amounts shown in the column headed BCCRT would be available to Ely. However, this is not the case with SCCRT revenue or taxes ad valorem. The combined revenue from these sources is limited. New revenue from the SCCRT would first be used to replace ad valorem taxes (presently \$54,457) and then could only be spent if inflationary or growth components of the spending limitation formula permit tremendous expansion. There is no reason to anticipate such expansion.

The table below shows that even the relatively modest increases in assessed valuation due to the power plant do not affect the roll until fiscal year 1991-92 which is three years after peak SCCRT collections. This will mean that instead of the city receiving \$4,536,000 extra from the SCCRT during fiscal year 1988-89, ad valorem taxes would be eliminated entirely and nearly \$4.5 million left over could not be spent. Once the ad valorem rate for purposes other than debt service reaches zero, the revenue limitation would allow no ad valorem rate in future years so assessed valuation increases would produce no new property tax revenue.

CITY OF ELY
Increases in City County Relief Taxes
and Assessed Valuation Due to
White Pine Power Project

	<u>BCCRT</u> <u>Increase</u>	<u>SCCRT</u> <u>Increase</u>	<u>Assessed</u> <u>Valuation</u> <u>Increase</u>
1984-85	\$ 104,052	\$ 364,209	
1985-86	229,632	803,712	
1986-87	561,522	1,965,327	
1987-88	1,062,048	3,717,168	
1988-89	1,296,008	4,536,028	
1989-90	676,450	2,367,576	
1990-91	319,870	1,119,546	
1991-92	48,976	171,417	\$22,717,000
1992-93	48,976	171,417	21,035,000
1993-94	48,976	171,417	34,361,000
82-83 Budget*	\$ 213,797	\$ 244,625	\$25,807,286

* For comparison, these are amounts anticipated for fiscal year 1982-83 (prior to any power plant construction).

White Pine County School District

The White Pine County School District currently has a budget of \$4,718,711 (fiscal year 1982-83) and an expected enrollment of 1,635 students. Current funding consists of:

Basic Support:		
State Support	\$3,208,026	
Local School Support Tax	<u>862,611</u>	\$4,070,637
50¢ Ad Valorem Tax		373,548
Other Revenue & Fund Balance		274,526
Total		<u>\$4,718,711</u>

The district consists of six elementary schools, one junior high school and two high schools (Ely and Lund). The basic support guarantee for fiscal year 1982-83 is

\$2,371 per student and the district expects to spend approximately \$2,887 per student from all revenue sources this year.

S.B. 687 will increase the Local School Support Tax (LSST), the ad valorem tax and the motor vehicle privilege tax collected by the school district. During the construction phase of the project, the district will receive the benefit of some LSST and all property taxes levied on behalf of the district attributable to the project itself. After construction, when operations begin, the district will receive property taxes based on 10.92 percent (10 percent for county of situs, plus .92 percent of the statewide population) of the assessed value of the project plus 10.92 percent of the LSST attributable to the project. Unlike the county and city, LSST attributable to the project during construction is not separately accounted for and distributed to the district. Any increase in LSST during construction will, therefore, be limited to taxes reported as collected in White Pine county.

At any rate, increased collections of LSST only offset the state's share of the basic support guarantee and do not increase revenues available to the district. Increased property tax collections as a result of construction will, however, benefit the district to some degree. These increases will be partially offset by a decrease in the regular basic support guarantee due to the loss of the low wealth factor currently enjoyed by the district. (The low wealth factor currently accounts for 16.4 percent of the basic support guarantee for the White Pine County School District). Increased ad valorem taxes due to the project will be substantial in some years but will not be a real factor until midway through the construction phase. This is true primarily because of the lag between construction work in process and the placing of that valuation on the tax rolls (some 18 months). In addition, in the later construction years the reduction in basic support due to the loss of the "low wealth" factor may exceed the increase in basic support dollars for the additional project related students.

The following chart depicts the revenue impacts for the school district resulting from the power project using current dollars:

ADDITIONAL REVENUE FOR WHITE PINE
COUNTY SCHOOL DISTRICT DUE TO
WHITE PINE POWER PROJECT

<u>Year</u>	<u>Project Related Enrollment</u>	<u>Basic Support Guarantee</u>	<u>50¢ Ad Valorem</u>	<u>Per Pupil Revenue</u>
1983-84	-0-	-0-	-0-	\$2,600*
1984-85	105	\$ 248,955	-0-	2,371
1985-86	228	540,588	-0-	2,371
1986-87	350	786,180	\$ 35,500	2,347
1987-88	570	1,150,815	149,450	2,281
1988-89	685	1,027,895	419,550	2,113
1989-90	660	672,105	973,850	2,493
1990-91	280	(81,055)	1,776,850	6,056
1991-92	270	(100,875)	894,060	2,937
1992-93	270	(100,875)	1,197,175	4,807
1993-94	270	304,890	287,300	2,193
1994-95	270	314,415	278,795	2,197
1995-96	270	325,845	270,290	2,207

* Estimated current revenue available per student from these two revenue sources.

The above chart indicates that during the first few years of the project, per pupil revenues as a result of the project will be less than those currently available before start of construction. This is primarily due to the lag in property taxation and the loss of the low wealth factor in the basic support guarantee.

Points that Appear to Warrant Subcommittee Examination:

1. Power project will be valued at 100 percent of cost during construction and less than 100 percent of cost when in operation:

Work in progress on the White Pine Power Project will be valued in the same manner as work in progress on hotels, factories, and other real property improvements--based on cost of construction. When the generating plant goes on line, it will become a part of the collective unit value of the owners who are: Nevada Power Company--13.34 percent; Sierra Pacific Power Company--5.33 percent; and White Pine county 81.33 percent. Because the collective values of Nevada Power and Sierra Pacific are 25 percent and 15 percent, respectively, or less than cost under Nevada Tax Commission regulations, the project will be valued as follows:

White Pine: 81.33% X 100% of Cost	=	81.3300%
Nevada Power: 13.34% X 75% of Cost	=	10.0050%
Sierra Pacific: 5.33% X 85% of Cost	=	4.5305%
Total		<u>95.8655%</u>

2. There will be approximately a year and one-half delay in taxation of work in progress:

In the case of a power generating plant, the valuation of construction work in progress is the responsibility of the Department of Taxation rather than the county assessor. Under the department's present procedure, they will establish the value of construction work in progress by examination of the company's December 31, closing books. Then, NRS 361.320 requires that the assessed valuation be transmitted to the county assessor on or before the first Monday of the following December. The assessed valuation is then placed on the roll for the tax year beginning the following July. Consequently, there is a delay of 18 months or more in taxation of work in progress. Three possibilities for correcting this are:

- (1) Assign assessment of work in progress to the county assessor.
 - (2) Require that construction work in progress which is not picked up by the department be assessed by the county assessor as property escaping taxation.
 - (3) Extend the Department of Taxation cut-off date to assess work in progress by 6 months to June 30th.
3. The new distribution of power companies' assessed valuation which is based on population (NRS 361.320) eliminates the distribution to towns and general and special districts:

Under the present system, the assessed valuation of electric utilities is distributed to counties and further allocated to all entities within the county on a line mile basis. All counties, school districts, cities, unincorporated towns and general and special districts tax the assessed valuation of line miles within their geographic boundaries.

Effective July 1, 1983, the valuation of electric utilities will be allocated 10 percent to the county in which the project is situated and 90 percent among all counties of the state in proportion to their respective populations. An example of how this would apply follows:

- Assume value allocated to county: \$1 million.
Assume population: county--5,000; city--3,000.
- 1) School district rate applies to entire \$1 million.
 - 2) County rate applies to two-fifths of assessed valuation--\$400,000.
 - 3) City rate applies to three-fifths of assessed valuation--\$600,000.
 - 4) None of the assessed valuation is allocated to other entities.

One possibility for correcting this problem would be to replace the local property tax with a statewide property tax levied on new power plant projects. The revenues from such a tax could be distributed to local governments on a formula approved by the legislature. This solution would require a constitutional change.

4. Some entities will be severely affected by the change from line mile to population based allocation of electric utility assessed valuation:

The Department of Taxation has provided the attached schedule entitled "Electric Company Distribution Per S.B. 687" in which column "A" shows distribution by wire mileage and column "D" shows distribution by population. The chart shows the allocation of the Valmy I power project to Humboldt county would decline from \$58.5 million to \$14.8 million with the change in allocation methods, and these figures do not show the full impact of the problem.

Under the current system, the entire \$58.5 million would be taxed by Humboldt county at the county rate, but only 56 percent, or \$8.3 million of the \$14.8 million would be allocated to the county under the new system. The other \$6.5 million would be allocated to Winnemucca which contains 44 percent of the population. Additionally, the six fire districts within the county which now receive an allocation of utilities' assessed valuation would not be entitled to tax electric utilities.

The possibility of holding entities harmless from decreases due to the change in method of allocation has been discussed. However, the two concepts are so different that a plan to preserve every entity's position may be difficult to develop. For example, if unincorporated towns and special districts which currently tax a portion of electric utilities' value are permitted to continue to tax them, should this authority be extended to similar entities which

presently do not receive an allocation of assessed valuation?

One possible solution for this allocation problem could be the implementation of a state property tax on power plants as discussed in item 3.

5. Problems related to local government caps:

- A. Supplemental City-County Relief Tax collected on materials used to construct a power plant will be segregated and allocated to the county and its cities in proportion to population. The proceeds then fall under the revenue limitation imposed by NRS 354.5982 and may not be available for expenditure.
- B. Once an entity's ad valorem tax rate reaches \$0, there can be no ad valorem rate in future years because 104.5 percent of \$0 equals \$0. Receipt of large amounts of SCCRT during construction of the White Pine Power Project will reduce the rates for Ely and the county to \$0.
- C. Payments of the Basic and Supplemental City-County Relief Tax and taxes ad valorem on the portion of the power project owned by a county are payments in lieu of taxes. In-lieu taxes are not specifically addressed in the cap legislation (NRS 354.5982).
- D. To what extent is the assessed valuation that will be distributed according to population outside the cap as "new property on the roll for first time"? How will this be handled if a hold-harmless requirement is provided?
- E. Because increases in assessed valuation due to power plant construction lag increases in SCCRT revenue on the purchase of construction materials, these increases do not provide expansion under the formula at the time these new SCCRT revenue become available.

6. Sales Tax Revenues--The local government experience in the Valmy I project indicates that sales tax revenues--that is, the BCCRT and the LSST--did not increase in proportion to the cost of the construction project. Therefore, Humboldt and Lander counties benefited little from increased sales taxes. This problem may be resolved in the future since S.B. 687 requires the Department of Taxation to identify the Basic and Supplemental City-County Relief Tax attributable to the construction and operation of a power project and return all or a portion of these moneys to the county of situs. There is no requirement that Local School Support Tax be so identified and distributed during the construction phase, there is, however, during the operation phase.
7. Local School Support Tax--S.B. 687 requires that LSST derived from the operation of a power project be separately identified and 10 percent of that tax be returned to the county of project location with the balance distributed on the basis of population. No such provision exists for taxes gained during construction. White Pine county has contended similar treatment should exist during the construction phase as that specified for the operation phase. It should be noted, however, that NRS 387 requires LSST to be deducted from the basic support guarantee provided by the state in order to determine the state's financial responsibility and no apparent benefit would accrue to the school district. Should, however, LSST distributed to White Pine county exceed 90 percent of the basic support guarantee in any year, the school district would benefit from this excess (NRS 387.124 provides each district shall receive at least 10 percent of its basic support from the state). Estimates of LSST based on data currently available do indicate that the basic support guarantee may be exceeded during several years of the construction phase.
8. Definition of "Project"--There has been some confusion as to whether the term project in section 2.5 of S.B. 687 refers to generating plants only or to

generation, distribution and transmission facilities. The Department of Taxation has prepared an analysis that indicates under either definition substantial negative impacts will occur to the assessed value tax base of many smaller counties. The Legislative Counsel has advised the subcommittee that usage of the word project in section 2.5 would include generation, distribution and transmission facilities.

9. Operating Tax Revenues--The subcommittee has received testimony from both White Pine county and Humboldt county that the 10 percent distribution of sales tax and assessed value of these projects to the county of location once it becomes operational is not adequate to meet the needs and impacts resulting from these projects. We have been unable to determine whether or not the funds derived from the 10 percent share is adequate to mitigate impacts since information on anticipated impacts at WPPP are not yet determined and no real method of measuring the cost of the impacts of Valmy were used. We have, however, calculated the estimated tax revenues attributable to the WPPP that will accrue to White Pine county, the city of Ely, and the White Pine County School District. These analyses should give the subcommittee some idea of what to expect through the life of one of these projects.

It should also be noted that it is possible for the local government entities to require the power company to mitigate impacts not otherwise resolved. This approach has been alluded to in the contract between White Pine county and the power companies involved in the WPPP through the use of an impact alleviation plan.

ELECTRIC COMPANY DISTRIBUTION PER SB 687
10 PERCENT OF VALUATION SITUSED TO POWER PROJECT
90 PERCENT VALUATION DISTRIBUTED ON POPULATION BASIS

D

	A	PROJECT MEANING TRANSMISSION, DISTRIBUTION AND GENERATION		PROJECT MEANING GENERATION ONLY
	1982-83 WIRE MILEAGE BULLETIN 148	B 1982-83 VALMY I SITUSED	C 1982-83 VALMY I NOT SITUSED	1982-83 POPULATION 10 PERCENT ALLOCATED TO GENERATION ONLY
Carson City	4,250,846	12,133,501	13,918,810	13,591,811
Churchill	11,159,646	5,704,808	6,468,934	5,947,242
Clark	177,951,228	190,767,902	217,762,496	218,147,332
Douglas	7,274,612	7,517,811	8,613,475	8,346,847
Elko	4,894,731	7,364,508	8,359,516	7,651,279
Esmeralda	3,852,183	443,509	484,363	347,786
Eureka	2,582,031	811,270	898,407	695,572
Humboldt	58,543,962	56,327,977	10,890,487	14,798,457
Lander	7,985,207	2,189,601	2,448,506	2,118,920
Lincoln	2,211,606	1,519,225	1,751,937	1,738,928
Lyon	20,746,791	6,901,852	7,617,860	7,984,369
Mineral	9,640,333	2,448,012	2,763,150	2,457,312
Nye	9,859,085	4,258,380	4,854,336	4,521,211
Pershing	10,330,192	1,978,341	2,131,792	1,391,143
Storey	1,671,899	2,305,350	2,313,504	3,733,815
Washoe	43,213,662	74,025,211	84,957,252	83,015,822
White Pine	3,797,686	3,268,436	3,730,875	3,477,854
TOTAL	379,965,700	379,965,700	379,965,700	379,965,700

SB 687 says "On establishing the valuation, as a collective unit, of each public utility which generates, transmits or distributes electricity in this state, the Nevada tax commission shall allocate 10 percent of this valuation to the county in which the project is located and 90 percent of it among all the counties of this state in proportion of their respective populations."

COLUMN A: Actual Distribution of Electric Utilities for 1982-83 Roll.
COLUMN B: Treats Valmy I as Construction Work in Progress and it was sitused in Humboldt. Humboldt also shares in the 90 percent population distribution.
COLUMN C: Treats Valmy I as "on line," therefore shares in the 10 percent plus the 90 percent.
COLUMN D: Treats Valmy I as "on line," therefore shares in the 10 percent plus the 90 percent.

A P P E N D I X D
PROPOSED LEGISLATION

	<u>Page</u>
BDR C-29 Proposes constitutional amendment to remove provision for taxing bank shares.....	51
BDR 32-31 ... Changes reporting period and meaning of gross yield for taxation of net proceeds of mines.....	54
BDR 32-138 .. Changes basis of valuation for assessment of property taxes of public utilities.....	62
BDR 32-32 ... Requires public utilities to submit estimates for purchases for electrical facilities and reports of value of construction in progress to department of taxation.....	67
BDR 32-245 .. Changes distribution of certain taxes to local governments and provides exception to limitation of rates of taxes ad valorem....	70
BDR C-124 ... Proposes constitutional amendment to allow separate taxation of property used for generating electricity.....	93

SUMMARY--Proposes constitutional amendment to remove provision for taxing bank shares. (BDR C-29)

JOINT RESOLUTION--Proposing to amend the Nevada constitution to remove the provision for taxing shares of stock in banking corporations.

Section 1. 1. The legislature shall provide by law for a uniform and equal rate of assessment and taxation, and shall prescribe such regulations as shall secure a just valuation for taxation of all property, real, personal and possessory, except mines and mining claims, when not patented, the proceeds alone of which shall be assessed and taxed, and when patented, each patented mine shall be assessed at not less than five hundred dollars (\$500), except when one hundred dollars (\$100) in labor has been actually performed on such patented mine during the year, in addition to the tax upon the net proceeds . [; shares]

are deemed to represent interest in property already assessed and taxed, either in Nevada or elsewhere, and shall be exempt. [Notwithstanding the provisions of this section, the]

3. The legislature may constitute agricultural and open-space real property having a greater value for another use than that for which it is being used, as a separate class for taxation purposes and may provide a separate uniform plan for appraisal and valuation of such property for assessment purposes. If such plan is provided, the legislature shall also provide for retroactive assessment for a period of not less than 7 years when agricultural and open-space real property is converted to a higher use conforming to the use for which other nearby property is used.

4. Personal property which is moving in interstate commerce through or over the territory of the State of Nevada, or which was consigned to a warehouse, public or private, within the State of Nevada from outside the State of Nevada for storage in transit to a final destination outside the State of Nevada, whether specified when transportation begins or afterward, shall be deemed to have acquired no situs in Nevada for purposes of taxation and shall be exempt from taxation. Such property shall not be deprived of such exemption because while in the warehouse the property is assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled or repackaged.

5. The legislature may exempt motor vehicles from the provisions of the tax required by this section, and in lieu thereof, if such exemption is granted, shall provide for a uniform and equal rate of assessment and taxation of motor vehicles, which rate shall not exceed five cents on one dollar of assessed valuation.

6. The legislature shall provide by law for a progressive reduction in the tax upon business inventories by 20 percent in each year following the adoption of this provision, and after the expiration of the 4th year such inventories are exempt from taxation. The legislature may exempt any other personal property, including livestock.

7. No inheritance or estate tax shall ever be levied . [, and there shall also be excepted such property as may be exempted by law]

8. The legislature may exempt by law property used for municipal, educational, literary, scientific or other charitable purposes.

SUMMARY--Changes reporting period and meaning of gross yield for taxation of net proceeds of mines. (BDR 32-31)

FISCAL NOTE: Effect on Local Government: Yes.
Effect on the State or on Industrial Insurance: No.

AN ACT relating to the taxation of the net proceeds of mines; changing the reporting period; broadening the meaning of gross yeild; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND
ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 362.110 is hereby amended to read as follows:

362.110 1. Every person, corporation or association operating any mine in this state containing gold, silver, copper, zinc, lead or other valuable mineral or mineral deposit, whether metallic or nonmetallic, and every recipient of royalty payments in connection with any mining operation:

(a) Shall, on or before [February] August 15 of each year, except as provided in paragraph (b), file with the department a statement showing the gross yield and claimed net proceeds from each mine owned, worked or operated by that person, corporation or association during the [calendar] fiscal year immediately preceding the year in which the statement is filed.

(b) May have up to 30 additional days to file the statement, if beforehand he makes written application to the department and the department finds good cause for the extension.

2. The statement must:

(a) Show the claimed deductions from the gross yield in the detail set forth in NRS 362.120. The deductions are limited to the costs incurred during the period covered by the statement.

(b) Be in the form prescribed by the department.

(c) Be verified by the manager, superintendent, secretary or treasurer of the corporation, or by the owner of the mine, or, if the owner is a natural person, by someone authorized in his behalf.

3. [On or before August 31 of each year, each person, corporation or association who owns, works or operates any mine in this state shall file with the department a statement showing the estimated gross yield and estimated net proceeds from each mine owned, worked or operated by him for the entire current calendar year. At the same time, each owner or operator shall pay to the county in which each mine is located 50 percent of the estimated annual tax for that year. Upon receipt of that payment, the county shall issue its receipt to the taxpayer and transmit a copy thereof to the department. The estimated payments must be applied against the taxpayer's final obligation for that calendar year. Any overpayment resulting must be refunded to the taxpayer. If the estimated tax payment proves to be less than 50 percent of the taxpayer's final obligation for that calendar year, the county shall assess a penalty of 10 percent of the amount of the deficiency, but thereafter may waive the penalty for good cause shown.

4.] Each recipient of royalty payments as described in subsection 1 shall annually file with the department a list showing each of the lessees responsible for taxes due in connection with the mine or mines

included in the statement filed pursuant to subsections 1 and 2 . [of this section.]

Sec. 2. NRS 362.120 is hereby amended to read as follows:

362.120 1. The department shall, from the statement and from all obtainable data, evidence and reports, compute in dollars and cents the gross yield and net proceeds of the period covered by the statement.

2. The gross yield must include the value of all material which was:

(a) Sold;

(b) Exchanged for any thing or service; or

(c) Removed from the state,

during the period covered by the statement.

3. The net proceeds are ascertained and determined by subtracting from the gross yield the following deductions for costs incurred during that period, and none other:

(a) The actual cost of extracting the ore from the mines.

(b) The actual cost of transporting the product of the mine to the place or places of reduction, refining and sale.

(c) The actual cost of reduction, refining and sale.

(d) The actual cost of marketing and delivering the product and the conversion of the product into money.

(e) The actual cost of maintenance and repairs of:

(1) All mine machinery, equipment, apparatus and facilities.

(2) All milling, smelting and reduction works, plants and facilities.

(3) All [transportation] facilities and equipment for transportation except those that are under the jurisdiction of the public service commission of Nevada as public utilities.

(f) The actual cost of fire insurance on the machinery, equipment, apparatus, works, plants and facilities mentioned in paragraph (e) . [of this subsection.]

(g) Depreciation of the original capitalized cost of the machinery, equipment, apparatus, works, plants and facilities mentioned in paragraph (e) . [of this subsection.] The annual depreciation charge consists of amortization of the original cost in a manner prescribed by regulation of the Nevada tax commission. The probable life of the property represented by the original cost must be considered in computing the depreciation charge.

(h) All money expended for premiums for industrial insurance, and the actual cost of hospital and medical attention and accident benefits and group insurance for all employees.

(i) All money paid as contributions under the unemployment compensation law of the State of Nevada, as contained in chapter 612 of NRS, [and] all money paid as contributions under the Social Security Act of the Federal Government, and all money paid to either the State of Nevada or the Federal Government under any amendment to either or both of the statutes mentioned in this paragraph.

(j) The actual cost of [development] developmental work in or about the mine or upon a group of mines when operated as a unit.

(k) All money paid as royalties by a lessee or sublessee of a mine, or by both, constitutes a deductible item for that lessee or sublessee

in determining the net proceeds of the lessee or sublessee or both; but the royalties so deducted by the lessee or sublessee constitute part of the gross yield of the mine for the purpose of determining the net proceeds upon which a tax must be levied against the person, corporation, association or partnership to which the royalty has been paid.

[3.] 4. Every person, corporation or [firm] association acquiring property in the State of Nevada [for the purpose of engaging] to engage in mining and who incurs any of the expenses mentioned in subsection [2] 3 shall report those expenses and the recipient of any royalty payments to the department on forms provided by the department.

[4.] 5. The several deductions mentioned in subsection [2] 3 do not include any expenditures for salaries, or any portion of salaries, of any person not actually engaged in:

- (a) The working of the mine;
- (b) The operating of the mill, smelter or reduction works;
- (c) The operating of the [transportation] facilities or equipment [;] for transportation;
- (d) Superintending the management of any of those operations; or
- (e) The State of Nevada, in office, clerical or engineering work necessary or proper in connection with any of those operations.

Sec. 3. NRS 362.130 is hereby amended to read as follows:

362.130 1. When the department determines the net proceeds of any mine or mines, the Nevada tax commission shall prepare its certificate of the amount of the net proceeds of the mine or mines in triplicate and shall file one copy of the certificate with the department, one

copy with the county assessor of the county in which the mine or mines are located, and shall send the third copy to the person, corporation or association which is the owner of the mine, operator of the mine, or recipient of the royalty payment, as the case may be.

2. Upon the filing of the copy of the certificate with the county assessor and with the department, the assessment is made in the amount fixed by the certificate of the Nevada tax commission, and taxes thereon at the rate established are immediately due. The certificate of assessment must be filed and mailed not later than [May] November 25 immediately following the month of [February] August during which the statement was filed.

Sec. 4. NRS 362.150 is hereby amended to read as follows:

362.150 Every tax levied under the authority or provisions of NRS 362.100 to 362.240, inclusive, on the proceeds of mines, is hereby made a lien on the mines or mining claims, from which ores or minerals are extracted for sale or reduction, and also on all machinery, fixtures, equipment and stockpiles of the taxpayer located at the mine site or elsewhere in the county. The lien attaches on the 1st day of [January] July of each year, for the [calendar] fiscal year commencing on that day and may not be removed or satisfied until the taxes are all paid, or the title to those mines or mining claims has vested absolutely in a purchaser under a sale for those taxes.

Sec. 5. NRS 362.160 is hereby amended to read as follows:

362.160 If the amount of the tax is not paid [within 30 days after the filing of the certificate of assessment with the executive director and the county assessor, the same shall be thereupon delinquent and shall be collected as other delinquent taxes are collected by law,

together with the penalties provided for the collection of delinquent taxes.] on or before the first Monday in January of each year the tax is delinquent.

Sec. 6. The statement which is required by NRS 362.110 on August 15, 1985, and the certificate required by NRS 362.130 on November 25, 1985, must cover only the period from January 1 through June 30, 1985.

Sec. 7. 1. This section and section 2 of this act shall become effective on July 1, 1983. The gross yield for the entire calendar year 1983 must be computed pursuant to NRS 362.120 as thus amended.

2. Sections 1 and 3 to 6, inclusive, of this act shall become effective on July 1, 1985, if before that date Senate Joint Resolution 21 of the 61st session of the Nevada legislature is approved and ratified by the people.

SUMMARY--Changes basis of valuation for assessment of property taxes of public utilities. (BDR 32-138)

Fiscal Note: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to the property taxes of public utilities; requiring the valuation of all property to be based upon the cost of replacement less depreciation; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 361.320 is hereby amended to read as follows:

361.320 1. At the regular session of the Nevada tax commission commencing on the 1st Monday in October of each year, the Nevada tax commission shall establish the valuation for assessment purposes of any property of an interstate [and] or intercounty nature, which must in any event include the property of all interstate or intercounty railroad, sleeping car, private car, street railway, traction, telegraph, water, telephone, air transport, electric light and power companies, together with their franchises, and the property and franchises of all railway express companies operating on any common or contract carrier in this state. This valuation must not include the value of vehicles as defined in NRS 371.020.

2. Except as otherwise provided in subsections 3, 4 and 5, the

foregoing must be assessed as follows: The Nevada tax commission shall establish and fix the valuation of the franchise, if any, and all physical property used directly in the operation of any such business of any such company in this state, as a collective unit; and if operating in more than one county, on establishing such unit valuation for the collective property, the Nevada tax commission shall then determine the total aggregate mileage operated within the state and within its several counties, and apportion the mileage upon a mile-unit valuation basis, and the number of miles apportioned to any county are subject to assessment in that county according to the mile-unit valuation established by the Nevada tax commission.

3. On establishing the valuation, as a collective unit, of each public utility which generates, transmits or distributes electricity in this state, the Nevada tax commission shall allocate 10 percent of this valuation to the county in which the project is located and 90 percent of it among all the counties of this state in proportion to their respective populations. The valuation so allocated to each county must be assessed, and taxes must be levied and collected:

(a) On all of it, at the rate levied for the county school district;

(b) On that fraction of it which the population of the unincorporated area is of the population of the entire county, at the rate levied for county purposes; and

(c) On that fraction of it which the population of each incorporated city is of the population of the entire county, at the rate levied for that city, including debt service in each case. The legislature finds and declares that the consumption of electricity is roughly proportionate to population and that this allocation fairly distributes revenues arising from this consumption, and takes fair account of the effect of the generation of power on the natural resources of the state as a whole.

4. Before establishing the valuation, as a collective unit, of a public utility which generates, transmits or distributes electricity, the Nevada tax commission must first segregate the value of all property under construction whose construction was commenced on or after January 1, 1982, and which is not yet put to use. This value must be assessed and taxed in the county where it is located, at the same rate as other property. The legislature finds and declares that this segregation fairly reflects the additional burden put upon the public services of the county during its construction. For the purposes of this section, "commencement of construction" has the meaning ascribed to it in NRS 704.840.

5. The Nevada tax commission shall [adopt formulas, and cause them to be incorporated in its records, providing the method or methods pursued in fixing and establishing the taxable value of all

franchises and property assessed by it. The formulas must be adopted and may be changed from time to time upon its own motion or when made necessary by judicial decisions, but the formulas must in any event show all the elements of value considered by the Nevada tax commission in arriving at and fixing the value for any class of property assessed by it. These formulas must take into account, as indicators of value, the company's income, stock and debt, and the cost of its assets.] determine the taxable value of all property assessed by it, pursuant to this section, in the manner prescribed in NRS 361.227. In determining the full cash value of the property, the commission shall take into account the company's income and provide by regulation for the manner of computing the full cash value from the income.

6. As used in this section the word "company" means any person, company, corporation or association engaged in the business described.

7. In case of an omission by the Nevada tax commission to establish a valuation for assessment purposes upon the property mentioned in this section, the county assessors of any counties [wherein] in which the property is situated shall assess it.

8. All other property must be assessed by the county assessors, except as provided in NRS 362.100 and except that the valuation of land, livestock and mobile homes must be established for assessment purposes by the Nevada tax commission as provided in NRS 361.325.

9. On or before the 1st Monday in December the department shall transmit to the several county assessors the assessed valuation found on such classes of property as are enumerated in this section, except for private car lines, together with the apportionment of each county of the assessment. The several county assessors shall enter on the roll all such assessments transmitted to them by the department.

10. On or before November 1 of each year the department shall forward a tax statement to each private car line company based on the valuation established pursuant to this section and in accordance with the tax levies of the several districts in each county. The company shall remit the ad valorem taxes due on or before December 15 to the department which shall allocate the taxes due each county on a mile-unit basis and remit the taxes to the counties no later than January 31. The portion of the taxes which is due the state must be transmitted directly to the state treasurer. As an alternative to any other method of recovering delinquent taxes provided by this chapter, the attorney general may bring a civil action in a court of competent jurisdiction to recover delinquent taxes due under this subsection in the manner provided in NRS 361.560.

SUMMARY--Requires public utilities to submit estimates for purchases for electrical facilities and reports of value of construction in progress to department of taxation. (BDR 32-32)

Fiscal Note: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

AN ACT relating to the taxation of public utilities; requiring each utility to submit estimates for purchases for the construction and operation of electrical facilities; requiring each utility to report the value of any construction in progress; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 360 of NRS is hereby amended by adding thereto a new section which shall read as follows:

1. Each public utility which generates, transmits or distributes electricity shall, for each electrical facility in Nevada:

(a) On or before April 1 of each year, submit to the department an estimate of the cost of all the materials and supplies it will purchase for the operation of the facility during the coming fiscal year.

(b) Whose construction is commenced on or after January 1, 1982, submit to the department, before the commencement of construction, an estimate of:

(1) The overall cost of the facility; and

(2) The cost of all of the tangible personal property it will purchase for the facility, detailed by the kinds of materials to be used.

If the estimate required by subparagraph (1) or (2) changes by 10 percent or more, the utility shall submit a new estimate within 30 days after it becomes aware of the change.

(c) On or before December 31 of each year, report to the department the value, as of that December 31, of any construction in progress.

2. On or before February 15, the department shall certify to the county auditor of each county where any property reported pursuant to paragraph (c) of subsection 1 is located the value of that property in his county.

3. For the purposes of this section, "commencement of construction" has the meaning ascribed to it in NRS 704.840.

Sec. 2. NRS 361.405 is hereby amended to read as follows:

361.405 1. The secretary of the state board of equalization forthwith shall certify any change made by the board in the assessed valuation of any property in whole or in part to the county auditor of the county where the property is assessed, and whenever the valuation of any property is raised, the secretary of the state board of equalization shall forward by certified mail to the property owner or owners affected, notice of the increased valuation.

2. As soon as changes resulting from cases having a substantial effect on tax revenues have been certified to him by the secretary of the state board of equalization, the county auditor shall:

(a) Enter all such changes and the value of any construction work in progress of a public utility which was certified to him by the department, on the assessment roll [prior to] before the delivery thereof to the tax receiver.

(b) Add up the valuations and enter the total valuation of each kind of property and the total valuation of all property on the assessment roll.

(c) Certify the results to the board of county commissioners and the department on or before April 15 of each year.

3. As soon as changes resulting from cases having less than a substantial effect on tax revenue have been certified to him by the secretary of the state board of equalization, the county tax receiver shall adjust the assessment roll or the tax statement or make a tax refund, as directed by the state board of equalization.

Sec. 3. This act shall become effective upon passage and approval.

SUMMARY--Changes distribution of certain taxes to local governments and provides exception to limitation of rates of taxes ad valorem. (BDR 32-245)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

AN ACT relating to taxation; changing the distribution of certain taxes from projects for the generation and transmission of electricity; providing an exception to a limitation on the rates of the taxes ad valorem of local governments; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND
ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 361 of NRS is hereby amended by adding thereto a new section which shall read as follows:

1. Where 75 percent or more of the physical property of an electric light and power company is devoted to the generation or transmission of electricity for use outside the State of Nevada and the physical property also includes three or more operating units which are not interconnected at any point within the State of Nevada, the Nevada tax commission shall successively:

(a) Determine separately the valuation of each operating unit, using the criteria provided in subsection 2 of NRS 361.320.

(b) Apportion 15 percent of the valuation of each operating unit which generates electricity predominantly for use outside Nevada to each other operating unit within the State of Nevada.

(c) Apportion the valuation calculated pursuant to subsection 3 to each county in which a portion of the operating unit is located.

2. Where 75 percent or more of the physical property of an electric light and power company is devoted to the generation or transmission of electricity for use outside the State of Nevada and the physical property also includes two but not more than two operating units which are not interconnected at any point within the State of Nevada, the Nevada tax commission shall successively:

(a) Determine separately the valuation of each operating unit, using the criteria provided in subsection 2 of NRS 361.320.

(b) Apportion 20 percent of the valuation of each operating unit which generates electricity predominantly for use outside Nevada to each other operating unit within the State of Nevada.

(c) Apportion the valuation calculated pursuant to subsection 3 to each county in which a portion of the operating unit is located.

3. Except as provided in subsection 4, the minimum valuation apportioned to each county must equal the valuation apportioned to that county for the operating unit in the fiscal year which began on July 1, 1982, plus a percentage of that valuation which is equal to the cumulative percentage of increase in the Consumer Price Index since the fiscal year which began on July 1, 1982.

4. If the total valuation of an operating unit in any fiscal year is less than the valuation for the fiscal year which began on July 1, 1982, the valuation apportioned to each county must be prorated accordingly.

5. If the total valuation of an operating unit in any fiscal year exceeds the total amount apportioned pursuant to subsection 3, the Nevada tax commission shall allocate the remaining amount as follows:

(a) Ten percent among the counties in which the operating unit is located, in the same proportion as the allocation made pursuant to subsection 3; and

(b) Ninety percent among all the counties of this state in proportion to their respective populations.

Sec. 2. NRS 361.043 is hereby amended to read as follows:

361.043 "Taxable value" means:

1. The value of shares of stock in a bank determined in the manner provided in NRS 367.025.

2. The value of property of an interstate and intercounty nature determined in the manner provided in NRS 361.320 [.] or section 1 of this act.

3. The value of all other property determined in the manner provided in NRS 361.227.

Sec. 3. NRS 361.320 is hereby amended to read as follows:

361.320 1. At the regular session of the Nevada tax commission commencing on the 1st Monday in October of each year, the Nevada tax commission shall establish the valuation for assessment purposes of any property of an interstate and intercounty nature, which must in any event include the property of all interstate or intercounty railroad, sleeping car, private car, street railway, traction, telegraph, water, telephone, air transport, electric light and power companies, together with their franchises, and the property and franchises of all railway express companies operating on any common or contract carrier in this state. This valuation must not include the value of vehicles as defined in NRS 371.020.

2. Except as otherwise provided in [subsections 3, 4 and 5,] subsection 4 and section 1 of this act, the foregoing must be assessed as follows: The Nevada tax commission shall establish and fix the valuation of the franchise, if any, and all physical property used directly in the operation of any such business of any such company in this state, as a collective unit; and if operating in more than one county, on establishing such unit valuation for the collective property, the Nevada tax commission shall then determine the total aggregate mileage operated within the state and within its several counties, and apportion the mileage upon a mile-unit valuation basis, and the number of miles apportioned to any county are subject to assessment in that county according to the mile-unit valuation established by the Nevada tax commission.

3. [Where 75 percent or more of the physical property of an electric light and power company is devoted to the generation or transmission of electricity for use outside the State of Nevada and the physical property also includes three or more operating units which are not interconnected at any point within the State of Nevada, the Nevada tax commission shall successively:

(a) Determine separately the valuation of each operating unit, using the valuation criteria provided in subsection 2.

(b) Apportion 15 percent of the valuation of each operating unit which generates electricity predominantly for use outside Nevada to each other operating unit within the State of Nevada.

(c) Apportion the valuation of each operating unit, adjusted as

required by paragraph (b) upon a mile-unit basis among the counties in which such operating unit is located.

4. Where 75 percent or more of the physical property of an electric light and power company is devoted to the generation or transmission of electricity for use outside the State of Nevada and the physical property also includes two but not more than two operating units which are not interconnected at any point within the State of Nevada, the Nevada tax commission shall successively:

(a) Determine separately the valuation of each operating unit, using the valuation criteria provided in subsection 2.

(b) Apportion 20 percent of the valuation of each operating unit which generates electricity predominantly for use outside Nevada to each other operating unit within the State of Nevada.

(c) Apportion the valuation of each operating unit, adjusted as required by paragraph (b) upon a mile-unit basis among the counties in which such operating unit is located.

5.] Except as otherwise provided in section 1 of this act, on establishing the valuation, as a collective unit, of each public utility which generates, transmits or distributes electricity in this state, the Nevada tax commission shall allocate 10 percent of this valuation to the county in which the project is located and 90 percent of it among all the counties of this state in proportion to their respective populations. The valuation so allocated to each county must be assessed, and taxes must be levied and collected:

(a) On all of it, at the rate levied for the county school district;

(b) On that fraction of it which the population of the

unincorporated area is of the population of the entire county, at the rate levied for county purposes; and

(c) On that fraction of it which the population of each incorporated city is of the population of the entire county, at the rate levied for that city,

including debt service in each case. The legislature finds and declares that the consumption of electricity is roughly proportionate to population and that this allocation fairly distributes revenues arising from this consumption, and takes fair account of the effect of the generation of power on the natural resources of the state as a whole.

4. Before establishing the valuation, as a collective unit, of a public utility which generates, transmits or distributes electricity, the Nevada tax commission must first segregate the value of all property under construction whose construction was commenced on or after January 1, 1982, and which is not yet put to use. This value must be assessed and taxed in the county where it is located, at the same rate as other property. The legislature finds and declares that this segregation fairly reflects the additional burden put upon the public services of the county during its construction. For the purposes of this section, "commencement of construction" has the meaning ascribed to it in NRS 704.840.

[6.] 5. The Nevada tax commission shall adopt formulas, and cause them to be incorporated in its records, providing the method or methods pursued in fixing and establishing the taxable value of all franchises and property assessed by it. The formulas must be adopted and may be changed from time to time upon its own motion or when made

necessary by judicial decisions, but the formulas must in any event show all the elements of value considered by the Nevada tax commission in arriving at and fixing the value for any class of property assessed by it. These formulas must take into account, as indicators of value, the company's income, stock and debt, and the cost of its assets.

[7.] 6. As used in this section the word "company" means any person, company, corporation or association engaged in the business described.

[8.] 7. In case of an omission by the Nevada tax commission to establish a valuation for assessment purposes upon the property mentioned in this section, the county assessors of any counties wherein the property is situated shall assess it.

[9.] 8. All other property must be assessed by the county assessors, except as provided in NRS 362.100 and except that the valuation of land, livestock and mobile homes must be established for assessment purposes by the Nevada tax commission as provided in NRS 361.325.

[10.] 9. On or before the 1st Monday in December the department shall transmit to the several county assessors the assessed valuation found on such classes of property as are enumerated in this section, except for private car lines, together with the apportionment of each county of the assessment. The several county assessors shall enter on the roll all such assessments transmitted to them by the department.

[11.] 10. On or before November 1 of each year the department shall forward a tax statement to each private car line company based on the valuation established pursuant to this section and in accordance with the tax levies of the several districts in each

county. The company shall remit the ad valorem taxes due on or before December 15 to the department which shall allocate the taxes due each county on a mile-unit basis and remit the taxes to the counties no later than January 31. The portion of the taxes which is due the state must be transmitted directly to the state treasurer. As an alternative to any other method of recovering delinquent taxes provided by this chapter, the attorney general may bring a civil action in a court of competent jurisdiction to recover delinquent taxes due under this subsection in the manner provided in NRS 361.560.

Sec. 4. NRS 361.403 is hereby amended to read as follows:

361.403 1. Any person, firm, company, association or corporation, claiming overvaluation or excessive valuation of its property in this state; or

2. Any representative of any local government entity or the department claiming undervaluation, overvaluation or nonassessment of any property in the state, solely by reason of the valuation placed thereon by the Nevada tax commission pursuant to NRS 361.320 , [and] 361.325 [,] or section 1 of this act, is entitled to a hearing before the state board of equalization to protest any assessment resulting therefrom, without appearing before or requesting relief from the county board of equalization. If a hearing is held, evidence of the valuation of the property in which the value is determined by using appropriate appraisal standards [shall] must be submitted to the state board of equalization.

Sec. 5. NRS 354.5982 is hereby amended to read as follows:

354.5982 1. [The maximum amount of money which a local

government, except a school district, is permitted to receive from taxes ad valorem, other than those levied for the payment of bonded indebtedness and interest thereon incurred as a general or short-term obligation of the issuer, or for the payment of obligations under a capital lease executed before April 30, 1981, must be calculated by:

(a) First multiplying the tax rate certified for that local government for the fiscal year ending on June 30, 1981, by its assessed valuation as equalized for the collection of taxes during the fiscal year beginning on July 1, 1981. For the purposes of this paragraph:

(1) A county whose actual tax rate, for purposes other than debt service, for the fiscal year ending on June 30, 1981, was less than 50 cents per \$100 of assessed valuation is entitled to the use of a rate not greater than 80 cents per \$100 of assessed valuation.

(2) A fire district in such a county whose tax rate was more than 50 cents per \$100 of assessed valuation is entitled to the use of a rate not greater than \$1.10 per \$100 of assessed valuation.

(b) Then subtracting the estimated amount to be received by that local government from the supplemental city-county relief tax for the fiscal year for which the tax ad valorem is to be levied. For the fiscal years beginning on and after July 1, 1982, the executive director of the department of taxation shall provide this estimate to the local government on or before February 15 preceding the fiscal year to which it applies. A local government may, on or before March 1 preceding the fiscal year to which the estimate applies, appeal in writing to the interim legislative committee on local governmental

finance, which may increase or decrease the estimate as it finds the facts warrant.

(c) Then reducing the amount resulting from paragraphs (a) and (b) if necessary to bring it within any applicable limit provided in this section.

2. For the fiscal years beginning on and after July 1, 1982, the maximum allowable revenue from the supplemental city-county relief tax and taxes ad valorem, combined, but excluding any tax levied ad valorem for debt service, must be calculated as follows:

(a) Assessed valuation for the preceding fiscal year, including net proceeds of mines, is added to an amount equal to the product of that assessed valuation multiplied by the percentage increase in the Consumer Price Index for the preceding calendar year. To this sum must be added the assessed value of the new real property, possessory interests and mobile homes added to the assessment rolls in the past year for that local government.

(b) The percentage increase that the total calculated pursuant to paragraph (a) represents over the assessed valuation for the preceding year is the maximum percentage by which the combined amount allowable from the supplemental city-county relief tax and taxes ad valorem may increase over the amount allowed for the preceding year.

If the local government levies a tax ad valorem for debt service upon an obligation which has previously been repaid from another source, the combined amount which it may receive pursuant to this subsection is reduced by the amount of that tax ad valorem. If a board of county commissioners which during the fiscal year ending on June 30, 1981, distributed all or part of the state gaming license fees received

pursuant to paragraph (b) of subsection 2 of NRS 463.320 to other local governments thereafter reduces or discontinues that distribution, the amount that the county may receive from the supplemental city-county relief tax is reduced by an equal amount.

3. For each fiscal year beginning on or after July 1, 1982, the revenue of the local government from taxes ad valorem, except those levied for debt service, must not exceed the amount calculated as follows:

(a) The rate must be set so that when applied to the current fiscal year's assessed valuation of all property which was on the preceding fiscal year's assessment roll it will produce 104.5 percent of the revenue received from taxes ad valorem in the preceding fiscal year.

(b) This rate must be applied to the total assessed valuation, including new real property, possessory interest and mobile homes, for the current fiscal year.

4.] The local government may exceed the respective limits imposed by [this section] sections 7 to 9, inclusive, of this act upon combined amounts received and upon calculated receipts from taxes ad valorem only as provided in NRS 354.5986 or if its governing body proposes to its registered voters an additional levy ad valorem, specifying the amount of money to be derived, the purpose for which it is to be expended, and the duration of the levy, and the proposal is approved by a majority of the voters voting on the question at a general election or a special election called for that purpose. The governing body may discontinue the levy before it expires and may not thereafter reimpose it in whole or in part without following the procedure required for its original imposition.

[5.] 2. To the maximum combined revenue otherwise allowable under [this section] sections 7 to 9, inclusive, of this act to a local government, the interim legislative committee on local governmental finance may add its estimate of the cost to that local government of any substantial program or expense required by legislative enactment which was not in effect for all or part of the preceding fiscal year.

[6.] 3. Distributions of the supplemental city-county relief tax must not be changed because actual collections of taxes ad valorem are greater or less than calculated when those taxes were levied, but any actual revenue received in excess of the maximum allowable from the combined sources must not be expended during the fiscal year in which collected, unless the interim legislative committee on local governmental finance otherwise directs.

Sec. 6. Chapter 354 of NRS is hereby amended by adding thereto the provisions set forth as sections 7 to 9, inclusive, of this act.

Sec. 7. The maximum amount of money which a local government, except a school district, is permitted to receive from taxes ad valorem, other than those levied for the payment of bonded indebtedness and interest thereon incurred as a general or short-term obligation of the issuer, or for the payment of obligations under a capital lease executed before April 30, 1981, must be calculated by:

1. First multiplying the tax rate certified for that local government for the fiscal year ending on June 30, 1981, by its assessed valuation as equalized for the collection of taxes during the fiscal year beginning on July 1, 1981. For the purposes of this subsection:

(a) A county whose actual tax rate, for purposes other than debt service, for the fiscal year ending on June 30, 1981, was less than 50 cents per \$100 of assessed valuation is entitled to the use of a rate not greater than 80 cents per \$100 of assessed valuation.

(b) A fire district in such a county whose tax rate was more than 50 cents per \$100 of assessed valuation is entitled to the use of a rate not greater than \$1.10 per \$100 of assessed valuation.

2. Then subtracting the estimated amount to be received by that local government from the supplemental city-county relief tax for the fiscal year for which the tax ad valorem is to be levied. For the fiscal years beginning on and after July 1, 1982, the executive director of the department of taxation shall provide this estimate to the local government on or before February 15 preceding the fiscal year to which it applies. A local government may, on or before March 1 preceding the fiscal year to which the estimate applies, appeal in writing to the interim legislative committee on local governmental finance, which may increase or decrease the estimate as it finds the facts warrant.

3. Then reducing the amount resulting from subsections 1 and 2 if necessary to bring it within any applicable limit provided in this section.

Sec. 8. . 1. For the fiscal years beginning on and after July 1, 1982, the maximum allowable revenue from the supplemental city-county relief tax and taxes ad valorem, combined, but excluding any tax levied ad valorem for debt service, must be calculated as follows:

(a) Assessed valuation for the preceding fiscal year, including net

proceeds of mines, is added to an amount equal to the product of that assessed valuation multiplied by the percentage increase in the Consumer Price Index for the preceding calendar year. To this sum must be added the assessed value of the new real property, possessory interests and mobile homes added to the assessment rolls in the past year for that local government.

(b) The percentage increase that the total calculated pursuant to paragraph (a) represents over the assessed valuation for the preceding year is the maximum percentage by which the combined amount allowable from the supplemental city-county relief tax and taxes ad valorem may increase over the amount allowed for the preceding year.

2. If the local government levies a tax ad valorem for debt service upon an obligation which has previously been repaid from another source, the combined amount which it may receive pursuant to this section is reduced by the amount of that tax ad valorem.

3. If a board of county commissioners which during the fiscal year ending on June 30, 1981, distributed all or part of the state gaming license fees received pursuant to paragraph (b) of subsection 2 of NRS 463.320 to other local governments thereafter reduces or discontinues that distribution, the amount that the county may receive from the supplemental city-county relief tax is reduced by an equal amount.

Sec. 9. For each fiscal year beginning on or after July 1, 1983, the revenue of the local government from taxes ad valorem, except those levied for debt service, must not exceed the amount calculated as follows:

1. Except as provided in subsection 2, the rate must be set so that when applied to the current fiscal year's assessed valuation of all

property which was on the preceding fiscal year's assessment roll it will produce 104.5 percent of the revenue received from taxes ad valorem in the preceding fiscal year.

2. If the total revenue received from taxes ad valorem, except those levied for debt service, in any fiscal year drops below 20 percent of the maximum allowable combined revenue, the rate for the next year must be set so that when applied to the total assessed valuation it will produce an amount equal to the difference between the maximum allowable combined revenue and the estimated receipts from the supplemental city-county relief tax.

3. This rate must be applied to the total assessed valuation, including new real property, possessory interest and mobile homes, for the current fiscal year.

Sec. 10. NRS 354.5986 is hereby amended to read as follows:

354.5986 1. A local government, other than a school district, whose governing body determines that unforeseen or uncontrollable conditions, existing or imminent, substantially impair its financial capacity to provide the basic services for which it was created may apply through the executive director of the department of taxation to the interim legislative committee on local governmental finance for a temporary exemption from the limitations imposed by [NRS 354.5982.] sections 7 to 9, inclusive, of this act. Such exemptions must be for no more than 2 years and must not permit the rate of levy for taxes ad valorem to increase by more than 50 cents per \$100 of assessed valuation above the limitations otherwise established by [NRS 354.5982.] sections 7 to 9, inclusive, of this act.

2. In evaluating such applications, the committee shall consider

the recommendation of the director of the department of taxation. The executive director and the committee shall consider, without limitation, the effect of a sudden and unusual change in population served, the construction of major public works and facilities, a significant decrease in one or more revenues from sources other than property taxes, excessive increases in the unit cost of providing services, whether present or probable, and events of an uncommon nature, such as judgments and other uninsured losses or natural disasters. The committee shall consider the general economic condition of the community and of the state and the effect of each proposal on the taxpayer, and make written findings of the facts supporting the exemption if it allows one.

Sec. 11. NRS 354.5987 is hereby amended to read as follows:

354.5987 For the purposes of [NRS 354.5982,] sections 7 to 9, inclusive, of this act, the basic revenue of any local government, as otherwise determined pursuant to [paragraph (a) of] subsection 1 of [that section,] section 7 of this act, coming into being subsequent to April 30, 1981, whether newly created, consolidated or both, must be initially established and approved by the interim legislative committee on local governmental finance acting after receiving the advice of the executive director of the department of taxation.

Sec. 12. NRS 354.618 is hereby amended to read as follows:

354.618 1. If the public interest requires short-term financing, the governing body of any local government, by a resolution unanimously adopted, may authorize short-term financing. The resolution must contain:

(a) A finding by the governing body that the public interest requires the short-term financing; and

(b) A statement of the facts upon which the finding is based.

2. Except as provided in subsection 3, before the adoption of any such resolution, the governing body shall publish notice of its intention to act thereon in a newspaper of general circulation for at least one publication. No vote may be taken upon such resolution until 10 days after the publication of the notice. The cost of publication of the notice required of an entity is a proper charge against its general fund.

3. In school districts having less than 100 pupils in average daily attendance the publication of the resolution may be made by posting conspicuously, in three different places in the school district, a notice containing in full the short-term financing resolution with the date upon which the board of trustees of the school district is to meet to act upon the resolution. Posting of the notice must be made not less than 10 days previous to the date fixed in the resolution for action thereon.

4. The governing body shall determine in its resolution whether the money required to retire such indebtedness and interest thereon is to be provided by:

(a) Revenues other than a special tax exempt from the limitations on levy of ad valorem taxes provided by [NRS 354.5982;] sections 7 to 9, inclusive, of this act; or

(b) A special tax so exempt.

Sec. 13. NRS 377.057 is hereby amended to read as follows:

377.057 1. The state controller, acting upon the relevant information furnished by the department, shall monthly from the fees, taxes, interest and penalties which derive from the supplemental city-county relief tax collected in all counties and from out-of-state businesses during the preceding month, after making any distributions required by NRS 377.053:

(a) Distribute the amount specified in this paragraph among the following counties and city in the following percentages:

Political Subdivision	Percent- age
Churchill County.....	3.23
City of North Las Vegas.....	46.52
City of Carlin.....	2.72
Esmeralda County.....	.20
Eureka County.....	.71
City of Winnemucca.....	5.56
City of Caliente.....	.46
City of Yerington.....	4.77
Mineral County.....	9.96
City of Gabbs.....	4.31
Pershing County.....	2.52
City of Lovelock.....	5.77
White Pine County.....	5.37
City of Ely.....	7.90

For the fiscal year beginning July 1, 1981, the monthly amount is \$71,110. For each succeeding fiscal year, this amount must be reduced by \$7,111 from the preceding year.

(b) Distribute to each local government the amount calculated for it by the department of taxation pursuant to subsection 2.

2. The maximum amounts distributable under paragraph (b) of subsection 1 must be estimated for each fiscal year. The percentage of maximum allowable revenue, as determined pursuant to [NRS 354.5982,] section 7 of this act, to be derived from the supplemental city-county relief tax must be as nearly equal among the several counties as possible. The amount apportioned to each county must then be apportioned among the several local governments therein, including the county and excluding the school district, in the proportion which each local government's basic ad valorem revenue bears to the total basic ad valorem revenue of all these local governments except that no local government may receive more than the amount to which it is entitled pursuant to [subsections 2 and 3 of NRS 354.5982.] sections 8 and 9 of this act. When any local government has received the maximum supplemental city-county relief tax calculated to be distributed to it, any remaining money otherwise distributable to it must be deposited in the reserve fund for the supplemental city-county relief tax.

3. As used in this section, the "basic ad valorem revenue":

(a) Of each local government is its assessed valuation for the year of distribution, multiplied by the rate levied on its behalf for the fiscal year ending June 30, 1981, for purposes other than paying the

interest on and principal of its general obligations. For the purposes of this paragraph:

(1) A county whose actual tax rate, for purposes other than debt service, for the fiscal year ending on June 30, 1981, was less than 50 cents per \$100 of assessed valuation is entitled to the use of a rate not greater than 80 cents per \$100 of assessed valuation.

(2) A fire district in such a county whose tax rate was more than 50 cents per \$100 of assessed valuation is entitled to the use of a rate not greater than \$1.10 per \$100 of assessed valuation.

(b) Of the county for the distribution under subsection 1 is the sum of its individual basic ad valorem revenue and those of the other local governments within it, excluding the school district.

Sec. 14. NRS 473.050 is hereby amended to read as follows:

473.050 1. For the consideration and approval of the district board of directors, the state forester firewarden shall annually:

(a) Prepare a budget estimating the amount of money which will be needed to defray the expenses of the district organized under the provisions of NRS 473.020 and 473.030.

(b) Determine the amount of a special tax sufficient to raise the sum estimated to be necessary. The amount of the tax to be collected for the purposes of this section [shall] must not exceed, in any 1 year, 1 percent of the assessed value of the property described in subsection 2.

2. When so determined, the state forester firewarden shall certify the amount of the estimated sum and the estimated tax to the board of county commissioners in the county or counties wherein [such] the district or portion thereof is located. At the time of making the levy

of county taxes for that year, the board of county commissioners may levy the tax certified, or a tax determined by the board of county commissioners to be sufficient for the purpose, upon all the real property, together with improvements thereon, and all property valued by the Nevada tax commission pursuant to NRS 361.320 [and] , 361.325 or section 1 of this act and similar intracounty properties in the district within its county.

3. If levied the tax [shall] must be assessed and collected in the same manner, at the same time and by the same officers as are state and county property taxes, and [shall] must be paid to the county treasurer. The county treasurer shall keep the money in a separate fund designated by district name and it [shall] must be used only for fire protection purposes.

4. Any tax money or county general fund money provided for support of the district may be used to provide structural as well as forest or watershed fire protection if deemed necessary. All funds [shall] must be expended in accordance with an annual budget prepared by the state forester firewarden and approved by the board of directors. The money so provided [shall] must be disbursed by the county treasurer to the responsible protecting agencies in accordance with the budget. All claims [shall] must be:

(a) Certified by a responsible officer of the protecting agency.

(b) Subject to approval and audit as are other claims against the agency.

(c) Subject to inspection and audit by the state forester firewarden and the board of county commissioners.

5. Any money budgeted for forest and watershed protection [shall]

must be deposited in the state treasury to the credit of the division of forestry account within the state general fund and may be disbursed by the state forester firewarden in accordance with the district budget, and shall be used for the sole purpose of the prevention and suppression of fires in such organized fire protection districts in accordance with state law and regulations.

Sec. 15. Section 2.5 of chapter 723, Statutes of Nevada 1981, at page 1776, is hereby repealed.

Sec. 16. 1. This section, and sections 5 to 13, inclusive, and 15 of this act shall become effective upon passage and approval.

2. Sections 1 to 4, inclusive, and 14 of this act shall become effective on July 1, 1985.

SUMMARY--Proposes constitutional amendment to allow separate taxation of property used for generating electricity.

(EDR C-124)

Fiscal Note: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

JOINT RESOLUTION--Proposing to amend section 1 of article 10 of the constitution of the State of Nevada, relating to taxation, to allow separate taxation of property used for generating electricity.

RESOLVED BY THE AND THE OF THE STATE OF NEVADA,
JOINTLY, That section 1 of article 10 of the constitution of the State of Nevada be amended to read as follows:

Section 1. 1. The legislature shall provide by law for a uniform and equal rate of assessment and taxation, and shall prescribe such regulations as shall secure a just valuation for taxation of all property, real, personal and possessory, except mines and mining claims, when not patented, the proceeds alone of which shall be assessed and taxed, and when patented, each patented mine shall be assessed at not less than five hundred dollars (\$500), except when one hundred dollars (\$100) in labor has been actually performed on such patented mine during the year, in addition to the tax upon the net proceeds . [; shares]

2. Shares of stock (except shares of stock in banking corporations), bonds, mortgages, notes, bank deposits, book accounts and

credits, and securities and choses in action of like character are deemed to represent interest in property already assessed and taxed, either in Nevada or elsewhere, and shall be exempt. [Notwithstanding the provisions of this section, the]

3. The legislature may constitute agricultural and open-space real property having a greater value for another use than that for which it is being used, as a separate class for taxation purposes and may provide a separate uniform plan for appraisal and valuation of such property for assessment purposes. If such plan is provided, the legislature shall also provide for retroactive assessment for a period of not less than 7 years when agricultural and open-space real property is converted to a higher use conforming to the use for which other nearby property is used.

4. The legislature may designate property used for generating electricity as a separate class for taxation and may provide a separate uniform plan for appraisal and valuation of this property for assessment.

5. Personal property which is moving in interstate commerce through or over the territory of the State of Nevada, or which was consigned to a warehouse, public or private, within the State of Nevada from outside the State of Nevada for storage in transit to a final destination outside the State of Nevada, whether specified when transportation begins or afterward, shall be deemed to have

acquired no situs in Nevada for purposes of taxation and shall be exempt from taxation. Such property shall not be deprived of such exemption because while in the warehouse the property is assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled or repackaged.

6. The legislature may exempt motor vehicles from the provisions of the tax required by this section, and in lieu thereof, if such exemption is granted, shall provide for a uniform and equal rate of assessment and taxation of motor vehicles, which rate shall not exceed five cents on one dollar of assessed valuation.

7. The legislature shall provide by law for a progressive reduction in the tax upon business inventories by 20 percent in each year following the adoption of this provision, and after the expiration of the 4th year such inventories are exempt from taxation. The legislature may exempt any other personal property, including livestock.

8. No inheritance or estate tax shall ever be levied . [, and there shall also be excepted such property as may be exempted by law]

9. The legislature may exempt by law property used for municipal, educational, literary, scientific or other charitable purposes.