

**PROPOSED REGULATION OF THE
NEVADA TAX COMMISSION**

LCB File No. R031-03

August 15, 2003

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

AUTHORITY: §§1-23 and 25-30, NRS 360.090 and 360.250; §24, NRS 360.090, 360.250 and 361.2445.

Section 1. Chapter 361 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 12, inclusive, of this regulation.

Sec. 2. *As used in NAC 361.030 to 361.580, inclusive, 361.778 and 361.800, and sections 2 to 12, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 4, 8, 9 and 11 of this regulation have the meanings ascribed to them in those sections.*

Sec. 3. *“Abstraction or land residual technique” means a method used to estimate the value of property from a knowledge of normal net income, the discount rate, the remaining economic life of the property, the value of any buildings on the property, the income stream attributable to such buildings and the income stream attributable to the land. The method estimates total value by discounting the income stream attributable to the land and adding the result to an independent estimate of the value of the buildings.*

Sec. 4. *“Actual age” means the total number of years from the year of the construction of an improvement to the year of the lien date for the taxes which it affects.*

Sec. 5. *“Allocation method” means a method used to value land, in the absence of sales of vacant land, by using a typical ratio of land to improvement value obtained from sales of comparable improved properties.*

Sec. 6. *“Capitalization of ground rents” means the estimation of the value of land in the absence of comparable sales by capitalizing the revenue from market-rate leases of land.*

Sec. 7. *“Cost of development method” means a method of appraising undeveloped land in which an estimate is made of the probable proceeds to be obtained from selling the land as subdivided developed parcels less the cost of so developing the land.*

Sec. 8. *“Cost of replacement” means the estimated cost to construct an improvement with utility similar to the improvement being appraised, using modern materials and current standards, design and layout.*

Sec. 9. *“Depreciation” means, except as otherwise provided in NAC 361.266, a loss in the value of real or personal property from any cause.*

Sec. 10. *“Extraction method” means a method of estimating the value of land by subtracting improvement values obtained through a market-based cost approach from the sales prices or appraisals of improved parcels, thus yielding estimates of the residual or remainder value of the land.*

Sec. 11. *“Improvement” means all appurtenances erected upon or affixed to the land, including, without limitation, those improvements listed in paragraphs (a) and (b) of subsection 1 of NRS 361.035.*

Sec. 12. 1. *In determining the initial taxable value of an improvement, the rate of depreciation is set forth in NRS 361.227.*

2. If obsolescence, deterioration or wear and tear causes the taxable value calculated pursuant to subsection 1 to exceed the full cash value of the improvements, the additional depreciation and obsolescence may be calculated separately.

Sec. 13. NAC 361.062 is hereby amended to read as follows:

361.062 Pursuant to NRS 361.170, each claim for an exemption for personal property in transit must be made on a ~~[Nevada Tax Commission Form WR-1 or on an equivalent]~~ form approved by the Commission. Such a claim must be filed with the office of the county assessor of each county in which a warehouse is located, when the personal property in transit is first consigned to the warehouse and by the first day of July of each year thereafter.

Sec. 14. NAC 361.065 is hereby amended to read as follows:

361.065 1. All tangible personal property *which is* purchased by a business *and* which is claimed to be exempt pursuant to paragraph (d) of subsection 1 of NRS 361.068 must be consumed during the operation of the business and must not be intended to become a component part of a manufactured item for sale or lease.

2. The personal property for which such an exemption is claimed must be material that is:

(a) Used up, drained, absorbed, dissipated or expended during the normal day-to-day operation of the business;

(b) Characterized by its individual low cost in relation to the other more expensive fixed assets of the business;

(c) Disposable, with a generally useful life of less than 1 year; and

(d) Not meant for resale.

3. Tangible personal property *which is* consumed by a business *and* to which this exemption applies may include, without limitation, envelopes, pens, copy paper, paper clips,

toner, tape, rubber gloves, masks, cyanide, janitorial supplies, bathroom tissue, light bulbs, playing cards, dice, napkins, straws, “doggie bags,” paper bags, wrapping materials, register tape, packaging supplies, invoices, Styrofoam, tires or batteries.

4. This exemption does not apply to any tangible personal property which is required to be depreciated for federal income tax purposes.

Sec. 15. NAC 361.106 is hereby amended to read as follows:

361.106 As used in NAC 361.106 to ~~[361.132,]~~ **361.1315**, inclusive, *and sections 3, 5, 6, 7, 10 and 12 of this regulation*, unless the context otherwise requires, the words and terms defined in NAC ~~[361.108]~~ **361.1125** to 361.117, inclusive, *and sections 3, 5, 6, 7 and 10 of this regulation* have the meanings ascribed to them in those sections.

Sec. 16. NAC 361.113 is hereby amended to read as follows:

361.113 “Improved land” means land on which there is an improvement of substantial value ~~[]~~ *that allows the identification of or establishes actual use.*

Sec. 17. NAC 361.118 is hereby amended to read as follows:

361.118 ~~[In making a physical appraisal, each]~~

1. *Each* county assessor shall determine the full cash value of *vacant and improved* land by ~~[using market data or a comparative approach to valuation.]~~ *applying the sales comparison approach in which the sale prices of similarly situated or comparable properties, appropriately adjusted for differences in physical attributes, market conditions, time of sale, financing terms and varying use restrictions, including legal restrictions, are used as evidence of value. As applied to improved land, the similarly situated or comparable properties must have the same or a similar use as the improved land.*

2. If sufficient market data is not available ~~[.]~~ *to apply the sales comparison approach appropriately*, the county assessor may use ~~[one of the following procedures:~~

~~—1.— Allocation (abstraction) procedure: An allocation of the appraised total value of the property between the land and any improvements added to the land.~~

~~—2.— Anticipated use or development procedure: An estimate of the value of undeveloped land which has the potential for development, determined by deducting from the value of the parcel as fully developed the cost of the development of the site, overhead, the expenses of sales and any profit. The remaining portion is attributable to undeveloped land.~~

~~—3.— Land residual technique: The income from a property is split between the land and any improvements so that the portion allocated to land can be capitalized into value.]~~ *any nationally recognized alternative valuation technique, including, without limitation, the abstraction or land residual technique, the allocation method, capitalization of ground rents, cost of development method or the extraction method.*

Sec. 18. NAC 361.122 is hereby amended to read as follows:

361.122 ~~[In determining the full cash value of improved land consistently with the use to which the improvements are being put:~~

- ~~—1.— If the improvements are being put to a use consistent with the zoning and general use of land in the surrounding area, the value of the land to be appraised must be consistent with the values determined for adjacent land or land similar in location, size, shape and topography.~~
- ~~—2.— If the improvements are]~~

1. If improved land is being put to a use not consistent with the zoning of the land or with the general use of land in the surrounding area, ~~[or both,]~~ the value of the *improved* land ~~[to be appraised must be consistent with the values determined for the nearest land:~~

~~—(a) Whose improvements are put to the same or a similar use in an area where that use is consistent with the zoning and general use of land in the surrounding area; and~~

~~—(b) Which is similar in size, shape, location and topography.~~

~~—3.] must be established by considering the value of land that:~~

~~(a) Is most comparable to the improved land;~~

~~(b) Has the same or a similar use; and~~

~~(c) Is affected by the same or similar restrictions.~~

2. The area of land to be valued according to the use of the improvements is the area actually covered by the improvement, plus the surrounding area necessary to the use of the improvement. Any additional land must be valued as *if* vacant.

3. The assessor shall consider such restrictions on use that may affect taxable value as he determines appropriate based upon available information known to him or information brought to his attention. Restrictions on use may be caused by political, economic, governmental or physical factors, including, without limitation, size, shape, topography, accessibility to other resources, zoning, land use controls, quality of local government services such as roads and schools, social demographics, and the state of national, regional and local economies affecting the supply of and demand for land.

Sec. 19. NAC 361.123 is hereby amended to read as follows:

361.123 As used in NAC 361.123 to 361.1236, inclusive, unless the context otherwise requires:

1. “Contaminated site” means:

(a) Land on which the release of a hazardous substance has been verified pursuant to NAC 361.1232; or

(b) An improvement for which permeation or incorporation into construction by a hazardous substance has been verified pursuant to NAC 361.1232,

↳ on or before the assessment date of the property.

2. “Cost-to-cure” means the ~~discounted~~ present value of the remedial work *to be* performed to remove, contain or treat a hazardous substance on the property being valued. The term includes the cost of continued monitoring of the site after the remedial work has been completed if such monitoring is required.

3. “Hazardous substance” means a hazardous material or hazardous waste as those terms are defined in NRS 459.428 and 459.430, respectively.

Sec. 20. NAC 361.1234 is hereby amended to read as follows:

361.1234 In determining, pursuant to NRS 361.227, the full cash value of property that has been determined by the assessor to be a contaminated site:

1. The sales comparison approach may be used by comparing verified sales of similarly contaminated sites;

2. Where applicable, the income approach may be used by utilizing rent, vacancy and expense data derived from a survey of similarly contaminated sites with similarly used improvements; or

3. Where no sales or rental market exists for similarly contaminated properties:

(a) The ~~cash~~ value of the property for a specific use, or a specific user, reflecting the extent to which the property contributes to the utility or profitability of the enterprise of which it is a part may be determined by using the income approach ~~;~~, *except that the value so determined must not exceed the full cash value of the property;* or

(b) The present worth of the contaminated site may be determined by:

(1) Discounting the present worth of the property if it was contaminated by an off-site source or the cost-to-cure is not being borne by the current owner, or both, on the basis of the length of the delay caused by the contamination until the property can be developed to its highest and best use, readily sold or financed on the open market; or

(2) Using the present cash equivalency which represents the future reversionary value of the contaminated site after it is cleaned up to an extent that it is usable or developable to its highest and best use less the present worth of the yearly costs-to-cure if the current owner is incurring the remedial costs and an accurate forecast of the year-to-year costs to be incurred and the estimated date of the completion of the cleanup are available.

Sec. 21. NAC 361.124 is hereby amended to read as follows:

361.124 In determining the actual age of:

1. An improvement or newly constructed addition to an existing improvement, the county assessor shall use the actual ~~{date}~~ *year* of construction, if it is available, or else an estimated ~~{date}~~ *year* of construction.

2. An improvement that has been constructed over a period of years, the county assessor shall use the weighted average age of the improvement.

Sec. 22. NAC 361.128 is hereby amended to read as follows:

361.128 1. The cost of replacement of an improvement must include all costs for labor, materials, supervision, contractor's profit and overhead, architect's plans and specifications, sales taxes and insurance.

2. In determining the costs of an improvement, the county assessor shall:

(a) For rural buildings, use the standards in the ~~{assessor handbook}~~ *manual* entitled *Rural Building Costs* adopted by the Commission.

(b) For other improvements, use the standards in the cost manuals, including modifiers of local costs, published through or furnished by the Marshall and Swift Publication Company, as they existed on October 1 of the year preceding the current assessment year, if the Executive Director approves it for use by county assessors in determining the costs of improvements. A computer program for determining cost furnished by the Marshall and Swift Publication Company may also be used. Other computer programs for determining cost which are based on costs published by the Marshall and Swift Publication Company may be used with the prior approval of the Executive Director.

3. If these manuals are not applicable, the county assessor may use ~~the~~ other recognized cost manuals or subscription services with the prior approval of the Executive Director . ~~of the Department.]~~

4. The Executive Director shall review the standards and modifiers published or furnished by the Marshall and Swift Publication Company as soon as practicable after they become available, to determine their suitability for use by county assessors. If he finds it to be suitable, the Executive Director shall approve the use of the standard or modifier and notify each county assessor of that approval.

Sec. 23. NAC 361.129 is hereby amended to read as follows:

361.129 1. A parcel must be appraised as provided by paragraph (b) of subsection 2 of NRS 361.227 and NAC 361.1295 if:

(a) It is one of a group of ten or more contiguous parcels held under common ownership on the date of the appraisal;

(b) A final map , ~~or~~ a series of final maps *or one or more subdivision maps* covering the area containing the parcel has been presented to the county recorder for filing in the manner

provided by NRS 278.360 to 278.460, inclusive, or the parcel is assessable property in an improvement district created pursuant to chapter 271 of NRS;

(c) The owner of the parcel provides the county assessor with whatever information the assessor deems necessary to determine the taxable value of the parcel; and

(d) The county assessor determines that the group of parcels affected has an expected absorption period of more than 1 year.

2. For the purposes of this section:

(a) The owner of a parcel is the person or entity shown as such in the records of the county recorder.

(b) A parcel is contiguous with other parcels held under common ownership even if it is separated from those parcels:

(1) By an easement, right-of-way, street, highway or other obstruction; or

(2) By one or more parcels held by third persons, if the parcels so held are in the same phase or section of a development.

(c) A parcel is not contiguous with other parcels held under common ownership, though they share a common boundary, if they are in different phases or sections of a development.

Sec. 24. NAC 361.130 is hereby amended to read as follows:

361.130 1. The taxable value of a mobile home *or manufactured home* which constitutes real property is the cost of replacement of the mobile home *or manufactured home* less depreciation and obsolescence.

2. In determining the taxable value of a mobile home *or manufactured home* which constitutes personal property, each county assessor shall, if the mobile home *or manufactured home* was sold as new:

(a) Before July 1, 1982, value it at its retail selling price when sold to the original owner less depreciation at 5 percent per year, to a maximum depreciated value of 20 percent of its original retail selling price.

(b) On or after July 1, 1982, value it at replacement cost, when new, less depreciation. Replacement cost when new is the retail selling price to the original owner adjusted by factors reflected in the annual *Personal Property Manual*.

↳ Depreciation must be calculated pursuant to the schedule located in the annual *Personal Property Manual*. *Additional depreciation and obsolescence may be calculated separately.*

3. The retail selling price of a mobile home *or manufactured home* includes all charges for transportation, installation ~~[and accessories.]~~, *accessories, profit and overhead.*

4. If the owner of a mobile home or manufactured home which has been converted to real property wishes to convert the mobile home or manufactured home back to personal property, the county assessor shall provide the owner with a form for an affidavit of conversion which has been approved by the Commission and which must be recorded in the county recorder's office pursuant to NRS 361.2445 before the mobile home or manufactured home may be removed from the tax rolls. The affidavit of conversion may include information concerning the cost of acquisition of the mobile home or manufactured home. All signatures required pursuant to NRS 361.2445 to effectuate the conversion must be notarized.

5. The county assessor shall value the mobile home or manufactured home as personal property upon satisfaction of all the requirements set forth in NRS 361.2445 if the mobile home or manufactured home remains within the jurisdiction of the county assessor.

Sec. 25. NAC 361.1305 is hereby amended to read as follows:

361.1305 1. The taxable value of a billboard is the cost of replacement of the billboard less depreciation and obsolescence.

2. The cost of replacement of a billboard must be computed by multiplying the cost of acquisition to the current owner by the appropriate factor located in the annual *Personal Property Manual*. The factor that corresponds to the year the billboard was acquired must be used.

~~{3.—The depreciation of a billboard must be calculated at:~~

~~—(a) For fiscal year 1990–1991, 5 percent of the cost of replacement for each year after the year of acquisition up to a maximum of 75 percent of the cost of replacement.~~

~~—(b) For fiscal year 1991–1992, 3.5 percent of the cost of replacement for each year after the year of acquisition up to a maximum of 75 percent of the cost of replacement.~~

~~—(c) Beginning with fiscal year 1992–1993, 1.5 percent of the cost of replacement for each year after the date of acquisition up to a maximum of 50 years.]~~ *Additional depreciation and obsolescence may be calculated separately.*

Sec. 26. NAC 361.131 is hereby amended to read as follows:

361.131 *1.* If the initially determined taxable value for any real property is found to exceed the full cash value of the property, the person determining taxable value shall examine the taxable value determined for the land, and, if the land is properly valued, he shall appropriately reduce the taxable values determined for the improvements. *If any further reduction is needed, the value of the land may also be reduced.*

2. In determining whether the taxable value for any real property exceeds the full cash value of the property, the person determining taxable value may consider any nationally recognized valuation technique.

Sec. 27. NAC 361.144 is hereby amended to read as follows:

361.144 1. Each county assessor shall:

- (a) Establish geographic boundaries for areas of appraisal or establish areas by other classifications within which all property must be reappraised at the same time; and
- (b) Establish ~~[as of January 1]~~ *not later than July 1* of each year the standards of valuation, including data on comparable sales, modifiers of local cost ~~[,]~~ *and* costs of construction ~~[and rates of capitalization]~~ to be used throughout the year's cycle of reappraisal.

2. These areas of appraisal may be changed to alleviate problems created by growth or other circumstances if the county assessor shows good cause and receives the approval of the Commission.

Sec. 28. NAC 361.146 is hereby amended to read as follows:

361.146 Whenever property is ~~[physically]~~ reappraised, the county assessor shall indicate all the data necessary to determine the taxable value of the property, the date of the field inspection, *if any*, and the identity of the appraiser. The actual age and the depreciation of the existing improvements and any additions to those improvements must be clearly indicated.

Sec. 29. NAC 361.152 is hereby amended to read as follows:

361.152 1. ~~[An]~~ *The* assessment list *for a county* ~~[published in a newspaper by a county assessor pursuant to subsection 3 of NRS 361.300]~~ must include:

- (a) The parcel number of each property;
- (b) The name of the owner of each property;
- (c) The year of the last ~~[physical]~~ reappraisal of each property at which time the taxable value of the property was determined; and
- (d) The assessed value of the land, improvements and personal property, separately stated.

2. The county assessor shall submit a copy of the ~~newspaper in which the~~ assessment list ~~is published~~ to the Department immediately following publication ~~[-]~~ *or delivery to taxpayers pursuant to subsection 3 of NRS 361.300.*

3. For the purposes of paragraph (a) of subsection 3 of NRS 361.300, the Commission will interpret the term “each taxpayer in the county” as used in that paragraph to mean each taxpayer who resides in the county. A county assessor who causes a copy of the assessment list to be delivered to each taxpayer who resides in the county shall cause a copy of the assessment list to be delivered to any other taxpayer who owns property in the county if that taxpayer requests a copy of the assessment list.

Sec. 30. NAC 361.075, 361.108, 361.110, 361.112, 361.114, 361.120, 361.126, 361.132 and 361.149 are hereby repealed.

TEXT OF REPEALED SECTIONS

361.075 Property for construction of church or chapel. (NRS 360.090, 361.125)

1. Application for an exemption pursuant to subsection 3 of NRS 361.125 must be made to the county assessor by June 15 of each year.

2. The application must include:

(a) A copy of the lease agreement of the property presently occupied;

(b) One or more documents of the purchase or gift of the vacant land to be used for a church building; and

(c) A statement indicating that it is the intent of the religious organization to construct a building within the following 3 years.

3. If a church or chapel is not constructed by the end of the third year of exemption or if the property is sold, the exemption is voided and taxes must be paid for the years in which the exemption was claimed.

361.108 “Actual age” defined. (NRS 360.090, 360.250) “Actual age” means the total number of years from the date of the construction of an improvement to the lien date for the taxes which it affects.

361.110 “Cost of replacement” defined. (NRS 360.090, 360.250) “Cost of replacement” means the total cost of replacing a property with one which has the same function or use.

361.112 “Depreciation” defined. (NRS 360.090, 360.250) “Depreciation” means a reduction in the value of a property.

361.114 “Improvement” defined. (NRS 360.090, 360.250) “Improvement” means all appurtenances erected upon or affixed to the land, including those improvements listed in paragraphs (a) and (b) of subsection 1 of NRS 361.035.

361.120 Agricultural land. (NRS 360.090, 360.250, 361.227, 361.325) In determining the full cash value of land actually used for agricultural purposes and not valued pursuant to chapter 361A of NRS, each assessor shall determine separately:

1. Its valuation for agricultural purposes pursuant to paragraph (b) of subsection 1 of NRS 361.325; and

2. Its valuation for other purposes, if any, pursuant to subparagraph (1) of paragraph (a) of subsection 1 of NRS 361.227.

↪The assessor shall then apply the higher of the two values so determined.

361.126 Newly constructed additions to existing improvements. (NRS 360.090, 360.250, 361.227)

1. In determining the value of a newly constructed addition to an existing improvement, a county assessor shall consider the cost of replacement of the entire improvement.

2. In determining the percentage of depreciation of a newly constructed addition to an existing improvement, a county assessor may:

(a) Apply a rate of depreciation to the newly constructed addition and a rate of depreciation to the existing improvement; or

(b) Weight the age or the rate of depreciation for the existing improvement and the newly constructed addition.

361.132 Reference material. (NRS 360.090, 360.250, 361.227)

1. A copy of the tables of typical life expectancies and the manuals of costs published through the Marshall and Swift Publication Company may be obtained from:

Marshall and Swift Publication Company

1617 Beverly Boulevard

Los Angeles, California 90026

2. The costs of these tables and manuals are:

Marshall Valuation Service	\$86
Residential Cost Handbook	39

361.149 Time for assessing property under construction and mobile homes. (NRS 360.090, 360.250, 361.260)

1. Each year the county assessor may assess real property which is under construction as of July 1 of the year preceding the fiscal year for which taxes are levied, either upon the secured or unsecured rolls for that fiscal year.

2. Mobile homes which are not migratory property and which enter the county on or after July 1 of each year must be assessed upon the unsecured roll of the next ensuing fiscal year.