

**ADOPTED REGULATION OF THE  
NEVADA TAX COMMISSION**

**LCB File No. R034-03**

Effective December 4, 2003

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

AUTHORITY: §§1-10 and 12, NRS 360.090, 360.250 and 361.227; §11, NRS 360.090.

**Section 1.** Chapter 361 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 8, inclusive, of this regulation.

**Sec. 2.** *As used in NAC 361.138 and 361.139, and sections 2 to 8, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3, 4 and 5 of this regulation have the meanings ascribed to them in those sections.*

**Sec. 3.** *“Acquisition cost” or “original cost” means the actual cost of property to its present owner, including, without limitation, the costs of transportation and the costs of installation.*

**Sec. 4.** *“Costs of installation” means the costs of direct labor, direct overhead and the capitalized expense of interest or imputed charges for interest which are necessary to make the property operational.*

**Sec. 5.** *“Personal Property Manual” means a manual for the valuation of personal property that is published by the Department annually pursuant to section 6 of this regulation.*

**Sec. 6.** *1. The Department will annually publish a Personal Property Manual which describes the methods and standards that must be used for the valuation of personal property. The manual must include, without limitation, annually updated:*

(a) *Cost-index factors that must be used in the conversion of acquisition cost into an estimate of replacement cost new;*

(b) *Expected-life schedules that indicate the category of expected life for each type of property or type of industry in which the property is used; and*

(c) *Percent-good tables which indicate the rate of depreciation that must be applied.*

2. *The Personal Property Manual must be approved by the Commission before publication. The Department, at least 1 month before presenting the manual to the Commission for approval, must disclose all proposed modifications to the manual and hold a public workshop on the modifications.*

3. *Each county assessor shall use the Personal Property Manual in determining the taxable value of personal property.*

**Sec. 7. 1.** *The taxable value of personal property must be determined by adjusting the acquisition cost of the property by a cost-index factor and reducing the adjusted acquisition cost by an estimate of applicable depreciation. The taxable value so determined shall be deemed to be the indicator of value of replacement cost new less depreciation.*

2. *In determining taxable value, a county assessor shall use the schedules in the Personal Property Manual that show the cost-index factors, the rates of depreciation and the percent good by year. The assessor shall use the schedules by:*

(a) *Selecting the appropriate expected useful life of the personal property; and*

(b) *Selecting the appropriate cost-index factor, based on the year of acquisition of the property, and applying it to the acquisition cost of the property.*

↪*The result shall be deemed to be the replacement cost new of the property.*

3. *The assessor shall select the method of applying depreciation to the personal property by either:*

(a) *Multiplying the adjusted acquisition cost of the property by the rate of depreciation and subtracting the result from the adjusted acquisition cost; or*

(b) *Multiplying the adjusted acquisition cost of the property by the percent-good factor.*

↳ *The result from either approach shall be deemed to be the taxable value of the property.*

**Sec. 8. 1.** *Personal property must be categorized by the specific type of property that it is or by the type of industry in which it is used. Each category must be assigned to a schedule of expected life which is based on commonly available sources of information, including, without limitation, the life expectancy guidelines published by the Marshall and Swift Valuation Service and any other sources published in the Personal Property Manual.*

2. *The cost-index factors published in the Personal Property Manual must be determined by calculating the average change in costs over time. The Department shall identify the sources used to calculate the average change.*

3. *For purposes of calculating the amount of applicable depreciation, personal property must be assigned to one of the following expected lives:*

(a) *Three year life;*

(b) *Five year life;*

(c) *Seven year life;*

(d) *Ten year life;*

(e) *Fifteen year life;*

(f) *Twenty year life; or*

(g) *Thirty year life.*

*4. Depreciation must be calculated over the expected life of the personal property by using the declining balance method, except that tables which provide a method other than the declining balance method for calculating depreciation may be used if the tables have been approved by the Commission and included in the Personal Property Manual.*

*5. For purposes of calculating the rate of depreciation, a residual amount of 5 percent must be used. Percent-good tables using a residual amount other than 5 percent may be adopted by the Commission if the Department has conducted a market study or has otherwise obtained information which indicates that a different residual amount is appropriate for the category in which the personal property is placed pursuant to subsection 1.*

**Sec. 9.** NAC 361.138 is hereby amended to read as follows:

361.138 For leased equipment, ~~taxable value is the value to the user less any discount which is customarily allowed by a seller. The “value to the user”~~ *the reported acquisition cost* is the cost which the user of the property would incur if the equipment were purchased ~~[ ]~~, *less any discount customarily allowed by a seller.*

**Sec. 10.** NAC 361.139 is hereby amended to read as follows:

361.139 1. In determining the taxable value of personal property which was acquired with real property for a lump sum, the assessor may refer to appropriate guides which list the cost of equipment to determine the value of the personal property in relation to the value of the real property. In addition, the assessor may estimate the age of the equipment by inspecting it or discussing the approximate value of the equipment with manufacturers, dealers or other persons in the business who have knowledge of the value of the equipment. The serial number, if it exists, may enable a manufacturer to determine the date of manufacture and the original cost.

2. If ~~[an assessor must appraise personal property which is not covered in NAC 361.134 to 361.140, inclusive, he may:~~

~~—(a) Ask the manufacturer whether he is able to establish]~~ *sufficient data is not otherwise available to establish acquisition cost, the assessor may use any nationally recognized valuation technique, including, without limitation:*

(a) *Establishing* the current cost of replacement of the property with new property ~~[]~~ *by reference to current manufacturing costs.* If the current cost of replacement is known, the assessor shall apply depreciation to that cost to determine the taxable value.

(b) ~~[Use]~~ *Using* a guide which lists the cost or a procedure recognized by businesses which use such equipment to determine the taxable value. Before such a guide or procedure may be used, an assessor must receive approval from the Executive Director.

(c) *Using information based on current market data.*

3. Upon ~~[an assessor's]~~ request, the Division of Assessment Standards of the Department will provide ~~[him with]~~ information on various guides which ~~[he may use]~~ *may be used* to determine original cost.

**Sec. 11.** NAC 361.469 is hereby amended to read as follows:

361.469 1. All allocable flight equipment may be valued in accordance with the *Personal Property Manual* ~~[adopted by the Nevada Tax]~~ *published by the Department and approved by the Commission pursuant to section 6 of this regulation* for each fiscal year or in accordance with other books or manuals that provide guidance in establishing value approved by the Executive Director . ~~[of the Department.]~~

2. A portion of the value of the flight equipment will be allocated to Nevada based on an average of the data described in subsection 3 or described in NAC 361.464 when the information is available and considered applicable.

3. The weighted ground time ratio, as indicated by flight schedules, plane hours, originating and terminating tonnage and revenue ton miles flown in Nevada, as a percentage of the system, will be used as the statistic for allocating value to Nevada.

**Sec. 12.** NAC 361.134, 361.135, 361.136, 361.137 and 361.140 are hereby repealed.

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### TEXT OF REPEALED SECTIONS

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**361.134 Original cost; cost of installation.** (NRS 360.090, 360.250, 361.227) As used in NAC 361.134 to 361.140, inclusive:

1. The original cost or cost of acquisition is the actual cost of the property to its present owner, including the costs of transportation and installation.

2. The costs of installation include costs for direct labor, direct overhead and the capitalized expense of interest or imputed charges for interest which are necessary to make the property operational.

**361.135 Applicable schedule and tables; cost of replacement less depreciation.** (NRS 360.090, 360.250, 361.227)

1. Each county assessor shall use the life expectancy schedule in NAC 361.140 and the tables published in the annual *Personal Property Manual* in determining the taxable value of personal property.

2. When the factors for the appropriate year for both conversion and percentage remaining good, which are based on the expected life for that type of property, are applied to the original cost of an item or group of items of personal property used in a business or by a person, the resulting product is the cost of replacement less depreciation.

**361.136 Computation of cost of replacement.** (NRS 360.090, 360.250, 361.227)

1. The first step in determining the taxable value of personal property is to find an entry for the expected life of the property. For purposes of assessment, expected lives are divided into three ranges: short, average or long. A schedule of expected life which contains a list of expected lives (by range) for various types of personal property appears in NAC 361.140. The schedule contains estimates for an entire business and for some individual types of personal property. For example, if an assessor is examining a declaration from a barber shop, the single expected life for all items reported must be computed by using the tables for average life.

2. The second step is to apply the appropriate factor for conversion, based on the expected life for the type of property. The purpose of this factor is to convert the original cost of the property to an estimate of the current cost of replacement. There are three tables of factors for conversion in the annual *Personal Property Manual*. Turn to the appropriate table as determined by the expected life of the property in question. Select the factor to be applied to the property by locating the appropriate year at the left-hand side of the page. Then multiply the original cost by this factor. The product of these two figures is the estimated cost of replacement.

$$\text{Original cost} \times \text{Factor for conversion} = \text{Cost of replacement}$$

**361.137 Application of depreciation to cost of replacement.** (NRS 360.090, 360.250, 361.227)

1. The third and final step in arriving at taxable value is to apply depreciation to the cost of replacement. This step can be accomplished by two different methods as shown in this section. A county assessor shall select the method most suitable to his system of keeping records.

2. Once the assessor has selected the method he prefers, he shall instruct his staff to use only that method, to avoid confusion or improper appraisals. The schedules of depreciation reflected in the annual *Personal Property Manual* provide information sufficient to apply either method. These schedules reflect the different expected lives noted in the schedule of expected life.

3. The two methods are:

(a) METHOD I - Use of percentage of depreciation:

(1) Determine the cost of replacement.

(2) Locate the percentage of depreciation in the schedules of depreciation in the annual *Personal Property Manual* which is appropriate for the life of the property and the date of purchase of the property being appraised.

(3) Multiply the cost of replacement by the percentage of depreciation to determine the amount of depreciation.

(4) Subtract the depreciation from the cost of replacement.

COST OF REPLACEMENT	x	PERCENTAGE OF DEPRECIATION	=	DEPRECIATION
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COST OF REPLACEMENT	-	DEPRECIATION	=	TAXABLE VALUE
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(b) METHOD II - Use of percentage remaining good:

(1) Determine the cost of replacement.



(2) Locate the percentage remaining good in the schedules of depreciation in the annual *Personal Property Manual* which is appropriate for the life of the property and date of purchase of the property being appraised.

(3) Multiply the cost of replacement by the percentage remaining good to determine the taxable value.

$$\begin{array}{rcccl} \text{COST OF} & & \text{PERCENTAGE} & & \text{TAXABLE} \\ \text{REPLACEMENT} & \times & \text{REMAINING GOOD} & = & \text{VALUE} \end{array}$$

4. The procedure described in this section must be repeated for each year that a taxpayer reports acquisitions.

**361.140 Schedule of expected life.** (NRS 360.090, 360.250, 361.227)

SCHEDULE OF EXPECTED LIFE

TYPE OF PROPERTY	RANGE OF EXPECTED LIFE
Aerospace	Average life
Agriculture	Average life
Air Conditioners	Average life
Window	Short life
Aircraft	Long life
Amusement Park	Average life
Asphalt Seal Surfacing	Average life
Automobile Manufacturing	Average life

TYPE OF PROPERTY	RANGE OF EXPECTED LIFE
Repair Shops	Average life
Bakeries	Average life
Bar	Average life
Barber Shops	Average life
Beauty Shops	Average life
Blue Print Machines - Large	Average life
Small Table Model	Short life
Bowling Alley Equipment	Average life
Breweries	Average life
Broadcasting - Radio and TV	Average life
Cable TV	Average life
Canning	Average life
Car Wash	Average life
Carpet Cleaning - Commercial	Average life
Cash Registers (Electronic)	Short life
Cement	Long life
Cemeteries	Average life
Cereals	Long life
Chain Saws - Woodcutters	Short life
Chemicals	Average life

TYPE OF PROPERTY	RANGE OF EXPECTED LIFE
Civil Engineering Equipment	Average life
Clay Products	Average life
Closed Circuit TV - Camera System	Short life
Coffee Brewing Equipment	Average life
Coin Wrap Equipment	Average life
Computers	Short life
Construction	Average life
Heavy Use	Short life
Copy and Duplicating Machines	Short life
Costume Rental	Short life
Dairy Production	Average life
Data Processing Equipment	Short life
Dental Office	Average life
Dispensing Machines (Vending)	Average life
Distilling	Average life
Doctor Office	Average life
Drilling Equipment	Average life
Electrical Manufacturing	Average life
Products	Short life
Equipment:	

TYPE OF PROPERTY	RANGE OF EXPECTED LIFE
Heavy Use Mobile	Short life
Industrial	Average life
Manufacturing	Average life
Shop Equipment	Average life
Fabricated Metal Products	Average life
Fishing Equipment	Short life
Fire and Security Equipment	Average life
Florist and Garden Shops	Average life
Food Production	Average life
Fork Lifts	Short life
Furnishings:	
Apartment	Average life
Hotel	Average life
Outdoor Patio	Short life
Furs and Hats	Average life
Gaming Equipment:	
Electronic Slot Machines or Computers	Short life
Mechanical Slot Machines	Average life
Other	Average life
Gas Station	Average life

TYPE OF PROPERTY	RANGE OF EXPECTED LIFE
Glass Manufacturing	Average life
Special Tools	Short life
Golf Course Machinery and Equipment	Average life
Grain	Average life
Gypsum Products (Machinery Used to Manufacture)	Average life
Hand Tools	Short life
Hospitals	Average life
Hot Air Balloons	Average life
Ice and Refrigeration	Average life
Information Systems	Short life
Iron and Steel	Long life
Jewelry Manufacturing	Average life
Juke Box	Average life
Laboratory Equipment	Average life
Laundries	Average life
Coin Laundries	Average life
Heavy Use Washers	Short life
Dry Clean Equipment, Commercial	Average life
Lawn Mowing Equipment	Short life
Leasing Companies:	

TYPE OF PROPERTY	RANGE OF EXPECTED LIFE
General	Average life
Special	See specific industry or kind of equipment
Leather Products	Average life
Library, Law and Medical	Average life
Lockers (Public)	Average life
Logging and Lumber	Average life
Portable Saw Mill	Short life
Stationary Saw Mill	Average life
Machinery	Average life
Medical Equipment	Average life
Metal Products and Processes	Long life
Mining	Average life
Motion Picture	Average life
Motor and Other Vehicles	Short life
Inside Use Electric	Average life
Outside Use Electric - Golf Course	Short life
Nurseries (Garden)	Average life

TYPE OF PROPERTY	RANGE OF EXPECTED LIFE
Office Equipment	Average life
Furniture and Fixtures	Average life
Safes	Long life
Oil and Gas:	
Development	Average life
Marketing	Average life
Production	Short life
Refining	Average life
Transport by Pipeline	Long life
Optical	Average life
Packing Products	Long life
Paints and Varnishes	Average life
Paper	Average life
Photography	Average life
Plastics	Average life
Special Tools	Short life
Power Generators (Not Public Utilities) and	
Electrical Equipment	Long life
Printing and Publishing	Average life
Professional and Scientific Equipment	Average life

TYPE OF PROPERTY	RANGE OF EXPECTED LIFE
Public Utilities:	
(Local)	
Aircraft Transport	Average life
Bridges	Long life
Electric:	
Steam Generated	Long life
Hydro-Electric	Long life
Nuclear	Long life
Gas	Long life
Ice Plants	Long life
Motor Transport:	
Bus	Average life
Trucks	
Light	Short life
Heavy	Average life
Tractor-Trailer	Average life
Taxi	Short life
Broadcasting	Average life
Steam Heat	Long life
Steam Railroad	Long life



TYPE OF PROPERTY	RANGE OF EXPECTED LIFE
Street Railroad	Long life
Telephone	Long life
Telegraph	Long life
Water Supply	Long life
Water Transport	Long life
Railroad Car Manufacturing	Average life
Railroad Rolling Stock	Long life
Recreation Equipment	Average life
Video and Flipper Games	Short life
Restaurants	Average life
Rubber Goods	Average life
Sand, Gravel, Stone (Machinery Used to Extract)	Average life
Marine (Dredge)	Long life
Security and Fire Equipment	Average life
Service Trade Assets	Average life
Ship and Boat Manufacturing	Average life
Shoe Repair	Average life
Signs	Average life
Ski Rentals	Short life
Soft Drink	Average life

TYPE OF PROPERTY	RANGE OF EXPECTED LIFE
Stone Products	Average life
Stores	Average life
Surveying Equipment (Land)	Average life
Telephone Systems and Equipment	Short life
Textiles	Average life
Theater Equipment	Average life
Tobacco	Average life
T.V. and Motion Picture:	
Broadcasting	Average life
Production	Short life
Manufacture or Repair Equipment	Average life
Video Rentals	Short life
Warehouse Equipment	Average life

**NOTICE OF ADOPTION OF PROPOSED REGULATION  
LCB File No. R034-03**

The Department of Taxation adopted regulations assigned LCB File No. R034-03 which pertain to chapter 361 of the Nevada Administrative Code on September 9, 2003.

**Notice date:** 8/6/2003  
**Hearing date:** 9/9/2003

**Date of adoption by agency:** 9/9/2003  
**Filing date:** 12/4/2003

**INFORMATIONAL STATEMENT**

- 1. A description of how public comment was solicited, a summary of public response, and an explanation how other interested persons may obtain a copy of the summary.**

The Department of Taxation, as staff to the Nevada Tax Commission, solicited comment from the public by sending notices of workshops and hearings by electronic or regular mail as follows:

<u>Date of Notice</u>	<u>Workshop/Hearing</u>	<u>Date</u>	<u># Notified</u>	<u>#Representing Bus.</u>
8/6/03	Workshop	8/25/03	394	251
8/6/03	Hearing	9/09/03	394	251

The mailing list included the interested parties list maintained by the Department, as well as centrally assessed taxpayers, mine operators, and officials of local jurisdictions subject to these regulations.

No oral or written comments were received. A copy of the audio taped comments or the record of proceedings may be obtained by calling the Nevada Department of Taxation at (775) 687-4841 or by writing to the Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Department at [mmjacobs@tax.state.nv.us](mailto:mmjacobs@tax.state.nv.us).

- 2. The number of persons who:**

- (a) Attended and testified at each workshop:**

	<u>Attended</u>	<u>Testified</u>
August 25, 2003	24	6

**(b) Attended and testified at each hearing on adoption:**

	<u>Attended</u>	<u>Testified</u>
September 9, 2003		
Members of the Commission	5	
Members of the public	7	0

**(c) Submitted to the agency written comments: 0**

**3. A description of how comment was solicited from affected businesses, a summary of their response, and an explanation how other interested persons may obtain a copy of the summary.**

The regulations present no reasonably foreseeable or anticipated adverse economic effects to businesses or to the general public, and none can be quantified. Nevertheless, approximately 75% to 85% of the notices were sent to individuals or associations representing business.

The Nevada Mining Association, Nevada Taxpayers Association, and certain individuals representing centrally assessed properties commented on portions of the regulations, particularly with regard to the valuation methodologies for personal property used by county assessors during the temporary regulation workshop process. Members of the Nevada Assessors Association also commented on all of the proposed language changes during the temporary regulation workshop.

A copy of the audio taped comments or the record of proceedings may be obtained by calling the Nevada Department of Taxation at (775) 687-4841 or by writing to the Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Department at [mmjacobs@tax.state.nv.us](mailto:mmjacobs@tax.state.nv.us)

**4. If the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.**

The regulations as proposed were adopted primarily to conform to changes in the Nevada Revised Statutes; to update appraisal practices with current appraisal literature; or to better clarify the appropriate appraisal or assessment procedure.

A change was made at the adoption hearing to Sections 3 and 4 regarding the definitions of acquisition cost and costs of installation.

**5. The estimated economic effect of the adopted regulation on the businesses which it is to regulate and on the public. These must be stated separately, and each case must include:**

**(a) Both adverse and beneficial effects; and**

The adopted regulations present no reasonably foreseeable or anticipated adverse economic effects to businesses or to the general public. It is anticipated the regulations promote and enhance the efficient and fair appraisal and assessment of personal property by county assessors.

**(b) Both immediate and long-term effects.**

The proposed regulations present no reasonably foreseeable or anticipated immediate or long-term economic effects to businesses or to the general public.

**6. The estimated cost to the agency for enforcement of the adopted regulation.**

The Department anticipates little, if any, additional cost to administer the regulations.

**7. A description of any regulations of other state or government agencies which the proposed regulation overlaps or duplicates and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.**

There are no other state or government agency regulations that the adopted amendments duplicate.

**8. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of such provisions.**

There are no federal regulations regarding the appraisal and assessment of personal property, for state property tax purposes with which these regulations comply.

**9. If the regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.**

These regulations do not provide or involve a new fee; therefore there is no total annual amount the Department expects to collect or use.