

LCB File No. 166-07

**PROPOSED REGULATION OF THE
NEVADA TAX COMMISSION**

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

AUTHORITY: NRS §

A REGULATION relating to property taxes; providing methods for determining the taxable value of property; and providing other matters pertaining thereto.

Section 1. Chapter 361 of NAC is hereby amended by adding the provisions set forth as sections 2 to 13, inclusive, of this regulation.

Sec. 2. *“Mass Appraisal” means the process of valuing a group of properties as of a given date, using the methods prescribed in NAC 361.118 and 361.119. The mass appraisal of land utilizes either the “base lot” or “comparative unit” method.*

Sec. 3. *“Base Lot Method” means the method of appraising land whereby the land area or parcel to be appraised is compared with a parcel or hypothetical land area having common or typical characteristics and of known value, called the “base lot”, and differences between the two in terms of location, size, shape, topography, and the like are analyzed by the appraiser in estimating the value of the land to be appraised.*

Sec. 4. *“Comparative Unit Method” means the method of appraising land in which an average or typical value is estimated for each stratum of land. Typical stratum of land include: Square feet, front feet, per acre, or per unit.*

Sec. 5. *“Regression Analysis” means the statistical technique used to analyze data in order to predict the value of one variable from the known values of other variables.*

Sec. 6. *A county assessor may apply either mass appraisal or single property valuation techniques when the sales comparison or income approaches to value are used.*

Sec. 7. *Land: Sales comparison approach using mass appraisal techniques (NRS 360.090, 360.250, 361.227)*

1. Except as otherwise provided in NAC 361.118 or NAC 361.119, a county assessor shall determine the full cash value of land by applying the sales comparison approach as follows:

(a) The county assessor shall stratify the properties being appraised into groups based on location, zoning, use or other relevant characteristics. Sufficient strata shall be established to ensure that all types of property subject to appraisal are appropriately represented.

(b) Once stratified, the county assessor shall analyze sales of land which was vacant at the time of sale for each stratum and make adjustments to the sales prices as necessary to eliminate any non-realty components of value and any differences resulting from the real property rights conveyed, financing terms, conditions of sale, market conditions, location,

physical characteristics, size, zoning, use, governmental restrictions, sales concessions, or expenditures made after the purchase influencing the sales prices.

(c) After the sales are analyzed by an applicable technique such as, but not limited to, regression analysis, sales-resales analysis or paired sales analysis, the county assessor shall determine an appropriate base lot or comparative unit value to be used as a benchmark in valuing the properties in each stratum or market adjustments to the base lot or comparative unit value, if appropriate, for differences in physical characteristics, size, zoning, use, view, governmental restrictions or other attributes that affect value. The adjustments:

(1) Must be mathematical changes made to the base lot or comparative unit values to account for differences in the elements of comparison between the base lot or comparative unit and the subject property;

(2) May be made only to the base lot or comparative unit, not to the subject property; and

(3) May be made by adding or subtracting lump-sum dollar values, or by applying positive or negative percentage differentials, to the base lot or comparative unit values.

Sec. 8. Application and analysis of adjustments used in the sales comparison approach

1. If the subject property is improved land, the comparable properties must have a use that is consistent with that of the improved land.

2. The elements of comparison used and adjustments made by the county assessor must be identifiable and supported by verifiable market data.

3. If it is necessary to make an adjustment to recognize the view influence or any other property attribute associated with the subject property, the county assessor shall:

(a) Make a physical determination of the view influence from the land of each respective view parcel. The county assessor shall make the view influence determination from any area on the parcel that is capable of development. This would exclude legally required setbacks or portions of the parcel subject to applicable land use restrictions or applicable deed restrictions that prohibit development.

(b) Upon the written request of the owner, provide to the owner as soon as practicable, but not later than 15 days after receiving the request, current market evidence for each adjustment for the view influence or other property attribute. In a county whose population is 40,000 or more, "current market evidence" as used in this subparagraph means sales data concerning sales of improved or unimproved parcels that occurred during the 36-month period immediately preceding July 1 of the year before the lien date, unless the Commission has approved the petition of the county assessor to consider sales that occurred before that 36-month period.

(c) Upon the written request of the owner, provide to the owner as soon as practicable, but not later than 15 days after receiving the request, a comprehensive written analysis describing the mass appraisal or single property techniques applied. The analysis must be so written that the taxpayer can determine whether the value of the parcel has been appropriately adjusted by the county assessor.

1. In the case of appraisals in which single property techniques were applied, the written analysis must also describe each adjustment, whether attributable to view influence or other property attribute, and how the adjustments were made.

2. *In the case of appraisals in which mass appraisal techniques were applied, the written analysis must also include the strata in which the parcel was included, the comparable sales and the adjustments made to the comparable sales to develop a base lot or comparative unit value for the strata and the adjustments made to the base lot or comparative unit value to determine the value of the property.*

(d) Consider whether an adjustment is necessary because of impairments caused by obstructions or aesthetic criteria, including, without limitation, tree growth, utility lines, water tanks or the presence of other improvements.

Sec. 9. Validation of sales used in the sales comparison approach.

1. *In determining whether the sales price of each comparable property is representative of the full cash value of the subject property, the county assessor must acquire sufficient sales data concerning the comparable property. The sales data may include, without limitation:*

- (a) The total amount paid for the property and the terms of sale;*
- (b) The names and contact information of the buyer and seller;*
- (c) The relationship of the buyer and seller;*
- (d) The legal description, address and parcel identifier of the property;*
- (e) Information concerning the type of transfer that is sufficient to enable the county assessor to determine whether the transfer was at arm's length;*
- (f) The length of time the property was on the market;*
- (g) The extent of the interest transferred to the buyer;*
- (h) The nature of nonrealty items; and*
- (i) The date of the transfer.*

2. *The county assessor may determine the accuracy of the sales data acquired pursuant to subsection 2 by:*

- (a) Contacting the buyer, seller, title company or any other knowledgeable participant in the transaction;*
- (b) Using sales questionnaires;*
- (c) Conducting personal interviews; or*
- (d) Reviewing declarations of value.*

The county assessor shall disclose to each person he contacts for information pursuant to this subsection that the information provided by the person will only be used to establish value for the purposes of property taxation.

3. *The following types of sales may provide unreliable information regarding full cash value and require additional verification to determine whether the sale represents full cash value:*

- (a) Sales involving governmental agencies and public utilities;*
- (b) Sales involving charitable, religious or educational institutions;*
- (c) Sales involving financial institutions;*
- (d) Sales between relatives or corporate affiliates;*
- (e) Sales of convenience, including, without limitation, a sale intended to correct a flaw in title;*
- (f) Sales settling an estate;*
- (g) Forced sales, including, without limitation, a sale resulting from judicial order; and*
- (h) Sales involving doubtful title.*

4. The county assessor may sort sales and other market data into homogeneous groups to reflect different market influences and variations in zoning, other land-use controls and probable use, and to ensure that land values will reflect market data for parcels with similar or competitive uses in the same area.

Sec. 10. NAC 361.118 is hereby amended to read as follows:

NAC 361.118 Land: Sales comparison approach *using single property valuation techniques* (NRS 360.090, 360.250, 361.227)

1. Except as otherwise provided in *Section 7 or* NAC 361.119, a county assessor shall determine the full cash value of land by applying the sales comparison approach as follows:

(a) The county assessor shall adjust the sales prices or unit values of comparable properties as necessary to eliminate differences between the comparable properties and the subject property that affect value. The adjustments:

(1) Must be mathematical changes made to the sales prices or unit values of the comparable properties to account for differences in elements of comparison between the comparable properties and the subject property;

(2) May be made only to the comparable properties, not to the subject property; and

(3) May be made by adding or subtracting lump-sum dollar values, or by applying positive or negative percentage differentials, to the sales prices or unit values of the comparable properties.

(b) The elements of comparison between the comparable properties and the subject property that may be used by the county assessor include, without limitation, the real property rights conveyed, financing terms, conditions of sale, market conditions, location, physical characteristics, size, zoning or use, governmental restrictions and nonrealty components of value.

~~[(e) If the subject property is improved land, the comparable properties must have a use that is consistent with that of the improved land.~~

~~—(d) The elements of comparison used and adjustments made by the county assessor must be identifiable and supported by verifiable market data.]~~

~~[e)](c)~~ After adjusting the comparable properties for differences that affect value, the county assessor shall analyze the range of adjusted sales prices of the comparable properties to arrive at an estimate of value for the subject property.

~~[(f) If it is necessary to make an adjustment to recognize the view influence or any other property attribute associated with the subject property, the county assessor shall:~~

~~—(1) Make a physical determination of the view influence from the land of each respective view parcel. The county assessor shall make the view influence determination from any area on the parcel that is capable of development. This would exclude legally required setbacks or portions of the parcel subject to applicable land use restrictions or applicable deed restrictions that prohibit development.~~

~~—(2) Upon the request of the owner, provide to the owner as soon as practicable, but not later than 15 days after receiving the request, current market evidence for each adjustment for the view influence or other property attribute. In a county whose population is 40,000 or more, “current market evidence” as used in this subparagraph means sales data concerning sales of improved or unimproved parcels that occurred during the 36-month period immediately preceding July 1 of the year before the lien date, unless the Commission has approved the petition of the county assessor to consider sales that occurred before that 36-month period.~~

~~— (3) Upon the request of the owner, provide to the owner as soon as practicable, but not later than 15 days after receiving the request, a comprehensive written analysis describing the adjustment, whether attributable to the view influence or other property attribute, so that the taxpayer can determine whether the value of the parcel has been appropriately adjusted by the county assessor.~~

~~— (4) Consider whether an adjustment is necessary because of impairments caused by obstructions or aesthetic criteria, including, without limitation, tree growth, utility lines, water tanks or the presence of other improvements.~~

~~— 2. In determining whether the sales price of each comparable property is representative of the full cash value of the subject property, the county assessor must acquire sufficient sales data concerning the comparable property. The sales data may include, without limitation:~~

~~— (a) The total amount paid for the property and the terms of sale;~~

~~— (b) The names and contact information of the buyer and seller;~~

~~— (c) The relationship of the buyer and seller;~~

~~— (d) The legal description, address and parcel identifier of the property;~~

~~— (e) Information concerning the type of transfer that is sufficient to enable the county assessor to determine whether the transfer was at arm's length;~~

~~— (f) The length of time the property was on the market;~~

~~— (g) The extent of the interest transferred to the buyer;~~

~~— (h) The nature of nonrealty items; and~~

~~— (i) The date of the transfer.~~

~~— 3. The county assessor may determine the accuracy of the sales data acquired pursuant to subsection 2 by:~~

~~— (a) Contacting the buyer, seller, title company or any other knowledgeable participant in the transaction;~~

~~— (b) Using sales questionnaires;~~

~~— (c) Conducting personal interviews; or~~

~~— (d) Reviewing declarations of value.~~

~~The county assessor shall disclose to each person he contacts for information pursuant to this subsection that the information provided by the person will only be used to establish value for the purposes of property taxation.~~

~~— 4. The following types of sales may provide unreliable information regarding full cash value and require additional verification to determine whether the sale represents full cash value:~~

~~— (a) Sales involving governmental agencies and public utilities;~~

~~— (b) Sales involving charitable, religious or educational institutions;~~

~~— (c) Sales involving financial institutions;~~

~~— (d) Sales between relatives or corporate affiliates;~~

~~— (e) Sales of convenience, including, without limitation, a sale intended to correct a flaw in title;~~

~~— (f) Sales settling an estate;~~

~~— (g) Forced sales, including, without limitation, a sale resulting from judicial order; and~~

~~— (h) Sales involving doubtful title.~~

~~— 5. The county assessor may sort sales and other market data into homogeneous groups to reflect different market influences and variations in zoning, other land use controls and probable use, and to ensure that land values will reflect market data for parcels with similar or competitive uses in the same area.]~~

Sec. 11. NAC 361.119 is hereby amended to read as follows:

NAC 361.119 Land: Alternate methods to sales comparison approach. (NRS 360.090, 360.250, 361.227)

1. If the county assessor is not able to use the sales comparison approach for ~~vacant~~ land pursuant to NAC 361.118 because sufficient sales of comparable properties which were vacant ~~land~~ at the time of sale are not available, the county assessor may determine valuation through any of the following methods *either in combination with available land sales or as the sole method of valuation:*

- (a) Abstraction method;
- (b) Land residual technique;
- (c) Capitalization of ground rents;
- (d) Cost of development method; ~~land~~
- (e) Allocation method, if the properties are substantially similar; *and*
- (f) Regression analysis.*

2. The use of sales of comparable improved properties pursuant to subsection 1 is subject to the provisions of NAC 361.118 and the following:

(a) Sales of comparable improved properties must be adjusted to remove the full contributory value of all items attributable to the improvements ~~of vacant land~~, including, without limitation, ~~improvements~~, direct and indirect costs, soft costs, entrepreneurial profit, and personal property and other nonrealty components of value. *The costs may be reported in a lump-sum basis per unit.*

(b) The complete obsolescence of an improvement for purposes of analyzing the sales price of a comparable improved property is best determined when the improvement is demolished or removed, but may be considered when:

(1) Sufficient evidence demonstrates an intention to demolish or remove the improvement, which evidence may include, without limitation, evidence that:

- (I) A permit has been issued for the demolition of the improvement;
- (II) A disclosure concerning the demolition or removal of the improvement has been filed with the Securities and Exchange Commission;
- (III) An order has been issued for the condemnation of the improvement; or
- (IV) Construction and development financing has been obtained with respect to the comparable property which establishes that the demolition or removal of the improvement is intended; and

(2) No occupancy or no use is established before the completion of the demolition or removal of the improvement.

(c) Sales of comparable improved properties may be used in determining valuation regardless of whether the complete obsolescence of an improvement may be determined or considered pursuant to paragraph (b).

Sec. 12. NAC 361.122 is hereby amended to read as follows:

NAC 361.122 Improved land. (NRS 360.090, 360.250, 361.227)

1. *If improved land is being put to a use consistent with the zoning of the land or with the general use of land in the surrounding area, the value of the land must be established by comparing it to a stratum or market area which has similar zoning and location in accordance with NAC 361.118, Section 7, or if appropriate, NAC 361.119.*

2. 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, the value of the improved land must be established, in accordance with *NAC 361.118, Section 7, or if appropriate 361.119*, by *comparing it to a stratum or market area* ~~[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, *pursuant to subsection 2*, 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 *in accordance with NAC 361.118 or, if appropriate, NAC 361.119*.

Sec. 13. NAC 361.127 is hereby amended to read as follows:

NAC 361.127 Improvement: Replacement. (NRS 360.090, 360.250, 361.227, 361.229)

1. If the use or quality of an existing improvement is changed by a replacement, the county assessor shall revalue the improvement according to the new use or quality as of the time the replacement occurs.

2. Each county assessor who determines the percentage of the replacement made to an improvement:

(a) May use the “Breakdown of Base Cost by Percentage,” as published in the manuals of 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 value of improvements, or other breakdowns of improvement costs adopted or approved annually by the Nevada Tax Commission].~~

(b) Must consider the total replacements made to an improvement which have been accumulated since its construction or the last computation of replacement if one has been made.

3. As used in this section, the term “replacement” includes items of remodeling or renovation which extend the useful life of an improvement, other than those items excluded by the provisions of NRS 361.229.

~~[4. The Executive Director shall review the “Breakdown of Base Cost by Percentage” as soon as practicable after each manual is published to determine its suitability for use by county assessors. If he finds the manual to be suitable, the Executive Director shall approve its use and notify each county assessor of that approval.]~~

Sec. 14. NAC 361.128 is amended to read as follows:

NAC 361.128 Improvement and replacement of improvement: Determination of costs. (NRS 360.090, 360.250, 361.227, 361.229)

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 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 closure of the roll for the appropriate

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 the manuals described in subsection 2 do not apply to improvements of a particular occupancy or construction type, the county assessor may apply to the Executive Director for permission to use alternative recognized cost manuals, cost determinations or subscription services. If the Executive Director finds that the manuals described in subsection 2 do not apply to such improvements and that the alternative recognized cost manuals, cost determinations or subscription services are suitable, the Executive Director shall approve the use of the alternative recognized cost manuals, cost determinations or subscription services and notify each county assessor of that approval *within 30 days of receiving the application from the assessor*. The Executive Director shall submit to the Commission annually a list of the alternative recognized cost manuals, cost determinations and subscription services that the Executive Director has approved for use.

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. 15 NAC 361.130 is amended to read as follows:

NAC 361.130 Mobile or manufactured home. (NRS 360.090, 360.250, 361.227, 361.2445, 361.325)

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, 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.

6. In the event a real property mobile home has been completely destroyed and removed from the property, the county assessor shall remove those improvements destroyed from the tax roll.

Sec. 16. NAC 361.131 is amended to read as follows:

NAC 361.131 Taxable value exceeding full cash value. (NRS 360.090, 360.250, 361.227) 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 *and, if appropriate, personal property or land value.* ~~[If any further reduction is needed, the value of the land may also be reduced.]~~