

ASSEMBLY BILL NO. 43—COMMITTEE ON TAXATION

(ON BEHALF OF THE NEVADA ASSOCIATION OF COUNTIES)

PREFILED NOVEMBER 17, 2016

Referred to Committee on Taxation

SUMMARY—Revises provisions governing the partial abatement of taxes levied on residential and other property. (BDR 32-441)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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

AN ACT relating to taxation; revising provisions governing the calculation of the amount of certain partial abatements of property taxes; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Existing law provides for a partial abatement of property taxes, which has the
2 effect of establishing an annual cap on increases of property taxes. The formula for
3 calculating the partial abatement provides that the property taxes on properties
4 other than certain single-family residences or certain residential rental dwellings
5 may not increase by more than a percentage that is the lesser of: (1) the average
6 percentage of change in the assessed valuation of property in the county over the
7 last 10 years or twice the average percentage of increase in the Consumer Price
8 Index for the previous year, whichever is greater; or (2) eight percent. If the
9 application of this formula results in a cap on increases of property taxes for a fiscal
10 year that is less than 3 percent, the property taxes imposed on certain single-family
11 residences and certain residential rental dwellings may not increase by more than
12 the percentage cap calculated under that formula. However, if the application of
13 the formula results in a cap on increases of property taxes for a fiscal year that is
14 more than 3 percent, the property taxes on those single-family residences
15 and residential rental properties may not increase by more than 3 percent.
16 (NRS 361.4722-361.4724)

17 This bill revises the formula for calculating the partial abatement so that the
18 annual cap on increases of the property taxes on certain single-family residences
19 and residential rental property cannot be less than 3 percent. Under this bill, the
20 annual cap on increases of property taxes on any other property cannot be less than
21 a percentage that is the greater of: (1) the average percentage of change in the
22 assessed valuation of property in the county over the last 10 years or twice the



23 average percentage of increase in the Consumer Price Index for the 10 calendar
24 years preceding the fiscal year in which the tax levy is made, whichever is greater;
25 or (2) three percent.

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

1 **Section 1.** NRS 361.4722 is hereby amended to read as
2 follows:

3 361.4722 1. Except as otherwise provided in or required to
4 carry out the provisions of subsection 3 and NRS 361.4725 to
5 361.4729, inclusive, the owner of any parcel or other taxable unit of
6 property, including property entered on the central assessment roll,
7 for which an assessed valuation was separately established for the
8 immediately preceding fiscal year is entitled to a partial abatement
9 of the ad valorem taxes levied in a county on that property each
10 fiscal year equal to the amount by which the product of the
11 combined rate of all ad valorem taxes levied in that county on the
12 property for that fiscal year and the amount of the assessed valuation
13 of the property which is taxable in that county for that fiscal year,
14 excluding any increase in the assessed valuation of the property
15 from the immediately preceding fiscal year as a result of any
16 improvement to or change in the actual or authorized use of the
17 property, exceeds the sum obtained by adding:

18 (a) The amount of all the ad valorem taxes:

19 (1) Levied in that county on the property for the immediately
20 preceding fiscal year; or

21 (2) Which would have been levied in that county on the
22 property for the immediately preceding fiscal year if not for any
23 exemptions from taxation that applied to the property for that prior
24 fiscal year but do not apply to the property for the current fiscal
25 year,

26 ↳ whichever is greater; and

27 (b) A percentage of the amount determined pursuant to
28 paragraph (a) which is equal to:

29 (1) The greater of:

30 (I) The average percentage of change in the assessed
31 valuation of all the taxable property in the county, as determined by
32 the Department, over the fiscal year in which the levy is made and
33 the 9 immediately preceding fiscal years;

34 (II) Twice the *average* percentage of increase in the
35 Consumer Price Index for all Urban Consumers, U.S. City Average
36 (All Items) for the ~~immediately preceding~~ 10 calendar ~~year;~~
37 *years immediately preceding the beginning of the fiscal year in*
38 *which the levy is made;* or



1 (III) ~~Zero;~~ *Three percent*; or

2 (2) Eight percent,

3 ↪ whichever is less.

4 2. Except as otherwise provided in or required to carry out the
5 provisions of NRS 361.4725 to 361.4729, inclusive, the owner of
6 any remainder parcel of real property for which no assessed
7 valuation was separately established for the immediately preceding
8 fiscal year, is entitled to a partial abatement of the ad valorem taxes
9 levied in a county on that property for a fiscal year equal to the
10 amount by which the product of the combined rate of all ad valorem
11 taxes levied in that county on the property for that fiscal year and
12 the amount of the assessed valuation of the property which is
13 taxable in that county for that fiscal year, excluding any amount of
14 that assessed valuation attributable to any improvement to or change
15 in the actual or authorized use of the property that would not have
16 been included in the calculation of the assessed valuation of the
17 property for the immediately preceding fiscal year if an assessed
18 valuation had been separately established for that property for that
19 prior fiscal year, exceeds the sum obtained by adding:

20 (a) The amount of all the ad valorem taxes:

21 (1) Which would have been levied in that county on the
22 property for the immediately preceding fiscal year if an assessed
23 valuation had been separately established for that property for that
24 prior fiscal year based upon all the assumptions, costs, values,
25 calculations and other factors and considerations that would have
26 been used for the valuation of that property for that prior fiscal year;
27 or

28 (2) Which would have been levied in that county on the
29 property for the immediately preceding fiscal year if an assessed
30 valuation had been separately established for that property for that
31 prior fiscal year based upon all the assumptions, costs, values,
32 calculations and other factors and considerations that would have
33 been used for the valuation of that property for that prior fiscal year,
34 and if not for any exemptions from taxation that applied to the
35 property for that prior fiscal year but do not apply to the property for
36 the current fiscal year,

37 ↪ whichever is greater; and

38 (b) A percentage of the amount determined pursuant to
39 paragraph (a) which is equal to:

40 (1) The greater of:

41 (I) The average percentage of change in the assessed
42 valuation of all the taxable property in the county, as determined by
43 the Department, over the fiscal year in which the levy is made and
44 the 9 immediately preceding fiscal years;



1 (II) Twice the *average* percentage of increase in the
2 Consumer Price Index for all Urban Consumers, U.S. City Average
3 (All Items) for the ~~immediately preceding~~ 10 calendar ~~year;~~
4 *years immediately preceding the beginning of the fiscal year in*
5 *which the levy is made;* or

6 (III) ~~Zero;~~ *Three percent;* or

7 (2) Eight percent,

8 ↪ whichever is less.

9 3. The provisions of subsection 1 do not apply to any property
10 for which the provisions of subsection 1 of NRS 361.4723 or
11 subsection 1 of NRS 361.4724 provide a ~~greater~~ *partial* abatement
12 from taxation.

13 4. Except as otherwise required to carry out the provisions of
14 NRS 361.4732 and any regulations adopted pursuant to NRS
15 361.4733, the amount of any reduction in the ad valorem taxes
16 levied in a county for a fiscal year as a result of the application of
17 the provisions of subsections 1 and 2 must be deducted from the
18 amount of ad valorem taxes each taxing entity would otherwise be
19 entitled to receive for that fiscal year in the same proportion as the
20 rate of ad valorem taxes levied in the county on the property by or
21 on behalf of that taxing entity for that fiscal year bears to the
22 combined rate of all ad valorem taxes levied in the county on the
23 property by or on behalf of all taxing entities for that fiscal year.

24 5. The Nevada Tax Commission shall adopt such regulations as
25 it deems appropriate to ensure that this section is carried out in a
26 uniform and equal manner.

27 6. For the purposes of this section, “remainder parcel of real
28 property” means a parcel of real property which remains after the
29 creation of new parcels of real property for development from one
30 or more existing parcels of real property, if the use of that remaining
31 parcel has not changed from the immediately preceding fiscal year.

32 **Sec. 2.** NRS 361.4723 is hereby amended to read as follows:

33 361.4723 The Legislature hereby finds and declares that an
34 increase in the tax bill of the owner of a home by more than 3
35 percent over the tax bill of that homeowner for the previous year
36 constitutes a severe economic hardship within the meaning of
37 subsection 10 of Section 1 of Article 10 of the Nevada Constitution.
38 The Legislature therefore directs a partial abatement of taxes for
39 such homeowners as follows:

40 1. Except as otherwise provided in or required to carry out the
41 provisions of subsection 2 and NRS 361.4725 to 361.4729,
42 inclusive, the owner of a single-family residence which is the
43 primary residence of the owner is entitled to a partial abatement of
44 the ad valorem taxes levied in a county on that property each fiscal
45 year equal to the amount by which the product of the combined rate



1 of all ad valorem taxes levied in that county on the property for that
2 fiscal year and the amount of the assessed valuation of the property
3 which is taxable in that county for that fiscal year, excluding any
4 increase in the assessed valuation of the property from the
5 immediately preceding fiscal year as a result of any improvement to
6 or change in the actual or authorized use of the property, exceeds the
7 sum obtained by adding:

8 (a) The amount of all the ad valorem taxes:

9 (1) Levied in that county on the property for the immediately
10 preceding fiscal year; or

11 (2) Which would have been levied in that county on the
12 property for the immediately preceding fiscal year if not for any
13 exemptions from taxation that applied to the property for that prior
14 fiscal year but do not apply to the property for the current fiscal
15 year,

16 ↪ whichever is greater; and

17 (b) Three percent of the amount determined pursuant to
18 paragraph (a).

19 2. The provisions of subsection 1 do not apply to any property
20 for which †

21 ~~—(a) Not~~ *no* assessed valuation was separately established for the
22 immediately preceding fiscal year. † ~~or~~

23 ~~—(b) The provisions of subsection 1 of NRS 361.4722 provide a~~
24 ~~greater abatement from taxation.†~~

25 3. Except as otherwise required to carry out the provisions of
26 NRS 361.4732 and any regulations adopted pursuant to NRS
27 361.4733, the amount of any reduction in the ad valorem taxes
28 levied in a county for a fiscal year as a result of the application of
29 the provisions of subsection 1 must be deducted from the amount of
30 ad valorem taxes each taxing entity would otherwise be entitled to
31 receive for that fiscal year in the same proportion as the rate of ad
32 valorem taxes levied in the county on the property by or on behalf of
33 that taxing entity for that fiscal year bears to the combined rate of all
34 ad valorem taxes levied in the county on the property by or on
35 behalf of all taxing entities for that fiscal year.

36 4. The Nevada Tax Commission shall adopt such regulations as
37 it deems appropriate to carry out this section, including, without
38 limitation, regulations providing a methodology for applying the
39 partial abatement provided pursuant to subsection 1 to a parcel of
40 real property of which only a portion qualifies as a single-family
41 residence which is the primary residence of the owner and the
42 remainder is used in another manner.

43 5. The owner of a single-family residence does not become
44 ineligible for the partial abatement provided pursuant to subsection
45 1 as a result of:



1 (a) The operation of a home business out of a portion of that
2 single-family residence; or

3 (b) The manner in which title is held by the owner if the owner
4 occupies the residence, including, without limitation, if the owner
5 has placed the title in a trust for purposes of estate planning.

6 6. For the purposes of this section:

7 (a) "Primary residence of the owner" means a residence which:

8 (1) Is designated by the owner as the primary residence of
9 the owner in this State, exclusive of any other residence of the
10 owner in this State; and

11 (2) Is not rented, leased or otherwise made available for
12 exclusive occupancy by any person other than the owner of the
13 residence and members of the family of the owner of the residence.

14 (b) "Single-family residence" means a parcel or other unit of
15 real property or unit of personal property which is intended or
16 designed to be occupied by one family with facilities for living,
17 sleeping, cooking and eating.

18 (c) "Unit of personal property" includes, without limitation, any:

19 (1) Mobile or manufactured home, whether or not the owner
20 thereof also owns the real property upon which it is located; or

21 (2) Taxable unit of a condominium, common-interest
22 community, planned unit development or similar property,
23 ↪ if classified as personal property for the purposes of this chapter.

24 (d) "Unit of real property" includes, without limitation, any
25 taxable unit of a condominium, common-interest community,
26 planned unit development or similar property, if classified as real
27 property for the purposes of this chapter.

28 **Sec. 3.** NRS 361.4724 is hereby amended to read as follows:

29 361.4724 The Legislature hereby finds and declares that many
30 Nevadans who cannot afford to own their own homes would be
31 adversely affected by large unanticipated increases in property
32 taxes, as those tax increases are passed down to renters in the form
33 of rent increases and therefore the benefits of a charitable exemption
34 pursuant to subsection 8 of Section 1 of Article 10 of the Nevada
35 Constitution should be afforded to those Nevadans through an
36 abatement granted to the owners of residential rental dwellings who
37 charge rent that does not exceed affordable housing standards for
38 low-income housing. The Legislature therefore directs a partial
39 abatement of taxes for such owners as follows:

40 1. Except as otherwise provided in or required to carry out the
41 provisions of subsection 2 and NRS 361.4725 to 361.4729,
42 inclusive, if the amount of rent collected from each of the tenants of
43 a residential dwelling does not exceed the fair market rent for the
44 county in which the dwelling is located, as most recently published
45 by the United States Department of Housing and Urban



1 Development, the owner of the dwelling is entitled to a partial
2 abatement of the ad valorem taxes levied in a county on that
3 property for each fiscal year equal to the amount by which the
4 product of the combined rate of all ad valorem taxes levied in that
5 county on the property for that fiscal year and the amount of the
6 assessed valuation of the property which is taxable in that county for
7 that fiscal year, excluding any increase in the assessed valuation of
8 the property from the immediately preceding fiscal year as a result
9 of any improvement to or change in the actual or authorized use of
10 the property, exceeds the sum obtained by adding:

11 (a) The amount of all the ad valorem taxes:

12 (1) Levied in that county on the property for the immediately
13 preceding fiscal year; or

14 (2) Which would have been levied in that county on the
15 property for the immediately preceding fiscal year if not for any
16 exemptions from taxation that applied to the property for that prior
17 fiscal year but do not apply to the property for the current fiscal
18 year,

19 ↪ whichever is greater; and

20 (b) Three percent of the amount determined pursuant to
21 paragraph (a).

22 2. The provisions of subsection 1 do not apply to:

23 (a) Any hotels, motels or other forms of transient lodging; *and*

24 (b) Any property for which no assessed valuation was separately
25 established for the immediately preceding fiscal year. ~~† and~~

26 ~~—(c) Any property for which the provisions of subsection 1 of~~
27 ~~NRS 361.4722 provide a greater abatement from taxation.†~~

28 3. Except as otherwise required to carry out the provisions of
29 NRS 361.4732 and any regulations adopted pursuant to NRS
30 361.4733, the amount of any reduction in the ad valorem taxes
31 levied in a county for a fiscal year as a result of the application of
32 the provisions of subsection 1 must be deducted from the amount of
33 ad valorem taxes each taxing entity would otherwise be entitled to
34 receive for that fiscal year in the same proportion as the rate of ad
35 valorem taxes levied in the county on the property by or on behalf of
36 that taxing entity for that fiscal year bears to the combined rate of all
37 ad valorem taxes levied in the county on the property by or on
38 behalf of all taxing entities for that fiscal year.

39 4. The Nevada Tax Commission shall adopt such regulations as
40 it deems appropriate to carry out this section.

41 **Sec. 4.** The provisions of NRS 361.4722, 361.4723 and
42 361.4724, as amended by sections 1, 2 and 3 of this act,
43 respectively, apply to the tax year which begins on July 1, 2017, and
44 each succeeding tax year.



1 **Sec. 5.** This act becomes effective upon passage and approval
2 for the purposes of adopting any regulations and performing any
3 other preparatory administrative tasks necessary to carry out the
4 provisions of this act, and on July 1, 2017, for all other purposes.

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