

SENATE BILL NO. 352—SENATOR KIECKHEFER

MARCH 20, 2017

Referred to Committee on Revenue and Economic Development

SUMMARY—Revises provisions governing the taxation of property rebuilt after a natural disaster. (BDR 32-929)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact. Effect on the State: Yes.

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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 property taxes imposed on a single-family residence that is replaced after a natural disaster declared by the Governor; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Under existing law, for the purposes of determining the amount of property tax
2 owed by the owner of a parcel of real property, the taxable value of the real
3 property is equal to the value of the land plus the replacement cost of the
4 improvements, depreciated at 1.5 percent for each year of adjusted actual age, up to
5 a maximum of 50 years. (NRS 361.227) Existing law requires that for the purpose
6 of calculating the depreciation of an improvement, the actual age of the
7 improvement must be adjusted when additions or replacements are made with a
8 cumulative cost of least 10 percent of the replacement cost of the improvement.
9 (NRS 361.229) Thus, under existing law, a new improvement which replaces an
10 improvement that was partially or completely destroyed would lose the
11 depreciation accrued on the partially or completely destroyed improvement.
12 (NRS 361.229)

13 **Section 1** of this bill sets forth the finding of the Legislature that when a single-
14 family residence is partially or completely destroyed by a natural disaster, the
15 resulting loss of the depreciation accrued on the partially or completely destroyed
16 residence causes a severe economic hardship to the owner of the residence by
17 increasing the property taxes imposed on the residence. **Section 2** of this bill
18 requires a single-family residence that replaces a single-family residence partially
19 or completely destroyed by a natural disaster which is declared a disaster by
20 the Governor to not be considered a new improvement if: (1) the single-
21 family residence is occupied as the principal residence of the owner; (2) the single-
22 family residence is located on the same parcel of real property as the single-family



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23 residence that was partially or completely destroyed; (3) a building permit was
24 issued for the residence not later than 3 years after the partial or complete
25 destruction of the previous residence; and (4) the floor area of the residence does
26 not exceed 110 percent of the floor area of the residence that was partially or
27 completely destroyed. Under **section 2**, if treating the single-family residence as a
28 new improvement would result in a lower assessed value for the residence, the
29 residence must be considered a new improvement.

30 **Section 4** of this bill provides that the provisions of **section 2** apply to any
31 single-family residence that is partially or completely destroyed by a natural
32 disaster which is declared a disaster by the Governor before, on or after July 1,
33 2017.

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

1 **Section 1.** The Legislature hereby finds and declares that:

2 1. Subsection 1 of Section 1 of Article 10 of the Nevada
3 Constitution requires the Legislature to provide by law for a uniform
4 and equal rate of assessment and taxation.

5 2. Subsection 10 of Section 1 of Article 10 of the Nevada
6 Constitution establishes an exception to the requirement to provide
7 by law for a uniform and equal rate of assessment and taxation by
8 authorizing the Legislature to provide by law for an exemption of
9 part of the assessed value of a single-family residence occupied by
10 the owner to the extent necessary to avoid severe economic hardship
11 to the owner of the residence.

12 3. When a natural disaster partially or completely destroys a
13 single-family residence and the residence is rebuilt or replaced,
14 existing provisions of law cause the new residence to be treated as a
15 new improvement with an increased taxable value and,
16 consequently, the owner of the property incurs a greater property tax
17 liability.

18 4. An increase in the property taxes of the owner of a single-
19 family residence who, after a natural disaster, rebuilds or replaces
20 his or her residence constitutes a severe economic hardship on the
21 owner of the residence.

22 **Sec. 2.** Chapter 361 of NRS is hereby amended by adding
23 thereto a new section to read as follows:

24 *1. Notwithstanding any other provision of law, and except as*
25 *otherwise provided in subsection 2, a single-family residence that*
26 *would otherwise constitute a new improvement must be deemed*
27 *not to be a new improvement if:*

28 *(a) The single-family residence is occupied by the primary*
29 *owner of the residence;*

30 *(b) The single-family residence is a replacement for a single-*
31 *family residence that was partially or completely destroyed by a*



1 *flood, fire, earthquake or other disaster for which a declaration of*
2 *disaster was proclaimed pursuant to NRS 414.070 and is located*
3 *on the same parcel of real property as the single-family residence*
4 *that was partially or completely destroyed;*

5 (c) *A building permit for the single-family residence was*
6 *issued not later than 3 years after the partial or complete*
7 *destruction of the previous single-family residence; and*

8 (d) *The floor area of the single-family residence does not*
9 *exceed 110 percent of the floor area of the single-family residence*
10 *that was partially or completely destroyed.*

11 2. *If the assessed value of a single-family residence that*
12 *constitutes a replacement of a single-family residence that was*
13 *partially or completely destroyed by a flood, fire, earthquake or*
14 *other disaster for which a declaration of disaster was proclaimed*
15 *pursuant to NRS 414.070, as determined pursuant to NRS*
16 *361.227, is less than the assessed value of the single-family*
17 *residence, as determined pursuant to subsection 1, the single-*
18 *family residence must be deemed to be a new improvement.*

19 3. *As used in this section:*

20 (a) *“Primary residence of the owner” has the meaning*
21 *ascribed to it in NRS 361.4723.*

22 (b) *“Single-family residence” has the meaning ascribed to it in*
23 *NRS 361.4723.*

24 **Sec. 3.** NRS 361.229 is hereby amended to read as follows:

25 361.229 1. ~~The~~ *Except as otherwise provided in section 1*
26 *if this act, the* actual age of each improvement made on a parcel of
27 land must be adjusted, for the purpose of computing depreciation,
28 when any addition is made or replacement is made whose cost,
29 added to the cost of any prior replacements, is at least 10 percent of
30 the cost of replacement of the improvement after the work is done.
31 For the purposes of this section, “replacement” does not include
32 changing or adding finish or covering to floors or walls, changing or
33 adding small appliances, or other normal maintenance of the
34 improvement in a good condition.

35 2. Except as otherwise provided in subsection 3, the amount of
36 the reduction must be the product of the prior actual age multiplied
37 by the ratio of the cost of the replacement or addition to the cost of
38 replacement of the improvement after the work is done.

39 3. The amount of the reduction for additions which increase the
40 floor area of the improvement may be calculated by multiplying the
41 prior actual age of the improvement by the ratio of the number of
42 square feet of additional floor area to the total number of square feet
43 of the improvement including the addition.

44 **Sec. 4.** This act applies to any single-family residence that was
45 partially or completely destroyed by a flood, fire, earthquake or



- 1 other disaster for which a declaration of disaster was or is
- 2 proclaimed before, on or after July 1, 2017.
- 3 **Sec. 5.** This act becomes effective on July 1, 2017.

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