

SENATE BILL NO. 64—COMMITTEE ON
REVENUE AND ECONOMIC DEVELOPMENT

(ON BEHALF OF THE NEVADA LEAGUE OF
CITIES AND MUNICIPALITIES)

PREFILED NOVEMBER 18, 2020

Referred to Committee on Revenue and
Economic Development

SUMMARY—Revises provisions relating to taxation.
(BDR 32-408)

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 ~~for mitted material~~ is material to be omitted.

AN ACT relating to taxation; reducing the statutory rate of depreciation applicable to improvements made on real property for the purpose of determining the taxable value of the property; 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 Under current law, the taxable value of an improvement made on real property
2 must be determined by subtracting from the cost of replacement of the
3 improvement all applicable depreciation and obsolescence. That depreciation is
4 required to be calculated at the rate of 1.5 percent of the cost of replacement of the
5 improvement for each year that the improvement has aged, up to a maximum of 50
6 years. (NRS 361.227) The application of this formula for the entire 50-year period
7 results in a maximum rate of depreciation of 75 percent of the cost of replacement.

8 **Section 1** of this bill reduces the future rate of depreciation for an improvement
9 made on real property to 1 percent of the cost of replacement of the improvement
10 for each year that the improvement ages after calendar year 2021. **Section 1** does
11 not affect the maximum rate of depreciation allowed under current law. **Section 6**
12 of this bill clarifies that the change in the rate of depreciation pursuant to **section 1**
13 does not affect the determination of the taxable value of any improvements for the
14 purposes of any property taxes imposed before July 1, 2022.

15 Existing law provides for a partial abatement of property taxes, which has the
16 effect of establishing an annual cap on increases of property taxes. The formula for



17 calculating the partial abatement provides that the property taxes on properties
18 other than certain single-family residences or certain residential rental dwellings
19 may not increase by more than a percentage that is the lesser of: (1) the average
20 percentage of change in the assessed valuation of property in the county over the
21 last 10 years, twice the average percentage of increase in the Consumer Price Index
22 for the previous year or zero, whichever is greater; or (2) 8 percent. If the
23 application of this formula results in a cap on increases of property taxes for a fiscal
24 year that is less than 3 percent, the property taxes imposed on certain single-family
25 residences and certain residential rental dwellings may not increase by more than
26 the percentage cap calculated under that formula. However, if the application of the
27 formula results in a cap on increases of property taxes for a fiscal year that is 3
28 percent or more, the property taxes on those single-family residences and
29 residential rental properties may not increase by more than 3 percent. (NRS
30 361.4722-361.4724)

31 **Section 2** of this bill revises the formula for calculating the partial abatement of
32 property taxes so that the annual cap on increases of the property taxes on property
33 other than certain single-family residences and residential rental property is 8
34 percent. **Sections 3 and 4** of this bill make conforming changes to reflect that
35 because of the amendatory provisions of **section 2**, the annual cap on increases of
36 the property taxes on certain single-family residences and residential rental
37 properties will be 3 percent.

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

1 **Section 1.** NRS 361.227 is hereby amended to read as follows:
2 361.227 1. Any person determining the taxable value of real
3 property shall appraise:

- 4 (a) The full cash value of:
5 (1) Vacant land by considering the uses to which it may
6 lawfully be put, any legal or physical restrictions upon those uses,
7 the character of the terrain, and the uses of other land in the vicinity.
8 (2) Improved land consistently with the use to which the
9 improvements are being put.

10 (b) Any improvements made on the land by subtracting from the
11 cost of replacement of the improvements all applicable depreciation
12 and obsolescence. Depreciation of an improvement made on real
13 property must be calculated at :

14 (1) *The rate of 1.5 percent of the cost of replacement for*
15 *each year of adjusted actual age of the improvement [5] that ends on*
16 *or before December 31, 2021; and*

17 (2) *The rate of 1 percent of the cost of replacement for each*
18 *year of adjusted actual age of the improvement that ends on or*
19 *after January 1, 2022,*

20 *↳ up to a maximum rate of depreciation of [50 years.] 75 percent*
21 *of the cost of replacement of the improvement.*

22 2. The unit of appraisal must be a single parcel unless:



1 (a) The location of the improvements causes two or more
2 parcels to function as a single parcel;

3 (b) The parcel is one of a group of contiguous parcels which
4 qualifies for valuation as a subdivision pursuant to the regulations of
5 the Nevada Tax Commission; or

6 (c) In the professional judgment of the person determining the
7 taxable value, the parcel is one of a group of parcels which should
8 be valued as a collective unit.

9 3. The taxable value of a leasehold interest, possessory interest,
10 beneficial interest or beneficial use for the purpose of NRS 361.157
11 or 361.159 must be determined in the same manner as the taxable
12 value of the property would otherwise be determined if the lessee or
13 user of the property was the owner of the property and it was not
14 exempt from taxation, except that the taxable value so determined
15 must be reduced by a percentage of the taxable value that is equal to
16 the:

17 (a) Percentage of the property that is not actually leased by the
18 lessee or used by the user during the fiscal year; and

19 (b) Percentage of time that the property is not actually leased by
20 the lessee or used by the user during the fiscal year, which must be
21 determined in accordance with NRS 361.2275.

22 4. The taxable value of other taxable personal property, except
23 a mobile or manufactured home, must be determined by subtracting
24 from the cost of replacement of the property all applicable
25 depreciation and obsolescence. Depreciation of a billboard must be
26 calculated at 1.5 percent of the cost of replacement for each year
27 after the year of acquisition of the billboard, up to a maximum of 50
28 years.

29 5. The computed taxable value of any property must not exceed
30 its full cash value. Each person determining the taxable value of
31 property shall reduce it if necessary to comply with this
32 requirement. A person determining whether taxable value exceeds
33 that full cash value or whether obsolescence is a factor in valuation
34 may consider:

35 (a) Comparative sales, based on prices actually paid in market
36 transactions.

37 (b) A summation of the estimated full cash value of the land and
38 contributory value of the improvements.

39 (c) Capitalization of the fair economic income expectancy or fair
40 economic rent, or an analysis of the discounted cash flow.

41 ➔ A county assessor is required to make the reduction prescribed in
42 this subsection if the owner calls to his or her attention the facts
43 warranting it, if the county assessor discovers those facts during
44 physical reappraisal of the property or if the county assessor is
45 otherwise aware of those facts.



1 6. The Nevada Tax Commission shall, by regulation, establish:
2 (a) Standards for determining the cost of replacement of
3 improvements of various kinds.

4 (b) Standards for determining the cost of replacement of
5 personal property of various kinds. The standards must include a
6 separate index of factors for application to the acquisition cost of a
7 billboard to determine its replacement cost.

8 (c) Schedules of depreciation for personal property based on its
9 estimated life.

10 (d) Criteria for the valuation of two or more parcels as a
11 subdivision.

12 7. In determining, for the purpose of computing taxable value,
13 the cost of replacement of:

14 (a) Any personal property, the cost of all improvements of the
15 personal property, including any additions to or renovations of the
16 personal property, but excluding routine maintenance and repairs,
17 must be added to the cost of acquisition of the personal property.

18 (b) An improvement made on land, a county assessor may use
19 any final representations of the improvement prepared by the
20 architect or builder of the improvement, including, without
21 limitation, any final building plans, drawings, sketches and surveys,
22 and any specifications included in such representations, as a basis
23 for establishing any relevant measurements of size or quantity.

24 8. The county assessor shall, upon the request of the owner,
25 furnish within 15 days to the owner a copy of the most recent
26 appraisal of the property, including, without limitation, copies of
27 any sales data, materials presented on appeal to the county board of
28 equalization or State Board of Equalization and other materials used
29 to determine or defend the taxable value of the property.

30 9. The provisions of this section do not apply to property which
31 is assessed pursuant to NRS 361.320.

32 **Sec. 2.** NRS 361.4722 is hereby amended to read as follows:

33 361.4722 1. Except as otherwise provided in or required to
34 carry out the provisions of subsection 3 and NRS 361.4725 to
35 361.4729, inclusive, the owner of any parcel or other taxable unit of
36 property, including property entered on the central assessment roll,
37 for which an assessed valuation was separately established for the
38 immediately preceding fiscal year is entitled to a partial abatement
39 of the ad valorem taxes levied in a county on that property each
40 fiscal year equal to the amount by which the product of the
41 combined rate of all ad valorem taxes levied in that county on the
42 property for that fiscal year and the amount of the assessed valuation
43 of the property which is taxable in that county for that fiscal year,
44 excluding any increase in the assessed valuation of the property
45 from the immediately preceding fiscal year as a result of any



1 improvement to or change in the actual or authorized use of the
2 property, exceeds the sum obtained by adding:

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

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

6 (2) Which would have been levied in that county on the
7 property for the immediately preceding fiscal year if not for any
8 exemptions from taxation that applied to the property for that prior
9 fiscal year but do not apply to the property for the current fiscal
10 year,

11 ↪ whichever is greater; and

12 (b) A percentage of the amount determined pursuant to
13 paragraph (a) which is equal to ~~f~~:

14 ~~(1) The greater of:~~

15 ~~(I) The average percentage of change in the assessed~~
16 ~~valuation of all the taxable property in the county, as determined by~~
17 ~~the Department, over the fiscal year in which the levy is made and~~
18 ~~the 9 immediately preceding fiscal years;~~

19 ~~(II) Twice the percentage of increase in the Consumer~~
20 ~~Price Index for all Urban Consumers, U.S. City Average (All Items)~~
21 ~~for the immediately preceding calendar year; or~~

22 ~~(III) Zero; or~~

23 ~~(2) Eight percent,~~

24 ↪ ~~whichever is less.] 8 percent.~~

25 2. Except as otherwise provided in or required to carry out the
26 provisions of NRS 361.4725 to 361.4729, inclusive, the owner of
27 any remainder parcel of real property for which no assessed
28 valuation was separately established for the immediately preceding
29 fiscal year, is entitled to a partial abatement of the ad valorem taxes
30 levied in a county on that property for a fiscal year equal to the
31 amount by which the product of the combined rate of all ad valorem
32 taxes levied in that county on the property for that fiscal year and
33 the amount of the assessed valuation of the property which is
34 taxable in that county for that fiscal year, excluding any amount of
35 that assessed valuation attributable to any improvement to or change
36 in the actual or authorized use of the property that would not have
37 been included in the calculation of the assessed valuation of the
38 property for the immediately preceding fiscal year if an assessed
39 valuation had been separately established for that property for that
40 prior fiscal year, exceeds the sum obtained by adding:

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

42 (1) Which would have been levied in that county on the
43 property for the immediately preceding fiscal year if an assessed
44 valuation had been separately established for that property for that
45 prior fiscal year based upon all the assumptions, costs, values,



1 calculations and other factors and considerations that would have
2 been used for the valuation of that property for that prior fiscal year;
3 or

4 (2) Which would have been levied in that county on the
5 property for the immediately preceding fiscal year if an assessed
6 valuation had been separately established for that property for that
7 prior fiscal year based upon all the assumptions, costs, values,
8 calculations and other factors and considerations that would have
9 been used for the valuation of that property for that prior fiscal year,
10 and if not for any exemptions from taxation that applied to the
11 property for that prior fiscal year but do not apply to the property for
12 the current fiscal year,

13 ↪ whichever is greater; and

14 (b) A percentage of the amount determined pursuant to
15 paragraph (a) which is equal to ~~f~~

16 ~~— (1) The greater of:~~

17 ~~— (I) The average percentage of change in the assessed~~
18 ~~valuation of all the taxable property in the county, as determined by~~
19 ~~the Department, over the fiscal year in which the levy is made and~~
20 ~~the 9 immediately preceding fiscal years;~~

21 ~~— (II) Twice the percentage of increase in the Consumer~~
22 ~~Price Index for all Urban Consumers, U.S. City Average (All Items)~~
23 ~~for the immediately preceding calendar year; or~~

24 ~~— (III) Zero; or~~

25 ~~— (2) Eight percent;~~

26 ↪ ~~whichever is less.] 8 percent.~~

27 3. The provisions of subsection 1 do not apply to any property
28 for which the provisions of subsection 1 of NRS 361.4723 or
29 subsection 1 of NRS 361.4724 provide a ~~[greater]~~ **partial** abatement
30 from taxation.

31 4. Except as otherwise required to carry out the provisions of
32 NRS 361.4732 and any regulations adopted pursuant to NRS
33 361.4733, the amount of any reduction in the ad valorem taxes
34 levied in a county for a fiscal year as a result of the application of
35 the provisions of subsections 1 and 2 must be deducted from the
36 amount of ad valorem taxes each taxing entity would otherwise be
37 entitled to receive for that fiscal year in the same proportion as the
38 rate of ad valorem taxes levied in the county on the property by or
39 on behalf of that taxing entity for that fiscal year bears to the
40 combined rate of all ad valorem taxes levied in the county on the
41 property by or on behalf of all taxing entities for that fiscal year.

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



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

Sec. 3. NRS 361.4723 is hereby amended to read as follows:

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

1. Except as otherwise provided in or required to carry out the provisions of subsection 2 and NRS 361.4725 to 361.4729, inclusive, the owner of a single-family residence which is the primary residence of the owner is entitled to a partial abatement of the ad valorem taxes levied in a county on that property each fiscal year equal to the amount by which the product of the combined rate of all ad valorem taxes levied in that county on the property for that fiscal year and the amount of the assessed valuation of the property which is taxable in that county for that fiscal year, excluding any increase in the assessed valuation of the property from the immediately preceding fiscal year as a result of any improvement to or change in the actual or authorized use of the property, exceeds the sum obtained by adding:

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

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

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

↳ whichever is greater; and

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

2. The provisions of subsection 1 do not apply to any property for which ~~the~~

~~—(a) No~~ *no* assessed valuation was separately established for the immediately preceding fiscal year. ~~the~~ *or*

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

3. Except as otherwise required to carry out the provisions of NRS 361.4732 and any regulations adopted pursuant to



1 NRS 361.4733, the amount of any reduction in the ad valorem taxes
2 levied in a county for a fiscal year as a result of the application of
3 the provisions of subsection 1 must be deducted from the amount of
4 ad valorem taxes each taxing entity would otherwise be entitled to
5 receive for that fiscal year in the same proportion as the rate of ad
6 valorem taxes levied in the county on the property by or on behalf of
7 that taxing entity for that fiscal year bears to the combined rate of all
8 ad valorem taxes levied in the county on the property by or on
9 behalf of all taxing entities for that fiscal year.

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

17 5. The owner of a single-family residence does not become
18 ineligible for the partial abatement provided pursuant to subsection
19 1 as a result of:

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

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

25 6. For the purposes of this section:

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

27 (1) Is designated by the owner as the primary residence of
28 the owner in this State, exclusive of any other residence of the
29 owner in this State; and

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

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

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

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

40 (2) Taxable unit of a condominium, common-interest
41 community, planned unit development or similar property,

42 ↪ if classified as personal property for the purposes of this chapter.

43 (d) "Unit of real property" includes, without limitation, any
44 taxable unit of a condominium, common-interest community,



1 planned unit development or similar property, if classified as real
2 property for the purposes of this chapter.

3 **Sec. 4.** NRS 361.4724 is hereby amended to read as follows:

4 361.4724 The Legislature hereby finds and declares that many
5 Nevadans who cannot afford to own their own homes would be
6 adversely affected by large unanticipated increases in property
7 taxes, as those tax increases are passed down to renters in the form
8 of rent increases and therefore the benefits of a charitable exemption
9 pursuant to subsection 8 of Section 1 of Article 10 of the Nevada
10 Constitution should be afforded to those Nevadans through an
11 abatement granted to the owners of residential rental dwellings who
12 charge rent that does not exceed affordable housing standards for
13 low-income housing. The Legislature therefore directs a partial
14 abatement of taxes for such owners as follows:

15 1. Except as otherwise provided in or required to carry out the
16 provisions of subsection 2 and NRS 361.4725 to 361.4729,
17 inclusive, if the amount of rent collected from each of the tenants of
18 a residential dwelling does not exceed the fair market rent for the
19 county in which the dwelling is located, as most recently published
20 by the United States Department of Housing and Urban
21 Development, the owner of the dwelling is entitled to a partial
22 abatement of the ad valorem taxes levied in a county on that
23 property for each fiscal year equal to the amount by which the
24 product of the combined rate of all ad valorem taxes levied in that
25 county on the property for that fiscal year and the amount of the
26 assessed valuation of the property which is taxable in that county for
27 that fiscal year, excluding any increase in the assessed valuation of
28 the property from the immediately preceding fiscal year as a result
29 of any improvement to or change in the actual or authorized use of
30 the property, exceeds the sum obtained by adding:

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

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

34 (2) Which would have been levied in that county on the
35 property for the immediately preceding fiscal year if not for any
36 exemptions from taxation that applied to the property for that prior
37 fiscal year but do not apply to the property for the current fiscal
38 year,

39 ↪ whichever is greater; and

40 (b) Three percent of the amount determined pursuant to
41 paragraph (a).

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

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

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



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

3 3. Except as otherwise required to carry out the provisions of
4 NRS 361.4732 and any regulations adopted pursuant to NRS
5 361.4733, the amount of any reduction in the ad valorem taxes
6 levied in a county for a fiscal year as a result of the application of
7 the provisions of subsection 1 must be deducted from the amount of
8 ad valorem taxes each taxing entity would otherwise be entitled to
9 receive for that fiscal year in the same proportion as the rate of ad
10 valorem taxes levied in the county on the property by or on behalf of
11 that taxing entity for that fiscal year bears to the combined rate of all
12 ad valorem taxes levied in the county on the property by or on
13 behalf of all taxing entities for that fiscal year.

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

16 **Sec. 5.** The provisions of NRS 361.4722, 361.4723 and
17 361.4724, as amended by sections 2, 3 and 4 of this act, apply to the
18 tax year which begins on July 1, 2022, and each succeeding tax
19 year.

20 **Sec. 6.** The amendatory provisions of section 1 of this act do
21 not apply to or affect the determination pursuant to NRS 361.227 of
22 the taxable value of any property for any fiscal year beginning
23 before July 1, 2022.

24 **Sec. 7.** 1. This section and section 6 of this act become
25 effective upon passage and approval.

26 2. Section 1 of this act becomes effective:

27 (a) Upon passage and approval for the purposes of adopting
28 regulations and determining the taxable value of real property for
29 the fiscal year beginning on July 1, 2022; and

30 (b) On July 1, 2022, for all other purposes.

31 3. Sections 2 to 5, inclusive, of this act become effective:

32 (a) Upon passage and approval for the purposes of adopting any
33 regulations and performing any other preparatory administrative
34 tasks necessary to carry out the provisions of this act; and

35 (b) On July 1, 2022, for all other purposes.

