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Property Taxes in Nevada
An Overview

Executive Summary[a]

Property taxes are one of the major sources of financing for Nevada's local governments, which depend on the revenue realized for service delivery. Recently, representatives of local governmental bodies have stressed that property tax revenues have become insufficient to support their operations. Some have advocated for legislation that would ameliorate the perceived problem. But as Nevada continues to recover from the Great Recession, opponents of such legislation have argued that adjustments to property taxes could translate into economic hardship for many of the State's residents. Compounding the problem is the complexity of the existing property tax system, for which any legislative change can produce a deleterious effect elsewhere. "Good" property taxes should account for both the needs of the taxpayers and provide sufficient revenue-generating streams for local governments, but these two precepts are often at odds.

This policy brief presents an overview of property taxes in Nevada. It considers a pertinent set of questions that highlight the structural dimensions of the Silver State's property tax system, examine statewide variation, and analyze possibilities for reform. We address the following issues:

1. What are property taxes? How does Nevada's property tax system work?
2. How important are property taxes to local governments and the State?
3. How are property taxes in Nevada calculated?
4. How did Nevada's property tax system develop? How has it changed over time?
5. Is there variation in property taxes across Nevada's counties?
6. How are revenues from property taxes distributed by the State?
7. What is the relationship between property taxes and K-12 funding in Nevada?
8. How does Nevada's property tax system compare to other states?
9. What are the dimensions of a "good" property tax structure?

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1. What are property taxes? How does Nevada's property tax system work?

Property tax is defined generally as, "[a] compulsory charge levied by a governmental unit against the property of a person, natural or corporate."[1] The Nevada Department of Taxation supplies an operational definition for the State that attaches a purpose to the tax: "The compulsory charge levied by a governmental unit to provide the revenues to support the budgets adopted by the elected governing boards."[2] Both real property, which includes land, improvements to land (e.g., buildings), and other immovable attachments to property, and personal property, such as aircraft, business equipment, and billboards, amongst others, are subject to taxation in the State.[b, 3] The discussion of property taxes in this policy brief centers on real property, unless otherwise noted.

Certain statewide bodies, including, but not limited to, the Nevada Department of Taxation and the Nevada Tax Commission, play significant roles in the execution and administration of property taxes.[c, 4] However, counties serve as the point of departure for property taxation in the State, particularly with respect to the collection and distribution of revenues. Each of Nevada's seventeen counties contains certain other jurisdictions within its boundaries, such as schools, cities, towns, and special districts that oftentimes overlap one another.[d, 5] Counties receive the money from local property taxes, and when they do, their treasurers—who bill and collect all taxes on the real property roll—apportion the proceeds amongst the local governments and allocate a portion to the State.[6] (The specific distribution of property taxes to jurisdictions within counties will be detailed subsequently in the explanation of the tax rate.)

The county thus should be understood as the administrative focal point for property taxes. It distributes property tax money directly to local governments situated within its borders, which use the revenue to help fund outlays. The county also reserves certain amounts for its own budgetary purposes; the county is both an administrator and a jurisdiction unto itself.[7]

The property tax rate is defined by the State as, "[t]he rate necessary to support the budgets as determined by the elected governing boards."[8] It is the amount levied on the property's value, as prescribed by statute.

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[b] Mobile/manufactured homes may be classified as real property or personal property, depending on whether or not they have been converted to real property. See: Nevada Taxpayers Association. "Understanding Nevada's Property Tax System: 2015-2016 Edition." Available: http://nevadataxpayers.org/wp-content/uploads/2016/09/UNPTS-2015-16-for-web.pdf.

[c] The Nevada Tax Commission is an eight-member body appointed by the Governor with certain regulatory, compliance, advisory, and oversight responsibilities. See: Nevada Department of Taxation, Division of Local Government Services. 2016. "Property Tax Rates for Nevada Local Governments: FY 2016-2017." Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Redbooks/2016_LGF_Redbook_2016-17/.

[d] While every county has a school district, not all other jurisdictions are represented within each county. For example, Esmeralda County has no cities, towns, or special districts. See: Nevada Department of Taxation, Division of Local Government Services. 2016. "Property Tax Rates for Nevada Local Governments: FY 2016-2017." Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Redbooks/2016_LGF_Redbook_2016-17/.

The Nevada Constitution places a rate cap of five cents on one dollar of assessed valuation (i.e., $5.00 per $100 of assessed valuation).[e, 9] Furthermore, there is a statutory cap of $3.64 per $100 of assessed valuation.[10] This does not include an amount of two cents allowed "outside the cap," first authorized under Senate Bill (SB) 507 during the 2003 Legislative Session—and reauthorized biennially since—for capital projects and the conservation of natural resources, resulting in an effective cap of $3.66 per $100 of assessed valuation.[11] Legislation would be required to raise the statutory cap above $3.64 per $100 of assessed valuation, and a constitutional amendment would be necessary to raise that cap above $5.00 per $100 of assessed valuation.[f]

Tax rates are proposed in the yearly budgets submitted by local governments every April.[12] The Nevada Department of Taxation monitors the process, ensuring the accuracy of the maximum allowed revenue received by local governments from property taxes and whether the proposed rates exceed the permissible rate.[13] In June, the Nevada Tax Commission certifies the property tax rates, and in so doing, establishes that the tax rate will produce the requisite revenue to meet local governments' approved budgetary prerogatives.[g, 14] Itemized property tax bills are mailed to property owners or mortgage holders (if the bill is paid through an impound account) in July of each year, with four installment payments permissible if the property tax due exceeds 100 dollars.[h, 15]

Pursuant to Nevada Revised Statutes (NRS) 354.59811, local governments' tax revenues cannot increase by more than six percent from one fiscal year to the next.[16] Before the tax rate can be established, local governmental bodies must perform a calculation that takes into account the previous year's tax property revenue and projected assessed property values for the forthcoming fiscal year.[17] The tax rate for local governments is based on the amount required to generate the revenue realized by the calculation, and it cannot be lower than that for the previous fiscal year.[18]

Beyond the statutory requirements, local governmental bodies have some discretion in establishing their tax rates, though they must ensure that the rate doesn't produce revenues that exceed six percent over the prior fiscal year and that the tax rate is not less than that for the prior fiscal year, as discussed above. Occasionally, the State Legislature may pass legislation that imposes certain property tax rates for particular programs, in what is termed legislatively approved overrides; an example is the 1.5 cents per 100 dollars of assessed valuation for the Indigent Accident Fund that forms part of each county-entity rate.[19] And the six percent revenue limitation may be exceeded, for a specific time frame (not more than 30 years), through a property tax levy that is approved by affected voters on a General Election ballot.[20] The challenge for local governments then concerns the establishment of property tax rates that realize

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[e] Assessed valuation is a technical term that will be explicated in Question 3.

[f] These caps apply to the combined tax rates for any entity levying a property tax.

[g] Local governments' budgets must be approved by June 1 of each year. See: Nevada Taxpayers Association. "Understanding Nevada's Property Tax System: 2015-2016 Edition." Available: http://nevadataxpayers.org/wp-content/uploads/2016/09/UNPTS-2015-16-for-web.pdf.

[h] If property taxes are unpaid within 30 days of the first Monday in March of a given fiscal year, they are considered delinquent (Nevada Revised Statutes. 361.5648. Available: https://www.leg.state.nv.us/NRS/NRS-361.html#NRS361Sec5648). On the first Monday in June of that fiscal year, the county treasurer issues a certificate with a description of each property for which delinquent taxes, penalties, and interest are unpaid; under the certificate, the county treasurer acts as a trustee for the State and county, to hold such properties for a two-year period (NRS 361.585. Available: https://www.leg.state.nv.us/NRS/NRS-361.html#NRS361Sec585). If a property is delinquent for three consecutive fiscal years, it is subject to auction for non-payment of taxes (NRS 361.590. Available: https://www.leg.state.nv.us/NRS/NRS-361.html#NRS361Sec590).

the required revenue amounts, while accounting for different fund tax rates across (often) multiple tax districts that lie within their boundaries and ensuring that the combined tax rate among all taxing entities does not exceed the statutorily-capped tax rate.[i]

Thus, another layer to the tax rate is the assignment of properties to tax districts. "A tax district is an area defined within a county for taxing purposes."[21] Tax districts do not cross county lines, and no tax district in the State is coterminous with a county in its entirety.[22] Within a county, tax districts may be located in cities, towns, special districts, or unincorporated parts of a county.[23] The multiplicity of tax districts in most counties can result in some variation in tax rates for taxpayers, depending on the property's location. For example, in Fiscal Year (FY) 2017, the tax rate for a taxpayer with property in Washoe County (unincorporated) is $2.7002 per $100 of assessed valuation, while the tax rate for a taxpayer with property in the city of Reno (Washoe County) is $3.66 per $100 of assessed valuation.[24]

For a tax district *and* for a given entity (i.e., the specific name of the jurisdiction, per the Nevada Department of Taxation, such as the City of Reno), the tax rate must include a portion for the State, the county, and the school district; may include a portion for one or more special districts; and typically—but not always—will include a portion designated for the jurisdiction in which the property is located.[25] Each of these portions is broken down further into funds that correspond to the various jurisdictions/entities. Fund tax rates can increase, decrease, or remain unchanged, depending on the jurisdiction's needs.[26]

Tables 1A and 1B illustrate the relationships across local administrations, jurisdictions, entities, and funds for two tax districts in FY 2016, located in Clark County and White Pine County, respectively.[27]

The area shaded in light orange shows the overarching administrative role of counties. Using Clark County as an example, when money is collected from taxpayers in North Las Vegas (Tax District 250), it apportions the money in accordance with the entity tax rate. So $1.1637 per $100 of assessed valuation, summed across all property tax bills goes directly to North Las Vegas City. North Las Vegas, in turn, allocates that money to the following funds, based on the delineated rates: North Las Vegas City, North Las Vegas City Public Safety, North Las Vegas Emergency 911, and North Las Vegas City Street Maintenance/Fire/Parks. The other blue, green, and yellow shaded areas establish the direct link between entities and funds, whereby the fund tax rates must sum to the approved entity tax rate (e.g., White Pine School District – Debt [$0.2490] + White Pine School District – Operating [$0.7500] = $0.990, the approved entity tax rate).

Note that both Clark County and White Pine County direct $0.17 per $100 of assessed valuation to the State and $0.75 per $100 of assessed valuation to their respective school districts for operations. The 17 cents per 100 dollars of assessed valuation is for the State debt rate and includes the aforementioned two cents "outside the cap," reauthorized most recently in the 78th (2015) Legislative Session under Assembly Bill (AB) 491.[j, 28] The 75 cents per 100 dollars of assessed valuation, codified at NRS 387.195, is for the school operating rate alone (i.e., not debt).[29] All jurisdictions (entities) in the State are required, by statute, to levy these exact tax amounts as part of their total property tax rates. No tax district is exempt from these statutory requirements.

[i] Funds are specific line items for services in a given jurisdiction to which property tax rates attach.
[j] Additional detail on the distribution of State property taxes is taken up in Question 6.

Table 1A. Administration, Jurisdictions, Entities, and Funds for North Las Vegas City, NV – Tax District 250 (FY 2016)

Administration	Jurisdiction	Entity	Entity Tax Rate	Fund	Fund Tax Rate
Clark County	State	State of Nevada	0.1700	State of Nevada	0.1700
	Schools	Clark County School District	1.3034	County School Debt (Bonds)	0.5534
				County School Maintenance & Operation	0.7500
	County	Clark County	0.6541	Assistance to Indigent Persons	0.1000
				Clark County Capital	0.0500
				Clark County Debt	0.0129
				Clark County Family Court	0.0192
				Clark County General Operating	0.4470
				Indigent Accident Fund	0.0150
				State Cooperative Extension	0.0100
	Cities	North Las Vegas	1.1637	North Las Vegas City	0.1937
				North Las Vegas City Public Safety	0.7300
				North Las Vegas Emergency 911	0.0050
				North LV City Street Maint/Fire/Park	0.2350
	Special Districts	North Las Vegas Library District	0.0632	North Las Vegas City Library	0.0632
		Total Property Tax Rate	**3.3544**	**Total Property Tax Rate**	**3.3544**

Table 1B. Administration, Jurisdictions, Entities, and Funds for Ely, NV – Tax District 0010 (FY 2016)

Administration	Jurisdiction	Entity	Entity Tax Rate	Fund	Fund Tax Rate
White Pine County	State	State of Nevada	0.1700	State of Nevada	0.1700
	Schools	White Pine County School District	0.9990	White Pine School District – Debt	0.2490
				White Pine School District – Operating	0.7500
	County	White Pine County	1.9510	Accident Indigent	0.0150
				Agriculture District #13	0.0350
				Agriculture Extension	0.0100
				Capital Improvements	0.0500
				China Springs Youth Facility	0.0052
				County Indigent	0.1000
				Emergency Medical Service	0.0350
				General Fund	1.5508
				Senior Citizen Center	0.0500
				State of Nevada Indigent	0.1000
	Cities	Ely	0.0000	City of Ely	0.0000
	Special Districts	White Pine County Hospital District	0.5400	Hospital	0.5400
		Total Property Tax Rate	**3.6600**	**Total Property Tax Rate**	**3.6600**

There is one more real property tax that merits attention. Thus far, counties have been recognized as the linchpin of administration. But not all property falls neatly within counties' borders. "Property which physically crosses state or county lines and is used directly in the operation of a business such as telephone companies, gas and electric utilities, airlines, carlines and railroads" is called centrally assessed property.[30] The Department of Taxation is responsible for the billing, collection, and distribution of proceeds for centrally assessed property, while the Nevada Tax Commission is tasked with valuation.[31] The allocation and apportionment of centrally assessed property revenue entails a determination by the Department of Taxation as to the portion of the system value to Nevada, provided that the property is of an interstate nature.[32] A mile/unit valuation methodology then is employed to apportion the revenues to the applicable jurisdictions (which includes the State).[33] If the centrally assessed property is interlocal, that is, does not cross state lines, the system value issue becomes moot, but the mile/unit valuation process of apportionment is repeated within the State.[k, 34]

2. How important are property taxes to local governments and the State?

Local governments in Nevada are highly dependent upon property taxes to finance their operations. Jurisdictions throughout the State provide a variety of public services, including law enforcement, hospitals, parks, roads, libraries, and more. Clark County alone has identified the following services under its purview: multiple airports; air quality compliance; social service; family and youth services; court services; public hospitals; fire protection; police protection; roads; parks and recreation; planning/development; and code enforcement.[35] The extensiveness of service delivery is not exclusive to Clark County but rather reproduced across local governments statewide. For example, the City of Sparks' proposed expenditures for FY 2017 include general government; judicial; public safety; public works; culture and recreation; and community support.[36] Schools, too, rely on property taxes to pay for instruction, salaries, benefits, supplies, transportation, and property, amongst others, over a myriad of functional areas, including regular instruction, vocational and technical instruction, cocurricular activities, athletics, and more.[l, 37]

While property taxes do not provide the entire revenue stream for any local government to fund services and their related administrative costs, they do form a significant portion of the total revenues. The actual amounts can be substantial, as well, depending on the local government in question. An examination of county entities provides a snapshot of revenue sources for one particular jurisdictional type.

[k] The Real Property Transfer Tax is a tax levied on the value of real property transferred from one person to another. See: Nevada Legislative Counsel Bureau, Fiscal Analysis Division. 2017. "Revenue Reference Manual." Available: https://www.leg.state.nv.us/Division/Fiscal/FinalRRM2017.pdf. However, it is not considered a tax on real property, per se. It is classified as a Consolidated Tax by the Nevada Department of Taxation, and its collection and distribution differs from that for real property. See: Clark County, Department of Finance, Budget and Financial Planning. "Revenue Structure." Available: http://www.clarkcountynv.gov/finance/budget/Documents/REVENUE STRUCTURE.pdf.

[l] Question 7 examines the relationship between property taxes and K-12 funding more specifically.

Table 2. Revenue Sources, by County, for FY 2016 ($)*

County	Property Taxes	Other Taxes	Licenses and Permits	Intergovernmental Resources	Charges for Services	Fines and Forfeits	Miscellaneous	Other Financial Sources	Total Revenues
Carson City	$25,148,936	$10,808,905	$7,066,951	$35,724,002	$12,023,023	$744,600	$2,183,661	—	**$93,700,078**
Churchill	$8,029,522	$6,800	$807,252	$14,585,799	$1,214,802	$534,776	$2,713,323	—	**$27,892,274**
Clark	$613,635,532	$63,651,000	$293,596,795	$1,642,459,289	$167,195,020	$22,419,371	$129,135,030	$20,960,000	**$2,953,052,037**
Douglas	$25,370,684	$6,239,024	$6,100,193	$23,826,744	$9,100,051	$1,221,300	$2,007,267	—	**$73,865,263**
Elko	$15,497,489	$10,000	$831,000	$22,372,400	$3,248,300	$1,381,000	$1,060,500	—	**$44,400,689**
Esmeralda	$1,205,109	$13,000	$6,300	$2,165,522	$407,700	$501,000	$198,608	—	**$4,497,239**
Eureka	$4,619,356	—	$8,150	$4,977,620	$243,530	$86,300	$196,250	—	**$10,131,206**
Humboldt	$10,763,271	$11,838,884	—	—	$2,834,171	—	$401,502	$3,250,115	**$29,087,943**
Lander	$12,866,585	$500	$186,385	$5,974,869	$950,360	$191,350	$1,375,514	—	**$21,545,563**
Lincoln	$3,304,996	$65,000	$18,150	$4,528,860	$1,788,834	$370,000	$167,590	—	**$10,243,430**
Lyon	$10,990,403	$3,636,922	$4,102,150	$19,999,372	$2,884,469	$889,350	$630,995	—	**$43,133,661**
Mineral	$3,723,890	$316,576	$79,973	$3,951,835	$914,290	$160,832	$444,621	—	**$9,592,017**
Nye	$15,670,988	$205,500	$1,671,545	$29,576,523	$2,663,380	$848,700	$1,962,467	—	**$52,599,103**
Pershing	$2,850,387	$145,000	$56,828	$7,099,221	$417,588	$369,978	$561,671	—	**$11,500,673**
Storey	$9,195,833	—	$1,208,450	$2,734,956	$1,061,950	$15,750	$103,747	—	**$14,320,686**
Washoe	$182,017,471	$2,322,515	$9,924,708	$195,432,761	$36,205,827	$9,695,594	$17,122,368	—	**$452,721,244**
White Pine	$5,936,577	$2,744,775	$69,920	$10,197,848	$1,038,610	$297,300	$3,137,822	—	**$23,422,852**
Total	**$950,827,029**	**$102,004,401**	**$325,734,750**	**$2,025,607,621**	**$244,191,905**	**$39,727,201**	**$163,402,936**	**$24,210,115**	**$3,875,705,958**

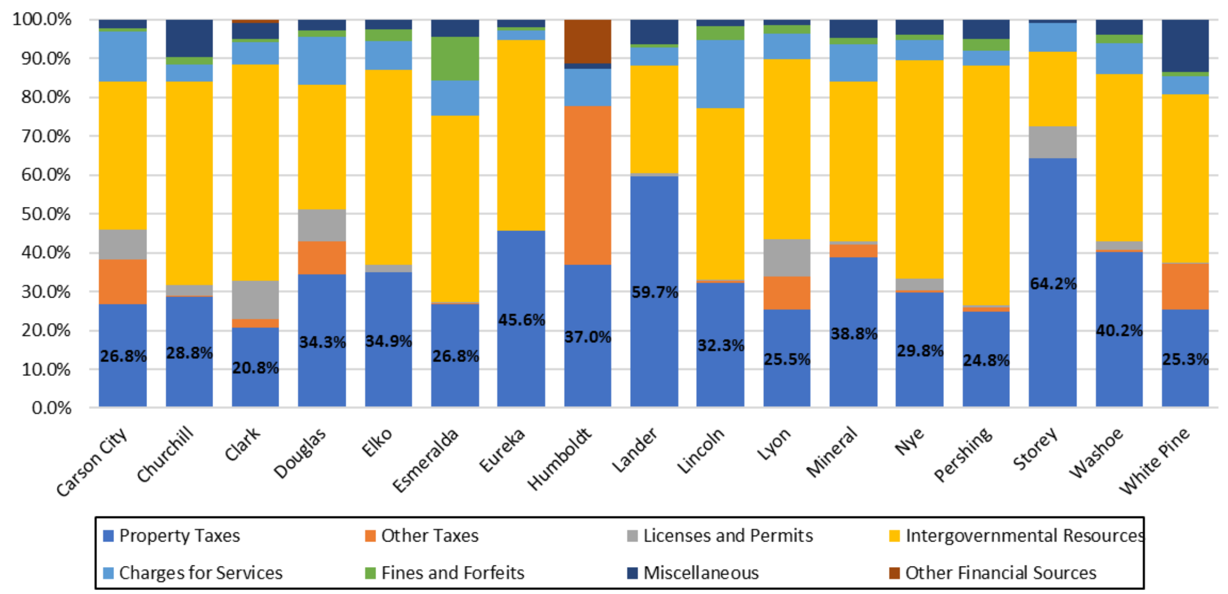
**Note*: With the exception of Humboldt County, all amounts are estimates for fiscal year ending 6/30/2016; actual FY 2016 dollars displayed for Humboldt County.

Table 3. Revenue Sources, by County, for FY 2016 (%)									
County	**Property Taxes**	**Other Taxes**	**Licenses and Permits**	**Intergovernmental Resources**	**Charges for Services**	**Fines and Forfeits**	**Miscellaneous**	**Other Financial Sources**	**Total Revenues**
Carson City	26.8%	11.5%	7.5%	38.1%	12.8%	0.8%	2.3%	0.0%	100.0%
Churchill	28.8%	0.0%	2.9%	52.3%	4.4%	1.9%	9.7%	0.0%	100.0%
Clark	20.8%	2.2%	9.9%	55.6%	5.7%	0.8%	4.4%	0.7%	100.0%
Douglas	34.3%	8.4%	8.3%	32.3%	12.3%	1.7%	2.7%	0.0%	100.0%
Elko	34.9%	0.0%	1.9%	50.4%	7.3%	3.1%	2.4%	0.0%	100.0%
Esmeralda	26.8%	0.3%	0.1%	48.2%	9.1%	11.1%	4.4%	0.0%	100.0%
Eureka	45.6%	0.0%	0.1%	49.1%	2.4%	0.9%	1.9%	0.0%	100.0%
Humboldt	37.0%	40.7%	0.0%	0.0%	9.7%	0.0%	1.4%	11.2%	100.0%
Lander	59.7%	0.0%	0.9%	27.7%	4.4%	0.9%	6.4%	0.0%	100.0%
Lincoln	32.3%	0.6%	0.2%	44.2%	17.5%	3.6%	1.6%	0.0%	100.0%
Lyon	25.5%	8.4%	9.5%	46.4%	6.7%	2.1%	1.5%	0.0%	100.0%
Mineral	38.8%	3.3%	0.8%	41.2%	9.5%	1.7%	4.6%	0.0%	100.0%
Nye	29.8%	0.4%	3.2%	56.2%	5.1%	1.6%	3.7%	0.0%	100.0%
Pershing	24.8%	1.3%	0.5%	61.7%	3.6%	3.2%	4.9%	0.0%	100.0%
Storey	64.2%	0.0%	8.4%	19.1%	7.4%	0.1%	0.7%	0.0%	100.0%
Washoe	40.2%	0.5%	2.2%	43.2%	8.0%	2.1%	3.8%	0.0%	100.0%
White Pine	25.3%	11.7%	0.3%	43.5%	4.4%	1.3%	13.4%	0.0%	100.0%

Table 2 presents revenue sources, by county, FY 2016, in dollars.[m, 38] Table 2 shows that nearly $1 billion in property tax revenues were collected by county entities in FY 2016 to meet budgetary needs, and that is solely for Governmental Fund Types and Expendable Trust Funds. This represents nearly one-quarter of total revenues for these fund types, which speaks to the import of property taxes to local government financing. Clark County and Washoe County enjoy the largest total amounts of property taxes, while Pershing County and Esmeralda County amass the least.

To evaluate counties' dependence on property tax money, relative to other local income, Table 3 displays each revenue source as a percentage of total revenues; Figure 1 presents this data graphically.[39]

Figure 1. Revenue Sources, by County, for FY 2016 (%)



For FY 2016, Storey County and Lander County were the most dependent of Nevada's county entities on property taxes, at 64.2 percent and 59.7 percent, respectively. With total revenues of $14.3 million, the $9.2 million realized from property taxes in Storey County illustrates how important this source of revenue can be for a local governmental body. While Lander County had more revenue in FY 2016 than Storey County, at $21.5 million, the $12.9 million share received from property taxes formed a considerable portion of its revenue stream, as well. In Lander County, the property tax amount was more than double the next highest revenue source, intergovernmental resources.

After Storey and Lander Counties, there is a decline in property tax dependence to 45.6 percent for Eureka County and 40.2 percent for Washoe County, with incremental decreases for most of the remaining counties. In general, the significance of property taxes to county entities ranges from about 25 percent to

[m] Only revenues that finance "Governmental Fund Types and Expendable Trust Funds" are displayed. The revenues and expenditures for these funds are contained in Schedule S-1s, which are part of each county's required budget submission. The Schedule S-1s present a breakdown of revenue sources for "Governmental Fund Types and Expendable Trust Funds," but such a line-item accounting is not available for other funds. As such, this is the most optimal data for comparison across counties. However, the use of Schedule S-1s means that totals represent neither the entirety of revenue sources nor total property tax amounts for any given county.

approximately 40 percent, suggesting some degree of variation, though the level of dependence can be generalized as follows: Property taxes are responsible for about one-quarter to just more than one-third of revenues for most counties in Nevada.

If Storey County and Lander County are outliers with such high levels of dependence, Clark County is an anomaly in its low reliance on property taxes, with just 20.8 percent of its revenue derived from property taxes. That makes it the least dependent of all counties in the State, despite its receipt of the most absolute property tax dollars, relative to other counties, at $613.6 million. With total revenues of nearly $3 billion—also the highest of county entities in the State, at roughly 6.5 times that of the next highest county's total revenues (Washoe County, $452.7 million)—the seemingly amount of high property tax dollars actually translates into a relatively low proportion of the whole. As with most of the other counties in the State, Clark County's second-highest revenue source is intergovernmental resources. Only Douglas County, Humboldt County, and Storey County rely more on property taxes than intergovernmental resources; Humboldt County receives no intergovernmental resources, and, in fact, other taxes exceed property taxes by just over three percentage points as the primary source of revenue for that county.

When adjusted for population, county-entity property tax revenue per capita tends to be decreasing in population size, as shown in Table 4.[40] The third most dependent county entity, Eureka, is ranked first in property tax revenue per capita, while the most dependent counties—Storey County and Lander County—are ranked second and third. Clark County, which is the least reliant on property taxes, is ranked fifteenth. The statewide average property tax revenue per capita—at the county-entity level—is roughly $812.

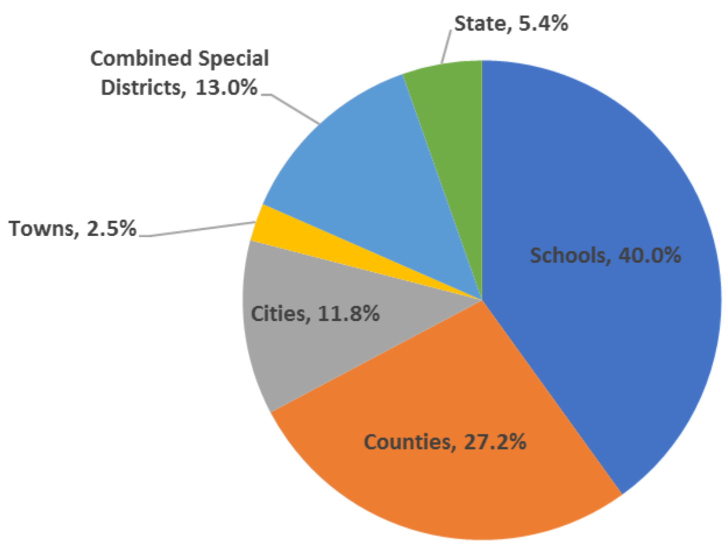
Table 4. Property Taxes Total and Per Capita, by County (FY 2016)

County	Property Taxes	Rank (Total)	Population	Property Taxes Per Capita	Rank (Per Capita)
Eureka	$4,619,356	13	1,915	$2,412.20	1
Storey	$9,195,833	10	3,981	$2,309.93	2
Lander	$12,866,585	7	6,699	$1,920.67	3
Esmeralda	$1,205,109	17	973	$1,238.55	4
Mineral	$3,723,890	14	4,523	$823.32	5
Lincoln	$3,304,996	15	5,045	$655.10	6
Humboldt	$10,763,271	9	17,687	$608.54	7
White Pine	$5,936,577	12	10,301	$576.31	8
Douglas	$25,370,684	3	48,347	$524.76	9
Carson City	$25,148,936	4	54,694	$459.81	10
Pershing	$2,850,387	16	6,770	$421.03	11
Washoe	$182,017,471	2	444,008	$409.94	12
Nye	$15,670,988	5	45,619	$343.52	13
Churchill	$8,029,522	11	25,517	$314.67	14
Clark	$613,635,532	1	2,088,149	$293.87	15
Elko	$15,497,489	6	54,054	$286.70	16
Lyon	$10,990,403	8	53,652	$204.85	17

The second-smallest county population-wise, Eureka, has the highest property tax revenue per capita at just over $2,400. And the smallest county in terms of population, Esmeralda, has the fourth-highest property tax revenue per capita, and the least amount of total property taxes collected. Clark County, which brings in the most property taxes for any given county in the State and has the largest population of any county statewide, ranks near the bottom, at fifteenth. Similarly, Washoe County's property tax revenue per capita, approximately $410, puts it in the bottom half of counties, with a rank of 12.

Of all jurisdictions in Nevada, the State is perhaps the least dependent on property taxes. Figure 2 displays the distribution of projected property taxes across all jurisdictions in the State for FY 2016.[41]

Figure 2. Property Tax Revenue Distribution (FY 2016)



Most property tax dollars in the State were distributed to school districts, at 40.0 percent, followed by counties (27.2 percent), cities (11.8 percent), special districts (13.0 percent) and towns (2.5 percent). The State received the least amount of property tax money, at just 5.4 percent of all projected property tax revenue for FY 2016.

As previously noted, all jurisdictions must levy 17 cents per 100 dollars of assessed valuation of real property for the State, meaning that taxpayers in every tax district statewide pay a portion of their bill that is directed to the State. The money is deposited in the State's Other Fund, as opposed to the General Fund, Federal Fund, State Highway Fund, et cetera.[n, 42] The State receives money from real property taxes, personal property taxes, and the centrally assessed tax.[43] The distribution of these taxes is addressed at length in Question 6.

[n] Deposits of property tax money into the Other Fund has held true, at least of late (i.e., for the 2015-2017 Legislatively Approved Budget and for the 2017-2019 Governor's Recommended Budget). For additional information on the six funding sources that finance the State's operations, see: Guinn Center for Policy Priorities. 2017. "Nevada Budget 101: A Primer for the 2017-2019 Biennium." Available: https://guinncenter.org/wp-content/uploads/2014/01/Guinn_Budget-Primer-101_2017.pdf.

3. How are property taxes in Nevada calculated?

The calculation of property taxes is captured succinctly in this explanation provided by the Nevada Department of Taxation:

> The principle elements of the property tax consist of the tax rate and the tax base. The tax base is calculated by first appraising the value of property according to statutory requirements to determine "taxable value." "Taxable value" in turn is multiplied times the level of assessment. The resulting assessed value is the tax base against which a tax rate is applied to determine the total amount of taxes due. The elements of the property tax can be shown in this simple formula:
>
> ***Taxable Value × Level of Assessment = Assessed Value***
> ***Assessed Value × Tax Rate = Total Property Tax***[44]

Question 1 explicated the tax rate, but the other principle, the tax base, requires some unpacking, as does the level of assessment.

Nevada uses a system that is called the cost approach to arrive at taxable value.[45] Under the cost approach, taxable value is not premised on the property's full cash value (i.e., market value). Instead, the property's value is split into two parts, the cash value of land and the replacement cost of improvements (typically, buildings). Depreciation is set by statute at "1.5 [percent] of the cost of replacement for each year of adjusted actual age of the improvement, up to a maximum of 50 years."[46] The depreciation factor is applied to improvements only, not to the cash value of land.[o] Taxable value thus is composed of three parts: (1) the cash value of land; (2) the replacement cost of improvements; and (3) the depreciation factor. In more technical terms, these are referred to as, "estimates of land value," "current cost of constructing the improvements," and "accrued depreciation."[47] The Nevada Department of Taxation defines taxable value in the following manner: "For vacant land – full cash value. For improvements – replacement cost new less depreciation. Taxable value is not to exceed full cash value."[48]

The last sentence in that definition imparts significant meaning for Nevada property taxpayers, as it contrasts taxable value with market value. The cost approach, which relies on the depreciation factor, results in a substantial annual reduction as the improvement continues to age. In fact, depreciation cumulates over the life of the improvement. While the depreciation percentage is zero in Year One, it is 1.5 percent in Year Two, 3.0 percent in Year Three, 4.5 percent in Year Four, and so forth, up until the maximum of fifty years is reached, for a depreciation percentage that settles at 75 percent. The cost approach implies that, even if property values rise, the yearly compounded reductions can help offset some of the market-driven increases.

The level of assessment or the rate of assessment "is generally expressed as the overall ratio of assessed value to market value." NRS 361.225 fixes the level of assessment at thirty-five percent of its taxable value.[49] As with depreciation, the rate of assessment lowers the amount upon which the property tax rate is applied. To obtain assessed value, taxable value is multiplied by the level of assessment.

Putting all the foregoing components together, a property is appraised to determine the cash value of land and replacement cost of improvements. The replacement cost of improvements is multiplied by the

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[o] There is no depreciation factor applied to the first year of an improvement, as that improvement is technically new—and thus not subject to depreciation—in Year One. Source: Guinn Center conversation with property tax expert on March 23, 2017.

depreciation percentage, which is based on adjusted age, to calculate the depreciation factor. The cash value of land and replacement cost of improvements are summed and then reduced by the depreciation factor (i.e., the depreciation factor is subtracted from the total cash value of land and replacement cost of improvements). The resulting amount is total taxable value. Total taxable value is multiplied by the fixed rate of 35 percent to obtain assessed value, which is the tax base against which the tax rate is applied. As noted, the determination of the tax rate for a property located in a given tax district is described in Question 1.

To illustrate this calculation in practice, two examples are presented below in Tables 5A and 5B. As with the tax rate breakdown, North Las Vegas (Clark County, Tax District 250) and Ely (White Pine County, Tax District 0010) serve as cases, with three years of property tax calculations displayed. The assumption for both is that these are new residential properties, which implies depreciation factors of zero in Year One. Following recent practice, an annual growth rate of 2.5 percent for land and improvements is assumed.[p, 50] While the tax rate in the North Las Vegas tax district differs from that of Ely, within the districts, tax rates remained unchanged over the three-year period.[51] The cash value of land, plus replacement cost of improvements, is $141,300, for North Las Vegas, and $124,500, for Ely; each is based on the median home value for owner-occupied housing units for those jurisdictions in 2013 (i.e., the first half of FY 2014).[52] The resulting tax liability is the tax bill received by the property owner.

Table 5A. Property Tax Calculation for a Residential Property in North Las Vegas City, NV – Tax District 250

	Year 1 (FY 2014)	**Year 2 (FY 2015)**	**Year 3 (FY 2016)**
Cash Value of Land	$41,300	$42,333	$43,391
Replacement Cost of Improvements	$100,000	$102,500	$105,063
× Depreciation of Replacement Cost of Improvements	—	0.015	0.030
= Depreciation Factor	—	$1,538	$3,152
Cash Value of Land + Replacement Cost of Improvements	$141,300	$144,833	$148,453
Less: Depreciation Factor	—	($1,538)	($3,152)
Total Taxable Value	$141,300	$143,295	$145,301
× Assessment Rate	0.35	0.35	0.35
Assessed Value	$49,455	$50,153	$50,856
Tax Rate (Per $100 of Value)	**$3.3544**	**$3.3544**	**$3.3544**
× Tax Rate Multiplier (Tax Rate ÷ 100)	0.033544	0.033544	0.033544
Resulting Tax Liability (Assessed Value × Tax Rate Multiplier)	**$1,659**	**$1,682**	**$1,706**

[p] Note that, "[p]roperty in Nevada is required to be reappraised (revalued) at least once every five years. Between reappraisal years the values are adjusted each year by factors approved by the Nevada Tax Commission." See: Nevada Taxpayers Association. "Understanding Nevada's Property Tax System: 2015-2016 Edition." Page 7. Available: http://nevadataxpayers.org/wp-content/uploads/2016/09/UNPTS-2015-16-for-web.pdf.

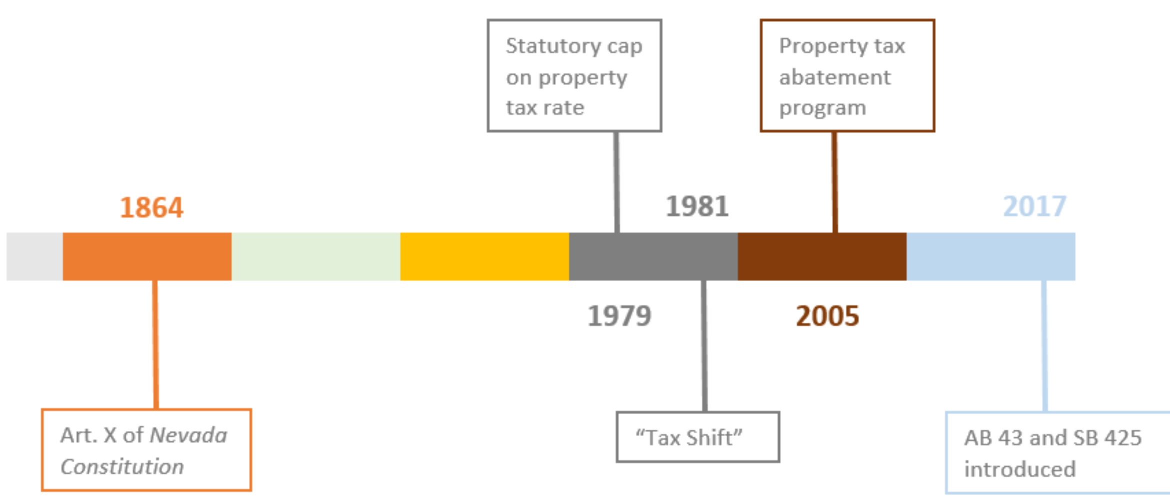
Table 5B. Property Tax Calculation for a Residential Property in Ely, NV – Tax District 0010

	Year 1 (FY 2014)	Year 2 (FY 2015)	Year 3 (FY 2016)
Cash Value of Land	$44,500	$45,613	$46,753
Replacement Cost of Improvements	$80,000	$82,000	$84,050
× Depreciation of Replacement Cost of Improvements	—	0.015	0.030
= Depreciation Factor	—	$1,230	$2,522
Cash Value of Land + Replacement Cost of Improvements	$124,500	$127,613	$130,803
Less: Depreciation Factor	—	($1,230)	($2,522)
Total Taxable Value	$124,500	$126,383	$128,281
× Assessment Rate	0.35	0.35	0.35
Assessed Value	$43,575	$44,234	$44,898
Tax Rate (Per $100 of Value)	**$3.6600**	**$3.6600**	**$3.6600**
× Tax Rate Multiplier (Tax Rate ÷ 100)	0.036600	0.036600	0.036600
Resulting Tax Liability (Assessed Value × Tax Rate Multiplier)	**$1,595**	**$1,619**	**$1,643**

4. How did Nevada's property tax system develop? How has it changed over time?

Figure 3 presents a timeline of significant developments in Nevada's property tax system. While numerous legislative changes have shaped and reshaped the system over time, the first four interventions helped structure existing property taxes in the contemporary context. The fifth moment marks proposed policy changes that have gained currency in the 79th (2017) Legislative Session.

Figure 3. Significant Developments in Nevada's Property Tax System



1864. The Nevada Constitution was approved by the State's voters on September 7, 1864. Section 1 of Article X states that, "[t]he Legislature shall provide by law for a uniform and equal rate of assessment and taxation, and shall prescribe such regulations as shall secure a just valuation for taxation of all property, real, personal and possessory, except mines and mining claims."[53] The concept of "a uniform and equal rate of assessment and taxation" is the bedrock principle of property taxation in Nevada; so enshrined, it is the foundation of the system, governing all legal authorities, establishing the parameters under which structural changes can unfold, and delimiting the scope of action, statutory or otherwise. The constitutional property tax cap of $5.00 per $100 of assessed valuation is part of Article X but was instituted in 1936.[54]

1979. Senate Bill (SB) 204 was passed by the Nevada Legislature and approved on June 2, 1979.[55] It established the statutory limit on property tax rates at $3.64 per $100 of assessed valuation.[56] It was set below the constitutional cap to provide property tax relief.[57]

1981. A series of legislative measures were passed in 1981, with the goal of affording homeowners additional property tax relief, while maintaining a sufficient source of revenue for local governments.[58] AB 369 changed the reporting timeline for the sales tax, mandated the City-County Relief portion of the sales tax (which had been optional, previously), and implemented increased rates. SB 411 made a number of changes, which included capping revenue expenditure measures, limiting regulatory fees, and expanding the Nevada Department of Taxation's scope of authority over local governments' budgets, amongst others. SB 69 "changed the method of appraisal from market value to 'taxable value.' Taxable value adds the market value for land, based on the use to which it is actually put, rather than highest and best use, plus replacement cost new less depreciation for improvements. 'Taxable value' remains the standard of valuation today."[59] These pieces of legislation, combined, are referred to as the "Tax Shift of 1981." For the specific purpose of property taxation, the main changes can be summarized as follows: (1) a cap on property tax revenues to local governments at 4.5 percent over the previous year; (2) establishment of the depreciation rate (2 percent) for improvements to land; and (3) property value subsequently not to be based on market value.[q, 60] The consensus is that these changes produced an increased reliance on the sales tax, relative to property taxes, for local governments' revenues.[61]

2005. Nevada placed certain limitations on year-to-year property tax increases in 2005 through two pieces of legislation, AB 489 and SB 509, that together established provisions for partial abatement of property taxes.[62] These partial abatements are codified in statute at NRS 361.471 to NRS 361.4735.[63] They were enacted into law in order to mitigate the economic hardship that attended the increases in tax bills associated with rising property values at the time.[64] Under the law, property tax bills for owner-occupied single family residences cannot increase by more than three percent over the previous fiscal year; tax bills on all other property types cannot increase by more than eight percent over the previous fiscal year.[r, 65]

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[q] The 4.5 percent cap on property tax revenues was increased to 6 percent under AB 645 in 1987. See: 1987 Statutes of Nevada. Assembly Bill No. 645; 1987 Statutes of Nevada, Page 2034. Available: https://www.leg.state.nv.us/Statutes/64th/Stats198709.html#Stats198709page2034. Pursuant to AB 232 in 1983, the depreciation rate for improvements to land was reduced to 1.5 percent of the cost of replacement. See: 1983 Statutes of Nevada. Assembly Bill No. 232; 1983 Statutes of Nevada, Page 1885. Available: https://www.leg.state.nv.us/Statutes/62nd/Stats198308.html#Stats198308page1885.

[r] Under AB 209, in the 74th (2007) Legislative Session, a technical clarification imposed a floor of zero percent on the partial abatements. See: Nevada Legislative Counsel Bureau, Fiscal Analysis Division. 2017. "Revenue Reference Manual." Available: https://www.leg.state.nv.us/Division/Fiscal/FinalRRM2017.pdf.

Secondary caps built into the original legislation do permit the yearly limits of increase to drop below three percent and eight percent, respectively, if certain conditions are met.[66] This means that caps on increases can be lower than primary caps, resulting in greater reductions in tax bills for property owners.

2017. Two pieces of legislation in the 2017 (79th) Legislative Session proposed to amend the provisions of NRS 361.471 — NRS 361.4735, or the partial abatements discussed above. In the Assembly, AB 43—which died in committee on April 14, 2017—would have retained the primary caps of three percent for owner-occupied single family residences and eight percent for all other property, but would have limited the percentages to which the caps could be reduced.[s, 67] Like AB 43, the Senate bill, SB 425, would preserve the primary caps of three percent for owner-occupied single residences and eight percent for all other property, but, unlike the Assembly bill, it would eliminate the secondary cap formulas so that no reductions to the caps would be permissible.[68] Some have argued these efforts would fall short of significantly restricting Nevada's property tax system.

Question 9 presents a discussion and analysis of partial abatements, both under the current system and as proposed by the Legislature, that explains the mechanics in more detail and examines their implications for property owners and local governments.

5. Is there variation in property taxes across Nevada's counties?

Yes. Additionally, zooming out to the county level itself—that is, not just the county entities (i.e., the county jurisdiction within the county), but the combination of all jurisdictions within the county's borders—there is demonstrable variation, with respect to distribution, average tax rates, property tax revenue per capita, and assessed valuation per capita.

Figure 4 presents the total amount of property taxes received by each county—where county serves as the administrator of property taxes—as apportioned to each jurisdiction within the county.[69]

Counties' distribution to the State does not vary widely; most counties apportion property tax dollars in the range of 4.5 percent to 7 percent, with Eureka County as the outlier at 9.6 percent. Certain counties contain cities, towns, and a variety of special districts in their boundaries, and there is some variation, accordingly. Such variation is most pronounced in Clark County, Douglas County, Humboldt County, and Lyon County. The real distinction lies in the extent to which counties allocate property tax money to schools versus that to county entities. For Churchill County, Douglas County, Eureka County, Humboldt County, Nye County, Pershing County, and Washoe County, the distribution is relatively even. Clark County, Elko County, and Lyon County apportion a more substantial amount of property tax dollars to schools, relative to county-entity apportionment. The converse is true for Carson City, Esmeralda County, Lander County, Lincoln County, Mineral County, Storey County, and White Pine County, with Esmeralda County (70.0 percent to counties and 24.3 percent for schools) and Mineral County (61.2 percent to counties and 28.6 percent to schools) evincing the widest variation in allocation.

[s] Pursuant to Joint Standing Rule No. 14.3.1, no further action allowed on AB 43. Nevada State Legislature. 79th (2017) Session. "AB 43: Bill History." Available: https://www.leg.state.nv.us/Session/79th2017/Reports/history.cfm?DocumentType=1&BillNo=43.

Figure 4. Property Tax Revenue Distribution, by County (FY 2016)*

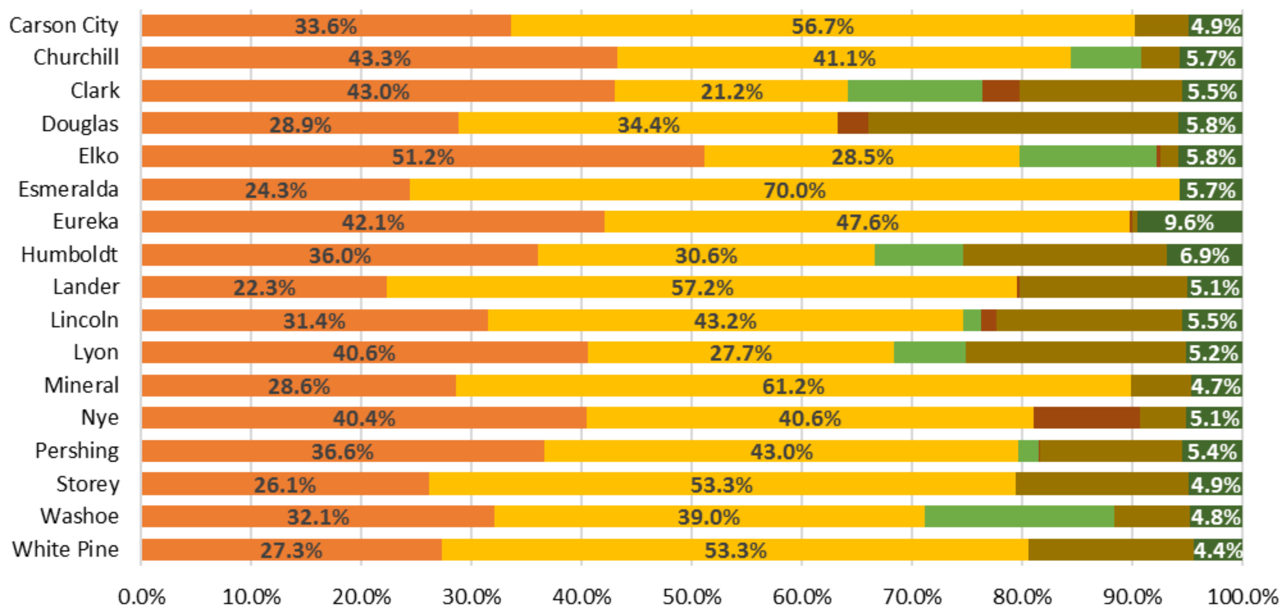
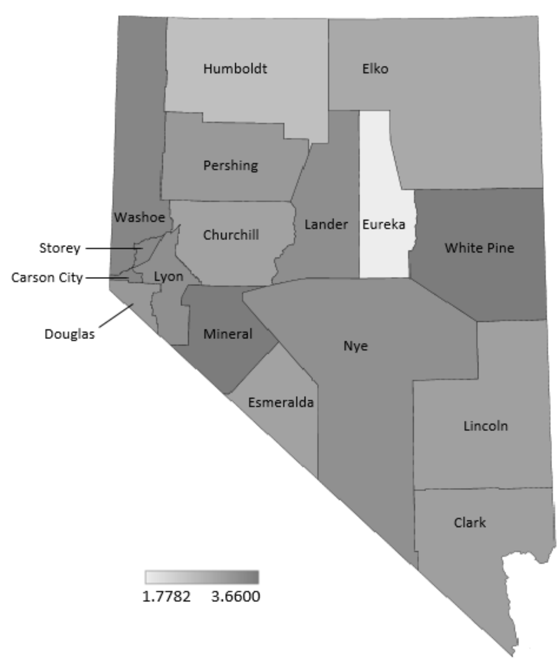


Figure 5 shows how average property tax rates differ across Nevada counties.[70] There is significant variation in average property tax rates, with the lowest rate of $1.7782 per $100 of assessed valuation in Eureka County and $3.66 per $100 of assessed valuation in Mineral County and White Pine County. Clark County and Washoe County have similar average property rates of $3.0806 and $3.4943, respectively.

Figure 5. Average Property Tax Rates in Nevada Counties (FY 2016)

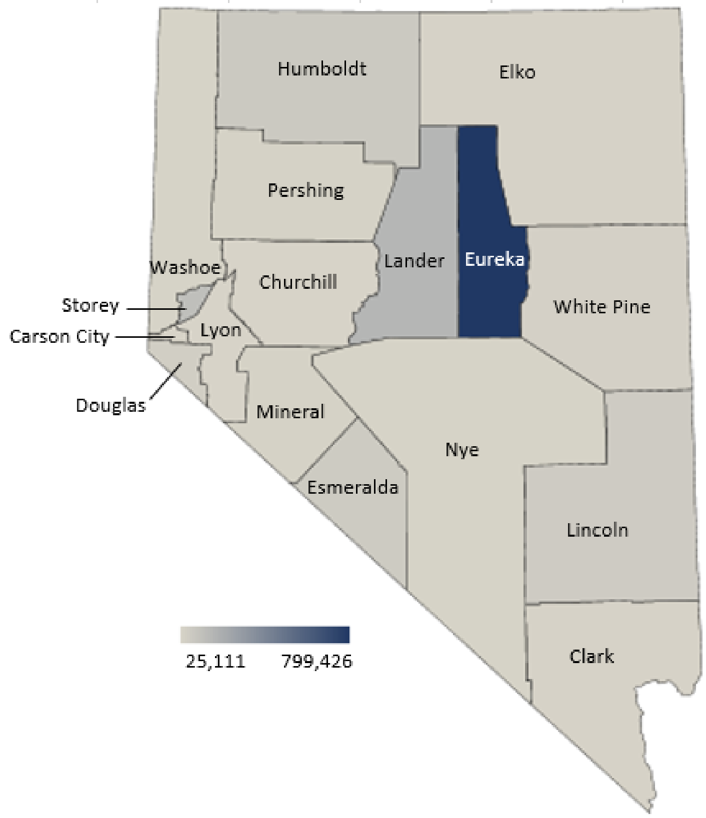


Property tax revenue on a per capita basis also differs significantly across Nevada counties. Figure 6 shows that Lander County ($3,356), Storey County ($4,250), and Eureka County ($7,883) have the highest per capita revenues, while Lyon County ($743), Churchill County ($794), and Carson City ($809) have the lowest per capita revenues.[71] Washoe County's per capita revenue of $1,040 is higher than the statewide average of $898, and Clark County's per capita revenue of $833 is slightly lower than the statewide average. (Note that county-level per capita revenue displayed in Figure 6 differs from that presented in Table 4 on page 9. Figure 6 accounts for all property tax collections by the counties, prior to apportionment to the jurisdictions within those counties, whereas Table 4 shows revenue per capita on the basis of Governmental Fund Types and Expendable Trust Funds for just the county jurisdiction itself.)

Figure 6. Property Tax Revenue Per Capita in Nevada Counties (FY 2016)

Figure 7 demonstrates that assessed valuations vary across Nevada counties, as well.[72] Clark County is, by far, the largest contributor to property tax assessments. It accounts for 70 percent of total assessed valuations. Washoe County is the second largest, with a contribution of 14 percent of total assessed valuations. These two counties are also the largest in terms of population. The top contributors to assessed valuations, on a per capita basis, are Storey County ($128,284), Lander County ($174,433) and Eureka County ($799,426); Carson City ($25,111), Lyon County ($28,422), and Churchill County ($28,779) have the lowest total assessed valuations per capita.

Figure 7. Total Assessed Valuation Per Capita in Nevada Counties (FY 2016)



6. How are revenues from property taxes distributed by the State?

Figure 2 (page 10) indicated that just 5.4 percent of all property taxes collected were directed to the State in FY 2016. (The same percentage holds for FY 2017.[73]) Also noted previously, 17 cents per 100 dollars of assessed valuation of the combined tax services state debt, and when counties apportion property tax dollars to the State, that money is deposited in the State's Other Fund.[t]

In general, the property tax money that the State receives is used primarily for the State's bond debt redemption.[74] But a small portion of property taxes are distributed elsewhere, as shown in Table 6.[75]

[t] The statutorily-required state debt rate of 17 cents per 100 dollars of assessed valuation could change when the 79th (2017) Legislature passes legislative appropriations for capital improvements (as one of five budget implementation bills required in each session).

Table 6. Distribution of State-Level Property Tax Receipts (FY 2015-2016 Actual)

Executive Branch Department (Budget Account)	Real Property Taxes	Personal Property Taxes	Centrally Assessed Property Tax	Total (Budget Account)
Treasurer's Office – Bond Interest and Redemption (Consolidated Bond Interest and Redemption Fund)	$110,204,646	$13,195,384	$8,299,261	$131,699,291
Department of Health and Human Services Director's Office – Indigent Hospital Care	$12,616,511	—	—	$12,616,511
Governor's Office – Renewable Energy Account	$4,374,318	—	—	$4,374,318
Total (Tax Type)	**$127,195,475**	**$13,195,384**	**$8,299,261**	**$148,690,120**

Of the $23,773,900,409 in the Legislatively Approved Budget for the 2015-2017 biennium, only 0.6 percent was funded by property taxes ($148,690,120, or the portion shaded in green in Table 6).[76] State debt was serviced through the Consolidated Bond Interest and Redemption Fund and amounted to $131.7 million, equating to 88.6 percent of all property taxes received by the State for FY 2015 and FY 2016. The remainder of the State's property tax receipts was split between two budget accounts: Indigent Hospital Care (8.5 percent) and the Renewable Energy Account (2.9 percent).

Together, only 11.4 percent of the property taxes received by the State for FY 2015 and FY 2016 did not service state debt. The Indigent Hospital Care Fund returned money to the counties; that is, the State used the fund to reimburse Nevada's counties for "certain unpaid hospital charges for medical treatment of indigent persons."[77] The Renewable Energy Account received a portion from real property taxes but specifically only those levied on renewable energy projects with approved abatements for designated years.[78] Expenditures were itemized principally for energy programs and transfers to the Governor's Office of Energy.[79]

7. What is the relationship between property taxes and K-12 funding in Nevada?

Pursuant to NRS 387.195, 75 cents per 100 dollars of assessed valuation of an entity's combined tax rate must be levied for school operating costs (see Question 1).[80] After the county in which the school district is located tallies the proportional amount in each property tax bill and sums those amounts across all tax bills, it apportions that total directly to the school district. Frequently, the total school tax rate includes a portion for debt above that for operating costs. For example, Table 1A (page 4) shows that Clark County School District's entity tax rate for FY 2016 is $1.3034, of which $0.75 per $100 of assessed valuation is for operations and $0.5534 is for debt, which forms part of the combined tax rate for Tax District 250 ($3.3544 per $100 of assessed valuation). The debt portion is identical across Clark County, irrespective of tax district, as the entity rate is uniform throughout the county (though school district entity rates vary across counties). As such, the same holds true for White Pine County, with a school district debt rate of $0.2490 of $100 of assessed valuation, for a total entity rate of $0.990 of $100 of assessed valuation levied in all of White Pine's tax districts in FY 2016 (see Table 1B, page 4).

Figure 2 (page 10) revealed that 40.0 percent all property tax money collected statewide in FY 2016 was distributed to school districts, for a projected total dollar amount just over $1 billion.[81] For FY 2016, schools were the largest beneficiary of property tax dollars. The next-highest recipient, county entities, received 27.2 percent of property tax revenue, or a nearly 13 percentage-point difference.

However, while school districts received the most property tax money of all entities in the State, their budgets rely on a variety of funding sources, of which property taxes comprise but a small portion. Along with property taxes, school districts are financed through the State General Fund; the Local School Support Tax; the Governmental Services Tax; franchise fees; unrestricted Federal Fund money (e.g., Impact Aid and Forest Reserve revenue); interest, tuition, and other local revenue; and the beginning fund balance, amongst others.[82] For FY 2016, school districts' total resources amounted to $7.04 billion when aggregated statewide.[83] And, $1.05 billion or 14.9 percent, was realized from property taxes, meaning that 85.1 percent of school district funds in the State were composed of non-property tax resources.[84]

While most property tax revenues are allocated to school districts, schools are not very reliant on this revenue source to finance their operations. This contrasts sharply with county entities, in which the dependence on property taxes was in evidence. Even the least dependent county entity—Clark County—funded nearly 21 percent of its budget through property taxes. (See Table 3 on page 7 and Figure 1 on page 8).

8. How does Nevada's property tax system compare to other states?

Nevada's property tax system is distinguished by certain structural attributes that differentiate it from most other states. These include a specific set of "Significant Features," the lack of a state individual income tax, and use of the depreciation factor.

"Significant Features" refers to five key dimensions that tend to inform property tax systems across the fifty states and the District of Columbia, either by their presence or their absence: statewide classification, assessment by county, limits on rates/levies, limits on assessed value, and circuit breakers.[u] Only four states—Arizona, Colorado, Nebraska, and New Mexico—incorporate all features into their property tax systems, but all states include at least one of these institutions as part of their systems. Nevada, Delaware, and Ohio are the only states whose signature features include statewide classification, limits on assessed value, and circuit breakers but exclude assessment by county and limits on rates/levies. (See Appendix A for a breakdown of "Significant Features," by state, for 2013.)

[u] Statewide classification means taxation of different property types in a non-uniform manner. See: Lincoln Institute of Land Policy. "Significant Features of the Property Tax: Property Tax Classification." Available: http://datatoolkits.lincolninst.edu/subcenters/significant-features-property-tax/Report_Property_Tax_Classification.aspx. Circuit breakers are "programs that provide benefits directly to taxpayers, with benefits increasing as claimants' incomes decline." See: Daphne A. Kenyon, Adam H. Langley, and Bethany P. Paquin. 2010. "Property Tax Relief: The Case for Circuit Breakers." *Land Lines*. Lincoln Institute of Land Policy. Page 9. Available: http://datatoolkits.lincolninst.edu/pubs/dl/1772_991_3 Circuit Breakers.pdf.

Along with Alaska, Florida, South Dakota, Texas, Washington, and Wyoming, Nevada does not have an individual income tax.[85] The lack of an individual state income tax is relevant to the analysis of property taxes insofar as the combination of three tax sources—income (what is earned), property (what is owned), and sales (what is bought)—provides the tax revenue portfolio that supports state and local governments.[86] This is sometimes referred to as the "three-legged stool."[87] The implication for Nevada is that the absence of an individual income tax results in greater dependence on sales and property taxes to support the State and local governments.[88]

Nevada's use of the cost approach, that is, applying the depreciation factor to obtain taxable value, is the singular structural characteristic of its property tax system that differentiates it from all other states. Put simply, it is the only state to use the depreciation factor. The last state that applied the depreciation factor as part of the replacement cost approach was Indiana. However, in 1998, the Indiana State Supreme Court ruled the practice unconstitutional, which permitted that state to move to a market value appraisal approach that it began to use in 2002.[89] The Indiana Supreme Court and the Indiana Tax Court issued six opinions between 1996 and 1998 that ruled that Indiana's calculation of "true tax value" violated the state's Constitution, which mandated a "uniform and equal rate of property assessment and taxation."[90] Some have claimed that Nevada's use of the depreciation factor is similar to the law that was struck down in Indiana.[91] And Nevada's Constitution also requires a "uniform and equal rate of assessment and taxation" for property. However, the cost approach remains in place.

While property values are considered during appraisal (i.e., changes in market rate), overall property tax bills are reduced by the depreciation factor (after Year One), the assessment rate, and potentially, partial abatements.[v] Thus, Nevada's structural features result in a relatively low property tax burden per capita, as shown in Table 7, which ranks states on the basis of property tax revenue per capita for 2014.[w, 92]

Of all states and the District of Columbia, Nevada ranks in the bottom third, or 39th, with a property tax revenue per capita that places it in similar company with two other Intermountain West states—Arizona (34th; $986 per capita) and Utah (37th; $969 per capita). Among Intermountain West states, Nevadans enjoy the second-lowest property tax burden, with only New Mexico coming in lower, with a ranking of 48th ($731 per capita). Nevada's property tax revenue per capita of $953 is below the U.S. average of $1,455, and well below the highest-ranked of all, the District of Columbia, which had a property tax revenue per capita of $3,139 in 2014. Property tax revenue is close to 25 percent of state and local tax revenue in Nevada, which is below the U.S. average, as is true for Nevada's property tax revenue as a percent of state personal income (2.4 percent). These two metrics also place Nevada at the second-lowest across Intermountain West states, with New Mexico again coming in lowest on both counts (18.4 percent of state and local revenue, and 2.0 percent of state personal income). (See Appendix B for national maps of the data presented in each of the columns in Table 7.)

[v] At least one study views the assessment rate—not the depreciation factor—as the difference between using market value and non-market value, as some states use an assessment rate of 100 percent. See: Institute on Taxation and Economic Policy. 2011. "The ITEP Guide to Fair State and Local Taxes." Available: http://www.itep.org/pdf/guide.pdf.
[w] Rank is determined by highest property tax revenue per capita (1) to lowest property tax revenue per capita (51). Intermountain West states are shaded in green.

Table 7. Property Tax Burden in U.S. States (2014)

State	Share of Property Tax in Total State and Local Tax Revenue	Ratio of Property Tax to State Personal Income	Property Tax Revenue Per Capita	Rank
District of Columbia	32.5%	4.5%	$3,139	1
New Jersey	47.5%	5.3%	$3,065	2
New Hampshire	66.1%	5.3%	$2,861	3
Connecticut	38.3%	4.2%	$2,774	4
Alaska	34.9%	4.8%	$2,639	5
New York	30.7%	4.6%	$2,581	6
Vermont	42.2%	5.0%	$2,339	7
Rhode Island	44.6%	4.8%	$2,307	8
Massachusetts	36.3%	3.7%	$2,181	9
Wyoming	35.5%	3.8%	$2,109	10
Illinois	36.5%	4.1%	$2,007	11
Maine	39.9%	4.7%	$1,918	12
Nebraska	36.0%	3.6%	$1,757	13
Wisconsin	36.2%	3.7%	$1,657	14
Texas	40.4%	3.6%	$1,635	15
Iowa	34.5%	3.4%	$1,525	16
Maryland	26.6%	2.8%	$1,491	17
Montana	38.2%	3.6%	$1,465	18
Virginia	34.7%	2.9%	$1,457	19
Kansas	32.8%	3.1%	$1,435	20
Minnesota	25.0%	2.9%	$1,411	21
Pennsylvania	29.8%	2.9%	$1,405	22
California	25.4%	2.7%	$1,385	23
Colorado	31.3%	2.7%	$1,365	24
Washington	29.9%	2.7%	$1,364	25
Oregon	32.9%	3.2%	$1,350	26
Michigan	35.4%	3.3%	$1,335	27
South Dakota	35.3%	2.8%	$1,301	28
Ohio	28.6%	2.9%	$1,203	29
Florida	35.7%	2.8%	$1,184	30
North Dakota	11.5%	1.9%	$1,121	31
Georgia	32.2%	2.8%	$1,087	32
South Carolina	33.5%	2.9%	$1,080	33
Arizona	29.5%	2.6%	$986	34
Hawaii	17.2%	2.1%	$980	35
Indiana	25.9%	2.4%	$970	36
Utah	27.7%	2.6%	$969	37
Missouri	27.6%	2.3%	$960	38
Nevada	**24.6%**	**2.4%**	**$953**	**39**
North Carolina	26.3%	2.4%	$951	40
Idaho	28.7%	2.5%	$928	41
Mississippi	26.2%	2.7%	$916	42
West Virginia	21.5%	2.4%	$852	43
Louisiana	21.6%	2.0%	$839	44
Tennessee	26.8%	2.1%	$830	45
Delaware	18.8%	1.8%	$828	46
Kentucky	20.4%	2.0%	$737	47
New Mexico	18.4%	2.0%	$731	48
Arkansas	18.0%	1.8%	$675	49
Oklahoma	17.5%	1.4%	$623	50
Alabama	17.4%	1.4%	$522	51
U.S. Average	30.7%	3.1%	$1,455	—

9. What are the dimensions of a "good" property tax structure?

A "good" tax system is one in which income, sales, and property tax revenues are in balance—what was referred to earlier as the "three-legged stool."[93] Balance means that one-third of revenues should be realized from each of these sources in order to stabilize funding for state and local government services.[94] Given Nevada's lack of an individual income tax, the "three-legged stool" metaphor does not apply here, and, as noted previously, that has consequences for sales and property taxes. In that regard, any discussion of a "good" property tax structure must be understood in the context of the system, by definition, as being out of balance.

In general, "good" changes to a tax system have been described as "ones that make it fairer, more competitive, more stable and secure, and easier to understand….a system that provides sufficient revenue to fund essential public services…to generate that revenue in a way that respects a taxpayer's ability to pay a tax and doesn't distort an individual's private economic decisions."[95] This conceptualization does apply to property tax structures and not just to broader revenue-generating streams for local and state governments. "Good" property taxes have also been described as "stable, efficient, and fair," with a system guided by the principles of "simplicity, neutrality, transparency, and stability."[96] The commonality across these characterizations is the idea of stability. Property taxes are viewed generally as the most stable of the revenue sources used to finance state and local governments, due to the immovable nature of property and the fixed supply of land.[97] Contrast this with the sales tax, which is more volatile, given its tendency to fluctuate with short- and long-term local and national economic conditions.[98]

One study evaluated states and a number of sub-jurisdictions in various countries on three criteria: transparency; simplicity and consistency; and procedural fairness, which map broadly to the "good" property tax principles outlined above.[99] Nevada received an overall grade of D+, which is driven by a D for transparency (e.g., property tax system is difficult for a layperson to understand, etc.), a C for simplicity/consistency (e.g., too much autonomy for county assessors, unequal assessments as a result of partial abatements, etc.), and a D for procedural fairness (e.g., variation in interest rates for underpayments versus overpayments, etc.).[100] To be fair, no state graded higher than a B (Indiana), with most states in the C range, though only Pennsylvania joined Nevada with the lowest score of D.[101] The study is not without its limitations, as it examines only the administrative practices of the various jurisdictions, not the qualities of the property tax systems as a whole, but it does put Nevada's system into some perspective, at least with an eye toward the overarching principles of good tax governance.

Another analysis argues that, "Tax caps and assessment limits privilege stability as the most important feature of a good local tax over equity, efficiency, administration, and even taxpayer understanding."[102] By way of inference, Nevada's application of tax caps—the partial abatements instituted in 2005—and a level of assessment—the assessment rate of 35 percent of taxable value—suggests that these measures of taxpayer relief, while intended to stabilize the State's property tax system, undermine core values that could strengthen the overall tax system.

"Good" property taxes should account for both the needs of the taxpayers and provide sufficient revenue-generating streams for local governments. But there is an inherent tension between financing local governments while not imposing undue burdens on property owners, as recognized by the State Legislature in one of the pieces of enabling legislation for the establishment of partial abatements in 2005. The Legislature found, in part, that the:

> rapid growth in population has resulted in a tremendous increase in both commercial and residential development which has contributed to an extreme rise in land values, in some cases up to 300 percent[.] Increased land values translate into increased property tax bills, which is an unexpected financial burden to many property owners, a large number of whom are forced to live on fixed incomes which typically only increase minimally each year[.] Besides the impact on residential property owners, commercial property owners are also experiencing or expected to experience skyrocketing property tax values in the near future as the new growth in this State generates increased demands for new businesses and rapidly increasing costs of construction reflecting in assessed values[.] Providing equity for residential and commercial property owners is important to meeting the constitutional "uniform and equal" mandate contained in Article 10 of the Nevada Constitution but, given the broad reach of property taxes, achievement of such equity cannot be measured parcel by parcel but rather must be reasonably equitable given the scope of the undertaking[.] Local governments are also impacted by this problem because, while some counties are expected to maintain existing service levels for new residents, other counties are struggling to provide even the most basic services under a decreased tax base[.][103]

The importance of property taxes to local governments is expressed most directly in the Nevada Department of Taxation's definition of the tax stated at the opening of this policy brief. But as indicated previously (Question 4), the historical trend in the State has leaned more toward relieving the burden on property tax owners and less toward ensuring that local governments can meet service demands.[x] Broadly speaking, property owners have reaped the benefits of these legislative decisions, as evidenced by the relatively low property tax burden per capita (see Table 7).

Local governments recently have argued, though, that certain policy interventions—particularly, the partial abatements—have undercut their ability to conduct business. Budgets are becoming more stressed, with the long-term shift over time from the more stable property tax to the more volatile sales tax as the primary revenue source for local governments.[104] And if tax caps were intended to "privilege stability," local governments actually have attributed the partial abatements to the destabilization of fiscal resources.[105] For example, the Washoe County School District contends that it is confronting a $28 million structural deficit, as a result of the partial abatements, that could translate into increased class sizes of two students (on average) in grades 4-12, which, by extension, means the elimination of 114 teacher positions; it might also need to reduce such programs and services as arts, athletics, music, and transportation, amongst others.[106]

Short-Term Solutions

Certain short-term solutions have been proposed to address the issue of property taxes and their impact on local government financing. Those that have gained legislative traction recently—partial abatements and the depreciation factor—are discussed below.

Partial Abatements. Two pieces of proposed legislation, AB 43 in the Assembly and SB 425 in the Senate, were introduced in the 79th (2017) Session to amend the way in which partial abatements are calculated. As noted previously, AB 43 died in committee in April of 2017. However, we discuss it here for two reasons: (1) the breadth and depth of testimony heard before the Assembly Committee on Taxation speaks to the careful consideration legislators have given to altering one of the key attributes of the property tax system; and (2) given the parallels between AB 43 and SB 425, it provides a foundation for discussion of

[x] The exception is the elimination of circuit breakers, which will be addressed later in this section.

SB 425, referred to the Senate Committee on Revenue and Economic Development but which has yet to hear testimony on the bill.

Under the current system, property tax bills for owner-occupied single family residences cannot increase by more than three percent over the previous fiscal year; tax bills on all other property types cannot increase by more than eight percent over the previous fiscal year.[107] These are the primary caps, which would not have changed under AB 43 or would not change SB 425. The current system imposes what are known as secondary caps, and it is these that the proposed legislation seeks to amend.

Regarding the formulation of the secondary cap, existing law sets a General Tax Cap for all properties other than owner-occupied single family residences, which is calculated in reference to the eight percent cap. The calculation rests on a determination of which of the following two is greater: (1) twice the percent change in the Consumer Price Index for all Urban Consumers (CPI-U) for the prior calendar year; or (2) the rolling percentage average change of assessed value (AV) over a ten-year period for each county.[108] If the higher of (1) or (2) is greater than eight percent, then the General Tax Cap is eight percent.[109] But if the higher of (1) or (2) is less than eight percent, that percentage is the General Tax Cap.[110] Moreover, if (1) or (2) amounts to less than three percent, then the residential tax cap must be lowered to that percentage.[111] Note that the minimum general abatement percentage is zero.[112]

What this means in practice is that the limit of increase can fall below the primary caps of three percent and eight percent, resulting in a flatter or reduced tax bill for those who pay property taxes but less-than-expected revenue for local governments. For example, in FY 2017, twice CPI-U (2 × 0.1 percent = 0.2 percent) exceeded AV (-2.7 percent) in Clark County.[113] As point-two percent is less than eight percent, the General Tax Cap for Clark County was set at 0.2 percent.[114] This sort of reduction affected nine counties in FY 2017, though some of these counties had General Tax Caps that exceeded 0.2 percent.[115] Thus, more property taxpayers realized partial abatements, and abated amounts were greater than anticipated.

The proposed legislation is designed to reduce the impact of economic forces that would trigger the primary caps to drop as significantly as they did in FY 2017. The small percent change in CPI-U for the calendar prior to FY 2017, when compared against the 10-year moving average that includes one year in which assessed values declined considerably, helped produce the FY 2017 outcome.[116] Projections indicate that inflation is trending upward; in the short term, the secondary caps may not have the same impact as they did for FY 2017, but until the down year for assessed valuation drops off the 10-year moving average, that element of the secondary caps could remain relatively low.[117] Revision of the secondary cap provisions could mitigate uncertainties around economic conditions that resulted in fairly low caps for FY 2017.

AB 43 would have adjusted the formulas for calculation of the secondary caps beginning in FY 2018. It would have established similar calculations for both owner-occupied single family residences and all other property, only permitting the limit of increase to dip below three percent for FY 2018 if the greater of: (1) the average percentage of change in the assessed valuation (AV) of all the taxable property in the county over the fiscal year in which the levy is made and the nine immediately preceding fiscal years; or (2) twice the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U) for the immediately preceding calendar year is less than three percent.[118] After FY 2018, the limit of increase for owner-occupied single family residences would have fixed at the secondary cap established for FY 2018 or three percent, whichever is less, and the limit of increase for all other property would have fixed at the secondary cap established for FY 2018 or eight percent, whichever is less.[119]

As noted previously, the primary caps of three percent for owner-occupied single family residences and eight percent for all other properties would have remained intact under the proposed legislation: Property tax bills could not have increased over the previous fiscal year by more than those percentages, respectively, as is the case under the current system. The legislation effectively proposed to "set a floor on the cap," not on the property tax bill. Therefore, the legislation would not have meant that owners of properties not subject to abatement would have seen their bills ratcheted up to meet a minimum percentage of three percent or eight percent, depending on property type.

Like the Assembly bill, SB 425 would maintain the primary caps of three percent for owner-occupied single family residences and eight percent for all other property.[120] However, it would eliminate the secondary caps entirely, beginning July 1, 2017.[121] While AB 43 would have allowed for certain circumstances under which property tax bills could not increase above the fixed caps for FY 2018, which might be below three percent and eight percent, respectively, SB 425 would proscribe any such reductions.[122] Put simply, property tax bills for owner-occupied single family residences could not increase more than three percent over the previous fiscal year, and tax bills for all other property could not increase more than eight percent over the previous fiscal year. The phase-out of the secondary caps would mean that caps of 0.2 percent, as seen in FY 2017, would not be permissible. However, like AB 43, the language of the Senate bill should not be understood to mean that any tax bill would be forced up to meet a floor. Using concrete numbers to illustrate, if an owner-occupied single family residence received a tax bill of $1,000 in FY 2017 and a tax bill of $1,020 in FY 2018, for an increase of two percent over the two fiscal years, the home would not be subject to a partial abatement at all, such that the two percent increase would stand; that bill would not be raised to $1,030 to compel a three percent increase.

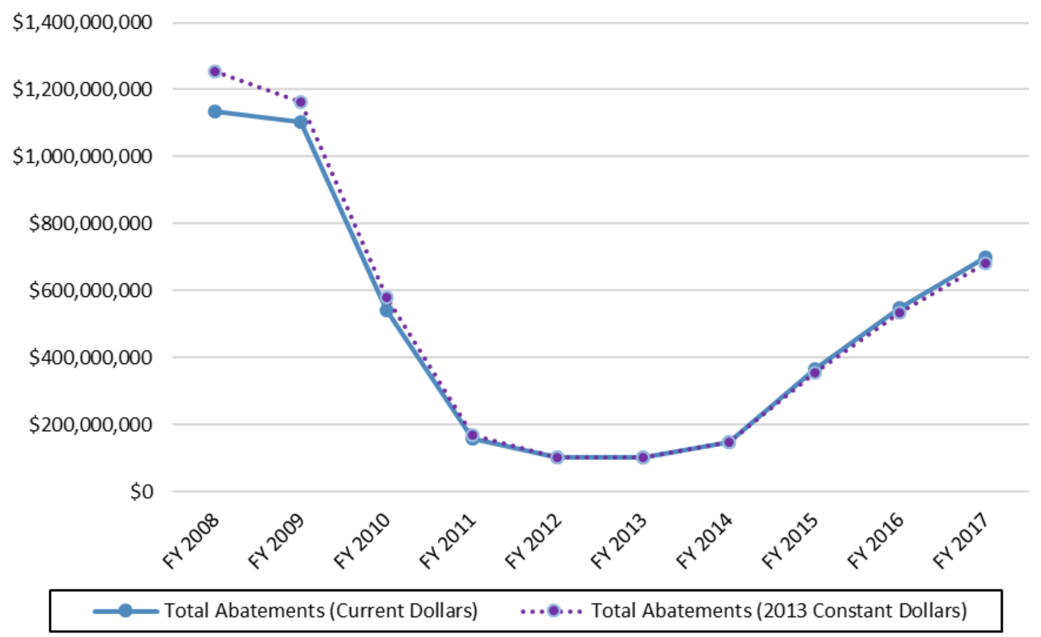
Proponents of the legislation, specifically, AB 43, have asserted that it would slow the rate at which property tax abatements are expected to increase over time and that it would not create a windfall for local governments.[123] Presumably, this line of thinking is applicable to SB 425, as well, given the similarities between the two bills. Opponents perceive such changes as a tax hikes that would be unduly burdensome for senior citizens and lower income residents.[124] These opposing viewpoints raise two questions: (1) would the legislation benefit local governments; and (2) what impact would the legislation have on property owners?

As to the first question, it is not immediately apparent that setting a floor on the partial abatements—whether that would have meant increasing the secondary calculation floor above zero percent, as in AB 43, or eliminating the secondary cap calculation altogether, as in SB 425—would accomplish much more than stemming some revenue reductions. Supporters of the legislation claim that the secondary cap calculation that resulted in a General Tax Cap below the primary caps for nine counties in FY 2017 was an unintended consequence of the original legislation.[125] Consonant with this argument, if the secondary cap calculation were amended, local governments would not face the budgetary shocks they experienced in FY 2017.[126]

Data on partial abatements for the past ten fiscal years, however, does not support this claim. With the exception of FY 2017, by and large, the cap on owner-occupied single family residences has been set at three percent, and the cap on all other property has varied unsystematically across counties over the years, occasionally at the cap and occasionally below, depending on the county and year.[y, 127] The secondary cap calculations did not produce such significant reductions below the primary caps until FY 2017. If the secondary cap calculations were driving the problem, then a significant uptick in total abatements would be observed for FY 2017, relative to the preceding years, and that is not the case.

The Guinn Center constructed Figure 8, using data on partial abatements for the last ten fiscal years, inclusive through FY 2017.[128] It presents total abated amounts for each fiscal year in both current and constant dollars.[129]

Figure 8. Total Property Tax Partial Abatements (FY 2008 – FY 2017)



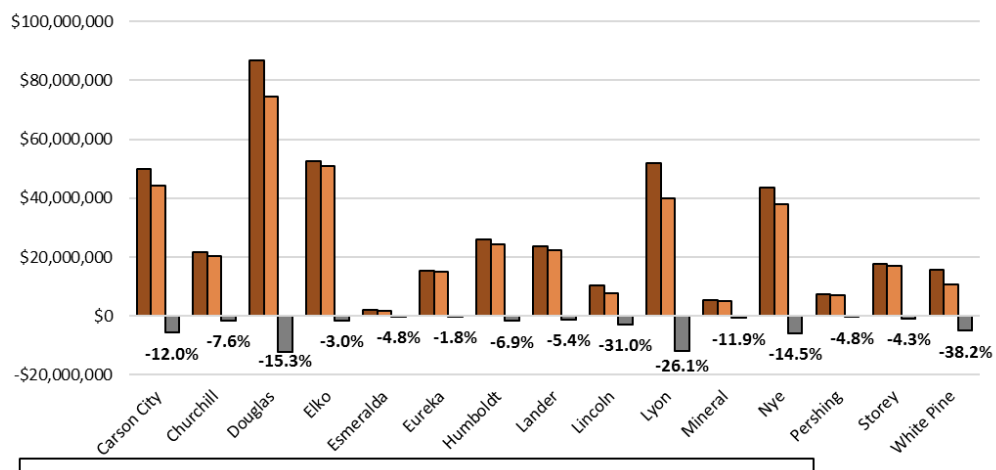
While there was a jump between FY 2016 and FY 2017 of approximately $150.3 million in partial abatements, for a 27.4 percent increase in abated amounts between FY 2016 and FY 2017, in fact, the increase between FY 2015 and FY 2016 in partial abatements, when the primary caps applied, was actually greater: $182.4 million, for a 49.7 percent in abated amounts between FY 2015 and FY 2016.[z] Abated amounts were the most substantial in the "boom years" of FY 2008 and FY 2009 before the lagged effects of the Great Recession began to devalue properties.[130] Partial abatements began to decline in FY 2010 and shrunk considerably between FY 2011 and FY 2014 following the aftermath of the Great Recession. The past four fiscal years witnessed steady increases in total partial abatements. If the secondary cap calculations were the engine of this increase, FY 2017 would evince a sharp break with the preceding fiscal

[y] The only instance of a county not having a residential cap of at least three percent in any of the nine fiscal years prior to FY 2017 was Mineral County in FY 2011, when its residential cap and General Tax Cap were equivalent at 0.3 percent. See: Nevada Department of Taxation. 2010. "NRS 361.4722 Tax Cap Factors: Fiscal 2010-2011." Available: https://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/TaxCapFiles/2010-11_Tax_Cap_Factors/.
[z] In current dollars.

years rather than representing a continuation of the trend. As such, an alteration to the secondary caps or their elimination entirely may not produce the desired effects.

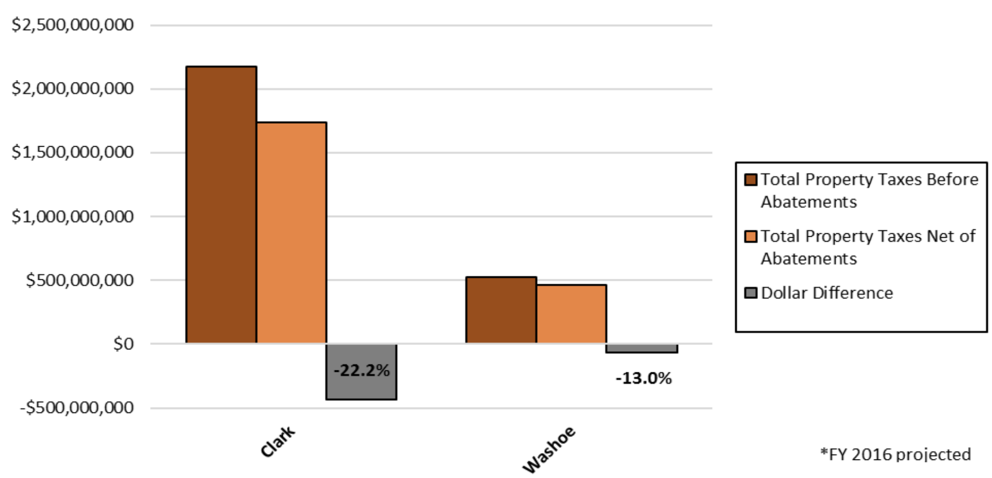
That is not to say that local governments have not lost a significant amount of property tax revenue to partial abatements. Over the ten-year period, FY 2008 through FY 2017, total abated amounts have equaled nearly $5 billion.[131] Figures 9A and 9B show the loss to abatements for FY 2016, by county (i.e., across all jurisdictions in each county).[aa, 132]

Figure 9A. Total Property Taxes, Selected Counties: Before Abatements and Net of Abatements*



*FY 2016 projected

Figure 9B. Total Property Taxes for Clark and Washoe Counties: Before Abatements and Net of Abatements*



*FY 2016 projected

As Figures 9A and 9B indicate, the loss of property tax dollars as a result of partial abatements is fairly sizeable. Across counties, Eureka County experienced the least impact from partial abatements, at just 1.8 percent. White Pine was the most affected, with a 38.2 percent loss to partial abatements. There is a great deal of variation in between—the mean loss to abatements was 14.2 percent, which means that

[aa] Figure 9A displays all counties but Clark County and Washoe County, while Figure 9B shows only the latter two counties for the purposes of scale.

Clark County and Washoe County were near the average, albeit on either side. For FY 2016, local governments lost $549.4 million in total to partial abatements, and broken out across jurisdiction types, that amounted to a loss of about $220.9 million for schools, $143.9 million for county entities, $69.6 million for cities, $15.5 million for towns, $69.9 million for combined special districts, and $29.6 million for the State.[133]

Property tax revenue has remained relatively flat since FY 2005; in fact, property tax collections statewide have declined 3.5 percent since FY 2007.[134] At the same time, the population has increased by 15.2 percent, employment has increased by 0.8 percent, personal income has increased by 25.3 percent, and K-12 enrollment has increased by 11.8 percent.[135] The implication is that demand for services is moving in the opposite direction from one of the main sources of revenue used to support those services.

To the extent that partial abatements have contributed to this problem, if not created it outright, then a case might be made that the elimination of partial abatements altogether could generate additional revenue for local governments. Tweaking the secondary cap calculations (as AB 43 would have done), or even phasing them out (per SB 425), is unlikely to offer local governmental bodies much relief, given that the primary residential cap was applied in all but one of the last ten fiscal years, and the General Tax Cap varied consistently, if unsystematically, over that time frame; the secondary cap calculation for FY 2017 did not change the overall pattern. Partial abatements have increased and decreased in tandem with property values' rise and fall, which suggests that the current system is working as intended, per the language of AB 489 in 2005.

The question for legislators may center less on whether an incremental change might benefit local governments but on whether partial abatements have outlasted their intended purpose. Legislators must consider whether the proposed change—the elimination of the secondary caps under SB 425 (or even a full phase-out, which has not been proposed but may be the most effective from a revenue-generating standpoint)—would contravene the interests of property owners or constitute an undue burden.

The second question, raised earlier, is whether the proposed legislation would be deleterious to property taxpayers. SB 425 would not effectuate a *de jure* (or actual) increase in property taxes. However, for those property owners who enjoyed a significantly reduced cap in FY 2017, tax bills could rise, though by no more than the primary caps that have been in place since the partial abatements first were enacted. One caveat is that property values may increase for a variety of reasons unrelated to the legislation, such as new construction, reappraisals, inflation, and more, but the primary caps would help mitigate these impacts.[136]

Revision of Partial Abatements. However, while not being proposed, we note here that were the partial abatements to be eliminated entirely, that could place an undue burden on property owners. Partial abatements were instituted in order to guard against the economic hardship imposed on taxpayers as a result of skyrocketing property values. For southern Nevadans, particularly Las Vegas homeowners, property values are on the upswing; median home values in January of 2017 increased about 9.8 percent over the previous January, which is faster than the national average and eighth-fastest of forty metro areas in the nation.[137] Concurrently, Las Vegas's rate of underwater homes remains highest in the nation, and Nevada has the highest percentage of underwater mortgages of all states at 15.3 percent.[138] Underwater homes in Las Vegas tend to be concentrated in minority neighborhoods, as they are nationwide.[139] And of 216 metro areas with at least 200,000 people, in 2016, Las Vegas had the fifteenth-highest rate of repossessions.[140]

Given the current economic climate and the parallels to 2005, legislators should consider whether a change to the partial abatements, even if small in nature, might disproportionately affect both those whose property values are rising and those who are still experiencing fallout from the Great Recession, the latter of which tend to be lower income and people of color. For those at the financial margins, the combination of potential property tax increases and the absence of circuit breakers, could result in a substitution effect away from home ownership to rental housing (or, worse yet, homelessness).

Depreciation. Nevada's use of the cost approach has garnered criticism over the years. According to critics, the split of cash value of land and replacement cost of improvements, less depreciation, has produced a bifurcated system with valuation inequities from property to property.[141] The principal issue is whether it violates the Nevada Constitution's mandate for a uniform and equal rate of assessment and taxation, given that adjacent properties with different age-adjusted improvements, would have dissimilar taxable values in kind.[142]

As noted previously, the constitutional question remains on the table. But legislation introduced in the 77th (2013) Session, AB 26, would have reduced the depreciation rate on the replacement cost of improvements from 1.5 percent per year to 1.0 percent per year.[143] It would not have been applied retroactively. The maximum depreciation percentage would have remained at 75 percent, but the rate of depreciation for the purposes of calculating taxable value would have changed beginning in FY 2014 (that is, for each year that the improvement aged after 2012).[144] As with the partial abatements, supporters argued that the change would bring in critical revenue for local governments, and opponents asserted that it was a tax hike for property owners.[145]

The seemingly conflicting stances were not, in fact, mutually exclusive. Projections for Clark County put forth at the time showed that decreasing the rate of depreciation to 1.0 percent would have resulted in an additional $6.3 million for the county, for a 0.28 percent increase, had it been in place (hypothetically) during FY 2012.[146] At the same time, for an average homeowner in Clark County, the slower rate of depreciation—seventy-five years to reach the maximum, rather than fifty years, as under current law—would have translated into a higher per-year tax liability until the property was depreciated fully.[147]

Legislators again confronted the trade-off between increasing revenue for local governments and potentially causing undue hardship for property owners. Ultimately, no action was taken on AB 26.

Legislation in the 79th (2017) Session, Senate Joint Resolution (SJR) 14, proposes a Constitutional amendment that would change the application of the depreciation factor after the sale or transfer of real property.[148] Under the current system, computation of taxable value relies on the adjusted age of the improvements, irrespective of ownership. SJR 14 would reset the depreciation factor upon the sale or transfer of real property, such that in the first fiscal year after the transaction, the property owner would not be eligible for any adjustments based on the age of the improvements; subsequently, the depreciation percentage would be applied at 1.5 percent, cumulatively, over the life of the property, up to a maximum of fifty years.[149] However, if the property were again sold or transferred, the procedure again would reset. While proponents have asserted that the legislation would help bring in much-needed revenue to pay for services, others have observed that the potential property tax increases would effectively penalize purchasers of used homes.[150] Constitutional amendments require that the legislation pass both chambers by a majority in two consecutive Legislative sessions and then be approved by voters in the following General Election (i.e., November of 2020, were SJR 14 to pass both houses in the 2017 and 2019 Sessions).[151]

A Long-Term Solution?

The term most often deployed to characterize Nevada's property tax system is "complex." The complexity lies not only in its various elements, requirements, and structures, but the fact that each legislative change has been layered atop previous policy interventions, creating a patchwork of existing laws that contradict, rather than buttress one another.[bb] The short-term solutions described above are symptomatic of the problem: they would add new institutional pieces to the system, without consideration of any interaction effects.

Through legislative design, the property tax system is an integrated system, meaning that any change reverberates throughout the whole. This implies that even one alteration can engender a leak somewhere else that eventually needs to be plugged. For example, the most direct change might be a legislatively-approved increase to the statutory cap of $3.64 per $100 of assessed valuation. But an analysis for Clark County shows that a one-cent increase to the county-level cap would generate approximately $6.3 million without abatements and $747,061 with abatements.[152] In practice, this suggests that the tax cap cannot be taken under advisement without first considering the effect of abatements. Similarly, estimates of the impact of a reduction to the rate of depreciation were also hindered by the uncertain influence of abatements, but it was theorized that:

> If property values increase by less than the statutory abatement caps (3%/8%): property tax collections will increase at a more rapid pace than they do today because improved property will depreciate at a slower pace[.] | If property values increase by more than the statutory abatement caps (3%/8%): there will be no impact on property tax collections in the current year; however, the abated amounts will be recovered during periods in which property value declines because improved property depreciating at a slower pace will result in higher rates of property tax abatements than exist today[.][153]

And it is not simply that partial abatements are deterministic in shaping policy solutions. Other policy choices can affect decisions surrounding abatements themselves. Earlier, it was suggested that the confluence of increasing property values and underwater homes might create a series of events whereby no adjustments to the partial abatements would be possible without causing irreparable harm to certain property tax owners. A system of circuit breakers—defined as policies that protect low-income residents, such that "when a property tax bill exceeds a certain percentage of a taxpayer's income, the circuit breaker offsets property taxes in excess of this 'overload' level"—might be necessary to mitigate economic hardship resulting from certain changes to partial abatements.[154] (Nevada had a system of circuit breakers that was established in 1973 and provided tax relief to lower income senior citizens, but

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[bb] Another piece of legislation that would have added a layer to the system was SJR 13, which would have amended the Nevada Constitution "to limit the amount of certain property taxes which may be cumulatively levied per year on real property to 1.25 percent of the base value of the property." See Nevada State Legislature. 79th (2017) Session. "SJR 13, As Introduced." Page 1. Available: https://www.leg.state.nv.us/Session/79th2017/Bills/SJR/SJR13_78.pdf. SJR 13 was enrolled in the 78th (2015) Session but had to be passed by the Legislature in the 79th (2017) Session and then approved by the voters at the 2018 General Election to go into effect, as it was a proposed constitutional amendment. Pursuant to Joint Standing Rule No. 14.3.1, no further action was allowed on SJR 13 as of April 15, 2017. See: Nevada State Legislature. 79th (2017) Session. "SJR 13: Bill History." Available: https://www.leg.state.nv.us/Session/79th2017/Reports/history.cfm?ID=179.

the State eliminated them in 2011 in the face of revenue shortfalls.[cc, 155]) The dynamism of Nevada's property tax system requires that all parts are treated as part of an integrated whole, rather than discrete elements, lest second- and third-order effects produce a feedback loop in which the only constant is the necessity for change.

To that end, this policy brief recommends the formation of a study committee that would reevaluate the property tax system in its entirety. Such a committee should consider all the dimensions of the system as a complete unit, rather than disparate elements in isolation of one another. It should assess the manner in which each policy choice thus far has acted as a band-aid with reverberation effects throughout the system. Moreover, it should acknowledge that any change to the system would be situated in a particular economic context, rather than a vacuum. That would mean cognizance, on the part of committee members, that other revenue-generating sources may only serve to reinforce the structural deficiencies of the system, insofar as they are used to manage the shortfalls that result from an insufficient property tax system. The objective of such a committee would be to restructure the system such that it hews with the principles of a "good" property tax, while providing adequate revenue for local governments' service delivery and ensuring that property owners are treated equitably.

Two pieces of legislation in the 79th (2017) Session—one from each the Assembly and the Senate—propose such studies. ACR 7 would direct the Legislative Commission to appoint a committee to conduct an interim study on property taxes; it designates six legislators to serve on the committee and requires transmittal to the 80th meeting of the Legislature (i.e., in 2019).[156] SB 489 also directs the Legislative Commission to conduct an interim study regarding property taxes and differs from ACR 7 only in the proposed composition of committee members.[157] The establishment of a study committee would put Nevada in good company with other states that have recently reexamined their property tax systems, such as Nebraska, New York, North Dakota, and Vermont, amongst others.[158] If there is any national property tax trend, it is the formation of studies, task forces, and commissions to assess improvements to these systems.[159]

[cc] Along with the change to depreciation, SJR 14 also proposes to amend the Nevada Constitution to provide property tax assistance to senior citizens and persons with disabilities. See: Nevada State Legislature. 79th (2017) Session. "SJR 14, As Introduced." Available: https://www.leg.state.nv.us/Session/79th2017/Bills/SJR/SJR14.pdf.

Appendix A. Significant Features of the Property Tax in U.S. States[dd, 160]

Table A. Significant Features of the Property Tax in U.S. States (2013)

State	Statewide Classification	Assessment by County	Limits on Rate/Levies	Limits on Assessed Value	Circuit Breaker
Alabama	Yes	Yes	Yes	No	No
Alaska	No	No	Yes	No	No
Arizona	Yes	Yes	Yes	Yes	Yes
Arkansas	No	Yes	Yes	Yes	No
California	No	Yes	Yes	Yes	Yes
Colorado	Yes	Yes	Yes	Yes	Yes
Connecticut	No	No	No	Yes	Yes
Delaware	No	Yes	Yes	No	No
District of Columbia	Yes	No	Yes	Yes	Yes
Florida	No	Yes	Yes	Yes	No
Georgia	Yes	Yes	Yes	Yes	No
Hawaii	Yes	Yes	No	No	Yes
Idaho	No	Yes	Yes	No	Yes
Illinois	No	No	Yes	Yes	Yes
Indiana	No	No	Yes	No	No
Iowa	Yes	No	Yes	Yes	Yes
Kansas	Yes	Yes	Yes	No	Yes
Kentucky	Yes	No	Yes	No	No
Louisiana	Yes	Yes	Yes	No	No
Maine	No	No	Yes	No	Yes
Maryland	No	No	No	Yes	Yes
Massachusetts	No	No	Yes	No	Yes
Michigan	No	No	Yes	Yes	Yes
Minnesota	Yes	Yes	Yes	No	Yes
Mississippi	Yes	Yes	Yes	No	No
Missouri	Yes	Yes	Yes	No	Yes
Montana	Yes	No	Yes	Yes	Yes
Nebraska	Yes	Yes	Yes	Yes	Yes
Nevada	**No**	**Yes**	**Yes**	**No**	**No**
New Hampshire	No	No	No	No	Yes
New Jersey	No	No	Yes	No	Yes
New Mexico	Yes	Yes	Yes	Yes	Yes
New York	No	No	Yes	Yes	Yes
North Carolina	Yes	Yes	Yes	No	Yes
North Dakota	Yes	No	Yes	No	Yes
Ohio	No	Yes	Yes	No	No
Oklahoma	No	Yes	Yes	Yes	Yes
Oregon	No	Yes	Yes	Yes	No
Pennsylvania	No	Yes	Yes	No	Yes
Rhode Island	Yes	No	Yes	No	Yes
South Carolina	Yes	Yes	Yes	Yes	No
South Dakota	No	Yes	Yes	No	Yes
Tennessee	Yes	Yes	No	No	No
Texas	No	No	Yes	Yes	No
Utah	Yes	Yes	Yes	No	Yes
Vermont	No	No	No	No	Yes
Virginia	No	No	Yes	No	No
Washington	No	Yes	Yes	No	Yes
West Virginia	Yes	Yes	Yes	No	Yes
Wisconsin	Yes	No	Yes	No	Yes
Wyoming	Yes	Yes	Yes	No	Yes

[dd] States shaded in green are part of the Intermountain West.

Appendix B. Property Tax Burden Maps[161]

Figure B1. Share of Property Tax in Total State and Local Tax Revenue (2014)

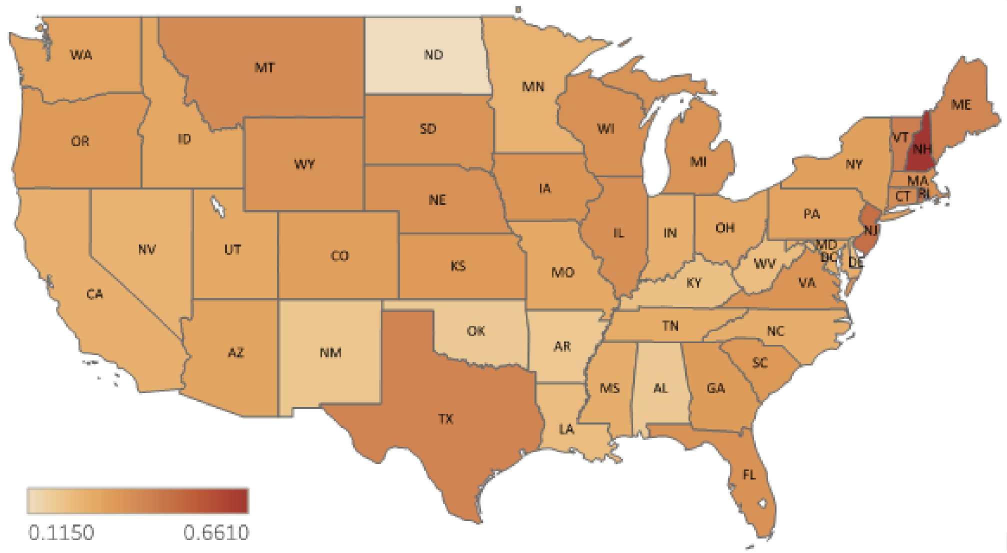
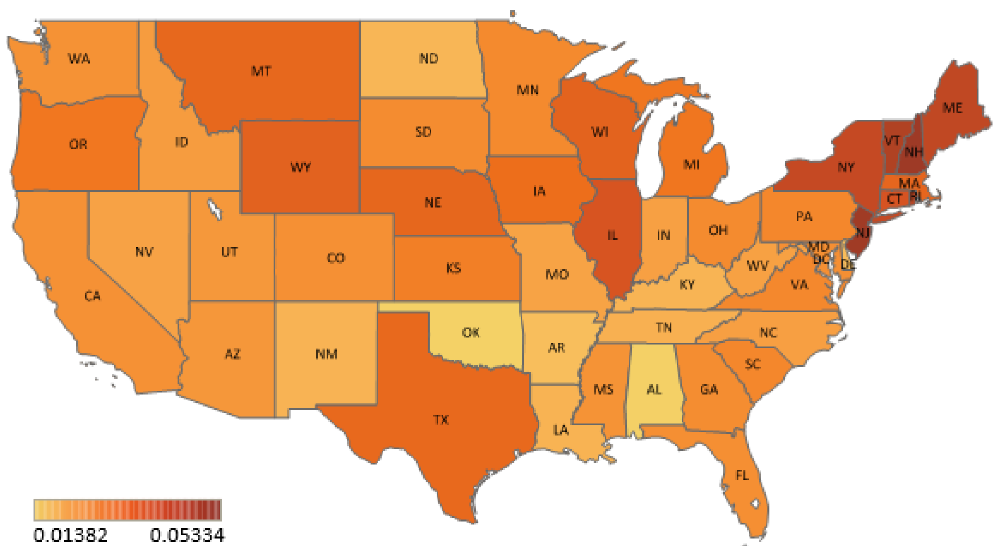
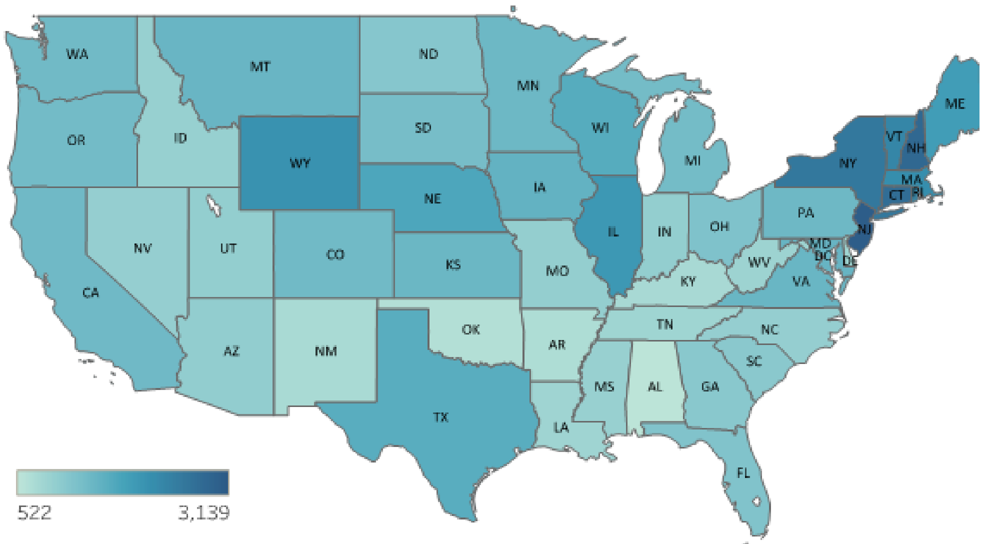


Figure B2. Ratio of Property Tax to State Personal Income (2014)



Appendix B. Property Tax Burden Maps (continued)

Figure B3. Property Tax Revenue Per Capita (2014)



About the Kenny C. Guinn Center for Policy Priorities

The Kenny C. Guinn Center for Policy Priorities is a 501(c)(3) nonprofit, bipartisan, independent research center focused on providing fact-based, relevant, and well-reasoned analysis of critical policy issues facing Nevada and the Intermountain West. The Guinn Center engages policy-makers, experts, and the public with innovative, data-driven research and analysis to advance policy solutions, inform the public debate, and expand public engagement.

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