

**APPROVED REGULATION OF THE
NEVADA TAX COMMISSION**

LCB File No. R036-24

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

AUTHORITY: §§ 1 and 11, NRS 360.090; §§ 2-4, NRS 360.090 and 360.250; § 5, NRS 360.090, 360.250 and 361.227; §§ 6 and 8, NRS 360.090 and 361.4722; § 7, NRS 360.090, 361.4722, 361.4723 and 361.4724; §§ 9 and 10, NRS 360.090 and 361.4734.

A REGULATION relating to taxation; revising provisions relating to the determination of the taxable value of land within a qualified subdivision; revising provisions relating to the partial abatement of property taxes; providing that staff who provide orientation in certain hearings held before the Nevada Tax Commission are staff of the Department of Taxation; repealing various provisions relating to property tax; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law provides methods for determining the taxable value of property and requires the Nevada Tax Commission to establish by regulation the criteria for the valuation of two or more parcels as a subdivision. (NRS 361.227) Existing regulations require the county assessor to use certain information, as he or she deems appropriate, in determining the taxable value of land within a qualified subdivision, including the estimated retail selling price of all parcels in the subdivision which are not sold, rented or occupied, reduced by the percentage specified for the expected absorption period of the parcels. (NAC 361.1295) **Section 5** of this regulation clarifies that the parcels to be used in calculating the estimated retail selling price are all parcels which have not been sold, rented or otherwise occupied.

Existing law provides a partial abatement of the property taxes levied on property for which an assessed valuation has previously been established, a remainder parcel of real property, certain single-family residences which serve as the primary residence of the owner and certain residential rental dwellings. (NRS 361.4722, 361.4723, 361.4724) Existing regulations set forth procedures for claiming the primary residential abatement and the residential rental abatement. (NAC 361.606, 361.607) Existing regulations require a county assessor, before delivering the tax roll to the county tax receiver each year, to determine whether each parcel or other taxable unit of property designated on the tax roll is: (1) eligible for a primary residential abatement; (2) eligible for a residential rental abatement; (3) eligible for a general abatement; or (4) ineligible for any of those partial abatements of property taxes. (NAC 361.6055) **Section 7** of this regulation provides that such a determination is only required for such properties for which a

claim for a primary residential abatement or a residential rental abatement is received. **Section 6** of this regulation defines the term “abatement percentage” for the purposes of provisions relating to the partial abatement of taxes.

Under existing law, if a new parcel or other taxable unit of property is a remainder parcel, the remainder parcel qualifies for a partial abatement of property taxes, and the taxes on the remainder parcel may not increase by more than a certain percentage of the taxes which would have been imposed on the remainder parcel in the immediately preceding fiscal year if an assessed valuation had been separately established for the remainder parcel for the immediately preceding fiscal year. (NRS 361.4722) Existing regulations set forth the manner in which a new parcel is determined to be a remainder parcel that qualifies for a partial abatement of property taxes. Under existing regulations, each new parcel for development must be evaluated to determine whether there has been any change in the use of the property that comprises the parcel. If the use of such property has not changed, the parcel is a remainder parcel and qualifies for the partial abatement of taxes. However, if the use of such property has changed, the parcel is a new parcel for development and does not qualify for a partial abatement of taxes. Existing regulations require a determination that there is a change in the use of the property to be based on certain findings, including a finding that the property was being used as vacant land as of the commencement of the prior year and, as the result of the recording of a subdivision map creating a new commercial or industrial subdivision or the creation of new parcels within such a subdivision, the property is held for commercial or industrial use as of the commencement of the current year. (NAC 361.61034) **Section 8** of this regulation authorizes a determination that there is a change in the use of a property to be based on a finding that the property was being used as vacant land as of the commencement of the prior year and, as the result of the recording of a subdivision map creating new commercial or industrial parcels or the creation of new parcels within a subdivision, the property is held for commercial or industrial use as of the commencement of the current year.

Existing law authorizes a taxpayer who is aggrieved by a determination relating to the applicability of certain partial abatements from taxation to, under certain circumstances, submit a written petition for the review of such a determination to the county assessor or the Department of Taxation, as applicable. Existing law further authorizes a taxpayer who is aggrieved by a decision rendered by the county assessor or the Department in such a review to appeal the decision to the Commission. (NRS 361.4734) Existing regulations set forth procedures for such appeals to the Commission. (NAC 361.6105-361.61074) Existing regulations provide that the order in which argument will ordinarily be received from the parties in a hearing held before the Commission is: (1) orientation by staff; (2) argument by the petitioner; (3) argument by interveners; (4) argument by any other party; and (5) rebuttal by the petitioner. (NAC 361.6107) Existing regulations define the term “staff” for purposes of such provisions to mean staff of the Department. (NAC 361.61062) **Section 10** of this regulation provides that the staff who provide such orientation are staff of the Department. **Section 11** of this regulation repeals the definition of “staff” which is made duplicative by the changes in **section 10**. **Section 9** of this regulation makes a conforming change to remove a reference to this repealed provision.

Existing law exempts certain property from taxation, including, with certain exceptions, fine art for public display. (NRS 361.068, 361.186) Existing law requires a person claiming such an exemption to make available for educational purposes and not for resale, upon written request and without charge to any public school, private school and parent of a child who receives instruction in a home, one copy of a poster depicting the fine art that the facility has on public

display if such a poster is available for purchase by the public at the time of the request. (NRS 361.068) Existing regulations require, upon the receipt of a request for such a poster, the taxpayer claiming such an exemption to select which poster to provide to the school or parent. (NAC 361.044) **Section 11** repeals this requirement and **section 1** of this regulation makes a conforming change to remove a reference to the repealed provision.

Existing law provides that, with certain exceptions, certain qualified systems that provide heating, cooling or electricity are exempt from taxation for purposes of the assessment of property pursuant to chapter 361 of NRS. (NRS 701A.200) Assembly Bill No. 621, which was enacted during the 2007 Legislative Session, repealed a substantially similar provision of law which provided an exemption from property taxes for any value added to the assessed value of a building by certain qualified systems that provide heating, cooling or electricity. (Section 16, chapter 539, Statutes of Nevada 2007, at page 3389) **Section 11** repeals provisions relating to the valuation of a qualified system and reporting requirements relating to buildings containing such systems. (NAC 361.052-361.058)

Section 11 also repeals provisions: (1) requiring each county assessor of a county to furnish to the Department certain information regarding the appraisal and valuation of property; (2) describing the stock and debt approach to valuing certain property used in the operation of utilities; and (3) providing a method to adjust apportionments to school districts during the fiscal year, as authorized by law before the enactment of Senate Bill No. 543 of the 2019 Legislative Session, which established the Pupil-Centered Funding Plan. **Sections 2-4** of this regulation make conforming changes to remove references to provisions repealed by **section 11**.

Section 1. NAC 361.030 is hereby amended to read as follows:

361.030 As used in NAC 361.030 to ~~361.044,~~ **361.040**, inclusive, unless the context otherwise requires, “fine art for public display” has the meaning ascribed to it in paragraph (b) of subsection 4 of NRS 361.068.

Sec. 2. NAC 361.106 is hereby amended to read as follows:

361.106 As used in NAC 361.106 to ~~361.131,~~ **361.131**, inclusive, unless the context otherwise requires, the words and terms defined in NAC 361.107 to 361.1176, inclusive, have the meanings ascribed to them in those sections.

Sec. 3. NAC 361.1218 is hereby amended to read as follows:

361.1218 For the purposes of carrying out the provisions of NAC 361.106 to ~~361.131,~~ **361.131**, inclusive, a county assessor must determine whether sufficient sales of comparable properties are available based upon:

1. The nature and complexity of the subject property to which the sales are being compared;
2. The degree of homogeneity of elements of comparison between the subject property and the comparable properties;
3. Market conditions; and
4. The reliability of the information regarding each sale from which a credible conclusion may be obtained.

Sec. 4. NAC 361.1285 is hereby amended to read as follows:

361.1285 1. A county assessor shall determine the taxable value of any land and improvements which comprise the community units and common elements of a common-interest community as provided in NAC 361.106 to ~~361.1315,~~ **361.131**, inclusive.

2. When determining the taxable value of a community unit, a county assessor must, in addition to any other adjustments, adjust the sales prices of, or the base lot or comparative unit values derived from, properties which are comparable to the community unit as necessary, based upon verifiable market data, to reflect the unique physical characteristics of the common-interest community and the characteristics of ownership of the community unit, including, without limitation:

(a) The relative location of the community unit within the common-interest community, including, without limitation, the floor level;

(b) The phase of development of the common-interest community within which the community unit is located; and

(c) The nature of and access to the common elements of the common-interest community, including, without limitation, any parking facilities and open-space areas.

3. As used in this section, the words and terms defined in NRS 361.233 have the meanings ascribed to them in that section.

Sec. 5. NAC 361.1295 is hereby amended to read as follows:

361.1295 1. In determining the taxable value of land within a qualified subdivision, the county assessor shall use, as he or she deems appropriate based upon the available information concerning the subdivision:

- (a) The full cash value of the subdivision as vacant land, plus all actual costs of site preparation, including on-site enhancements and off-site enhancements;
- (b) The selling price of any comparable subdivision or group of parcels, adjusting that price as appropriate to reflect differences between the land sold and the land being appraised; or
- (c) The estimated retail selling price of all parcels in the subdivision which ~~are~~ *have* not *been* sold, rented or occupied, reduced by the percentage specified for the expected absorption period of the parcels:

Expected Absorption Period (Years)	Percentage of Reduction
1 - 3.....	20
4 - 6.....	30
7 - 9.....	40
10 or more.....	50

2. The taxable value determined as provided in subsection 1 must be allocated to each parcel in the subdivision which ~~is~~ *has* not *been* sold, rented or occupied according to the size and other characteristics of that parcel.

3. The taxable value of any improvements made within a qualified subdivision must be determined as provided by NRS 361.227.

Sec. 6. NAC 361.6015 is hereby amended to read as follows:

361.6015 “Abatement percentage” ~~has~~ *means, with regard to any property for which* the ~~meaning ascribed~~ *owner thereof is entitled to* ~~fit in~~ *a partial abatement from taxation pursuant to:*

1. Subsection 1 of NRS ~~361.4711~~ 361.4722, the percentage determined pursuant to paragraph (b) of that subsection;

2. Subsection 2 of NRS 361.4722, the percentage determined pursuant to paragraph (b) of that subsection;

3. Subsection 1 of NRS 361.4723, the percentage prescribed by paragraph (b) of that subsection; or

4. Subsection 1 of NRS 361.4724, the percentage prescribed by paragraph (b) of that subsection.

Sec. 7. NAC 361.6055 is hereby amended to read as follows:

361.6055 1. A county assessor shall:

(a) Receive claims for primary residential abatements and residential rental abatements and identify each parcel or other taxable unit of property for which such a claim is received; and

(b) Before delivering the tax roll to the county tax receiver each year, determine whether each parcel or other taxable unit of property designated on the tax roll *for which a claim for a primary residential abatement or a residential rental abatement was received* is:

- (1) Eligible for a primary residential abatement ~~‡~~;
- ~~—(2) Eligible for‡ or~~ a residential rental abatement ~~‡~~, *as applicable*;
- ~~‡(3)~~ (2) Eligible for a general abatement; or
- ~~‡(4)~~ (3) Ineligible for any of those partial abatements of property taxes.

2. A county assessor:

(a) Except as otherwise provided in NRS 361.773, may correct the tax roll not later than June 30 of each year to indicate that a parcel or other taxable unit of property is eligible for a primary residential abatement, a residential rental abatement or a general abatement for that year.

(b) Shall notify the county tax receiver of each claim for a primary residential abatement or residential rental abatement for the current year which the county assessor receives after the tax roll has been delivered to the county tax receiver. The county tax receiver shall process such a claim for a primary residential abatement in accordance with NRS 361.773.

3. A county tax receiver shall calculate and apply the appropriate amount of any:

(a) Primary residential abatement or residential rental abatement to which a parcel or other taxable unit of property is determined to be eligible; and

(b) General abatement, in accordance with the applicable abatement percentage provided by the Department pursuant to NAC 361.605, to which a parcel or other taxable unit of property is determined to be eligible.

4. If a county assessor or county tax receiver determines that a parcel or other taxable unit of property has been erroneously designated as eligible for a primary residential abatement, a

residential rental abatement or a general abatement, the county assessor may appropriately revise that designation and the county tax receiver may transmit an appropriately revised tax bill to the taxpayer. If a change in the designation of any property pursuant to this subsection results in an increase in the liability of the taxpayer for property taxes, the county assessor shall inform the taxpayer of the change in the designation of the property and the reasons for that change.

Sec. 8. NAC 361.61034 is hereby amended to read as follows:

361.61034 1. Each new parcel for development must be separately evaluated to determine whether there has been any change in the use of the property that comprises the parcel.

2. A determination that there is a change in the use of the property must be based on a finding that:

(a) The property was being used as vacant land as of the commencement of the prior year and:

(1) As the result of the recording of a subdivision map creating individual lots for residential development, the property is held for residential use as of the commencement of the current year;

(2) As the result of the recording of a subdivision map creating ~~+~~ new commercial or industrial ~~subdivision~~ *parcels* or the creation of new parcels within ~~such~~ a subdivision, the property is held for commercial or industrial use as of the commencement of the current year; or

(3) As the result of new construction on the parcel sufficient to allow for an identification of the use of the property, the property is in agricultural use, open-space use, residential use, commercial or industrial use, institutional use or recreational use as of the commencement of the current year; or

(b) The use of the property as of the commencement of the current year for agricultural use, open-space use, residential use, commercial or industrial use, institutional use or recreational use is different from the use of the property as of the commencement of the prior year.

3. For the purpose of determining whether there has been a change in the use of the property that comprises a new parcel for development that was created from an existing parcel that had more than one use in the prior year, the use of the portion of the existing parcel from which the new parcel for development was created must be determined to be the use of the property that comprises the new parcel for development in the current year.

4. If the use of the property:

(a) Has not changed, the parcel is a remainder parcel.

(b) Has changed, the parcel is a new parcel for development which is not eligible for the partial abatement of taxes provided by subsection 2 of NRS 361.4722.

5. The provisions of this section apply to the determination of whether a new parcel or other taxable unit of property is a remainder parcel for the tax year beginning on July 1, 2015, and each subsequent tax year.

6. As used in this section, “use of the property” means the principal use of the property for one of the following purposes:

(a) Agricultural use;

(b) Open-space use;

(c) Residential use;

(d) Commercial or industrial use;

(e) Institutional use;

(f) Recreational use; or

(g) Use as vacant land.

Sec. 9. NAC 361.6105 is hereby amended to read as follows:

361.6105 As used in NAC 361.6105 to 361.61074, inclusive, unless the context otherwise requires, the words and terms defined in NAC 361.61052 to ~~361.61062,~~ **361.6106**, inclusive, have the meanings ascribed to them in those sections.

Sec. 10. NAC 361.6107 is hereby amended to read as follows:

361.6107 In a hearing held before the Commission pursuant to NAC 361.61068, the order in which argument will ordinarily be received from the parties is:

1. Orientation by staff ~~H~~ ***of the Department;***
2. Argument by the petitioner;
3. Argument by interveners;
4. Argument by any other party; and
5. Rebuttal by the petitioner.

Sec. 11. NAC 361.044, 361.052, 361.054, 361.056, 361.058, 361.1315, 361.150, 361.151, 361.427 and 361.61062 are hereby repealed.

TEXT OF REPEALED SECTIONS

361.044 Provision of poster to school or parent of child who receives in-home instruction. (NRS 360.090, 361.068, 361.186) Upon receiving a request for a poster pursuant

to paragraph (b) of subsection 3 of NRS 361.068, the taxpayer shall select which poster to provide to the school or parent.

361.052 Determination of value added by qualified system. (NRS 360.090, 360.250, 361.079)

1. For the purpose of NRS 361.079, a county assessor may consider value added by a qualified system as the difference between the cost of the building with the qualified system and the cost of a building constructed in a conventional manner without a qualified system and put to the same or a similar use. For example, a building of masonry construction used to provide solar energy may be valued on the basis of frame construction.

2. The value added by that portion of a qualified system which is not used for heating or cooling or to provide electricity or is essential to a conventionally built structure, must be included in the assessed value of the building. For example, a qualified system with an enclosed area for a solarium or sun space that is also used as a limited living area may be valued as an enclosed porch if it facilitates the use of solar energy.

361.054 Form for requesting valuation. (NRS 360.090, 360.250, 361.079) A county assessor may provide an appropriate form for the owner of a building to request the valuation of a qualified system. If an owner does not complete such a form, the owner may not be precluded from appealing the valuation of the building to the county board of equalization.

361.056 Documentation to determine conformity to standards. (NRS 360.090, 360.250, 361.079) A county assessor, a county board of equalization or the State Board of Equalization may require documentation from the owner of a building who has requested the valuation of a qualified system to determine whether it conforms to the standards established by the Department and functions to conserve energy.

361.058 List of buildings with qualified systems. (NRS 360.090, 361.079) On or before April 1 of each year, each county assessor shall submit to the Department for the preceding year a written list of the buildings in his or her county which have qualified systems.

361.1315 Adjustment in apportionment for school district. (NRS 360.090, 360.250, 387.1243)

1. To determine if a school district is eligible to receive an adjustment in apportionment pursuant to subsection 2 of NRS 387.1243, each county assessor shall, on or before March 15 of each year, submit a report to the Department on a form provided by the Department. The report must include the:

(a) Value of all possessory interest of property in the county that is subject to taxation pursuant to NRS 361.157 and 361.159;

(b) Value of such property for the current fiscal year;

(c) Amount of taxes that are due on the property; and

(d) Amount of taxes that have been paid for the current fiscal year.

↪ A copy of the report must be provided to the county treasurer.

2. After receipt of the report required by subsection 1, the Department will verify, in cooperation with the county treasurer, the amount of property taxes paid and the amount of anticipated shortfall in property taxes on any leasehold interest, possessory interest, beneficial interest or beneficial use on property that is owned by the Federal Government and subject to taxation pursuant to NRS 361.157 and 361.159. On or before April 15 of the year in which the taxes are due, the Department will provide certification of the amount of such anticipated shortfall to the Department of Education.

3. If the delinquent taxes are paid after the report required by subsection 1 is made, the county treasurer shall report the date and amount of payment to the Department within 10 days after the payment is made. The Department will report the amount of the payment to the Department of Education to facilitate repayment by the school district in accordance with subsection 2 of NRS 387.1243.

361.150 Report of appraisals by county assessor. (NRS 360.090, 360.250, 361.260)

Each county assessor shall file with the Department on or before April 1 of each year a report which includes:

1. A statement of the appraisals accomplished in the previous year beginning January 1 and ending December 15, including:

- (a) The total number of parcels that were reappraised;
- (b) The total number of parcels with newly constructed improvements to realty, not including additions to existing improvements and newly subdivided parcels that were appraised;
- (c) The total number of all taxable parcels in the county; and
- (d) The areas of the county that were reappraised.

2. A statement of what the county assessor proposes to appraise in the following year, including:

- (a) An estimate of the percentage of all parcels in the county that the proposed reappraisals represent; and
- (b) The areas of the county that the county assessor proposes to reappraise.

3. A list of the areas of appraisal, encompassing all property in the county, which were used in the prior 5-year cycle of reappraisal and a statement of the areas which were appraised in each year of that cycle.

361.151 Statement of valuation of property sold. (NRS 360.090, 360.250, 361.260) On or before April 1 of each year, each county assessor shall furnish to the Department a statement of the valuation of real property which was sold in his or her county in the preceding calendar year. The statement must include:

1. The date of each sale;
2. The parcel number or a description of the real property sold;
3. The sales price; and
4. The method used to verify the sales price.

361.427 Stock and debt approach indicator of value. (NRS 360.090, 361.320)

1. The stock and debt approach proposes a value for the entire firm, but is generally recognized as a less applicable methodology for determining the value of taxable property.
2. The stock and debt indicator is determined by multiplying either the average monthly, quarterly or annual high and low market price quotations, when available, for all the securities which are actively traded in the market place, including common stock, preferred stock and long-term debt, by the number of shares outstanding at the end of the year. Computations of the present worth of income flows may be made to determine values for securities which are not actively traded.
3. The value of the stock of a holding company is apportioned among its operating companies according to the ratio of:
 - (a) Each operating company's property to the aggregate property of all of the operating companies, valued at historical cost and weighted at one-third; and
 - (b) Each operating company's net income before income taxes to the aggregate net income of all of the operating companies, weighted at two-thirds.

↳ For the industry group of rail transportation, the direct deduction method to eliminate nonoperating assets will be used when the information is available and considered applicable.

4. To this amount will be added items such as customer advances for construction which are nontaxable for federal income tax purposes, current liabilities less dividends declared, the present worth of leased property over the period of the lease together with any other items conforming to the theory that if a person were to purchase all the stock and assume all the outstanding liabilities of a company, the person would have acquired all the assets which appear on the asset side of the balance sheet and, therefore, own the company.

5. From this amount will be deducted the market value of all exempt or nonoperating property, including, but not limited to, cash, accounts receivable, notes receivable, miscellaneous investments, temporary investments, nonoperating properties and other current and accrued assets and properties not subject to the ad valorem property tax imposed by NRS 361.315 and 361.320.

361.61062 “Staff” defined. (NRS 360.090, 361.4734) “Staff” has the meaning ascribed to it in NAC 360.040.