

SENATE BILL NO. 425—COMMITTEE ON REVENUE
AND ECONOMIC DEVELOPMENT

MARCH 22, 2017

Referred to Committee on Revenue and
Economic Development

SUMMARY—Revises provisions governing the partial abatement
of taxes levied on certain property. (BDR 32-1008)

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

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

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

Legislative Counsel’s Digest:

1 Existing law provides for a partial abatement of property taxes, which has the
2 effect of establishing an annual cap on increases of property taxes. The formula for
3 calculating the partial abatement provides that the annual cap on increases of property
4 taxes on properties other than certain single-family residences or certain residential
5 rental dwellings is a percentage that is the lesser of: (1) the average percentage change
6 in the assessed valuation of property in the county over the last 10 years or twice the
7 average percentage of increase in the Consumer Price Index for the previous year,
8 whichever is greater; or (2) eight percent. If the application of this formula results in
9 an annual cap on increases of property taxes for a fiscal year that is less than 3
10 percent, the annual cap on increases of property taxes imposed on certain single-
11 family residences and certain residential rental dwellings is equal to the annual cap
12 calculated under that formula. However, if the application of the formula results in an
13 annual cap on increases of property taxes for a fiscal year that is more than 3 percent,
14 the annual cap on increases of property taxes on single-family residences and
15 residential rental properties is 3 percent. (NRS 361.4722-361.4724)

16 **Section 1** of this bill revises the formula for calculating the partial abatement so
17 that: (1) the annual cap on increases of property taxes on single-family residences
18 and certain residential rental property is 3 percent; and (2) the annual cap on
19 increases of the property taxes on all other properties is 8 percent. **Section 4** of this
20 bill provides that the formula for calculating the partial abatement, as revised by
21 **section 1**, applies to the tax year beginning on July 1, 2017, and each succeeding
22 tax year. **Sections 2 and 3** make conforming changes.



* S B 4 2 5 *

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

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

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

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

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

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

26 ↳ whichever is greater; and

27 (b) ~~1A percentage~~ **Eight percent** of the amount determined
28 pursuant to paragraph (a). ~~which is equal to:~~

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

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

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

37 ~~(III) Zero; or~~

38 ~~(2) Eight percent,~~

39 ↳ ~~whichever is less.~~

40 2. Except as otherwise provided in or required to carry out the
41 provisions of NRS 361.4725 to 361.4729, inclusive, the owner of
42 any remainder parcel of real property for which no assessed



1 valuation was separately established for the immediately preceding
2 fiscal year, is entitled to a partial abatement of the ad valorem taxes
3 levied in a county on that property for a fiscal year equal to the
4 amount by which the product of the combined rate of all ad valorem
5 taxes levied in that county on the property for that fiscal year and
6 the amount of the assessed valuation of the property which is
7 taxable in that county for that fiscal year, excluding any amount of
8 that assessed valuation attributable to any improvement to or change
9 in the actual or authorized use of the property that would not have
10 been included in the calculation of the assessed valuation of the
11 property for the immediately preceding fiscal year if an assessed
12 valuation had been separately established for that property for that
13 prior fiscal year, exceeds the sum obtained by adding:

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

15 (1) Which would have been levied in that county on the
16 property for the immediately preceding fiscal year if an assessed
17 valuation had been separately established for that property for that
18 prior fiscal year based upon all the assumptions, costs, values,
19 calculations and other factors and considerations that would have
20 been used for the valuation of that property for that prior fiscal year;
21 or

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

31 ↪ whichever is greater; and

32 (b) ~~1A percentage~~ **Eight percent** of the amount determined
33 pursuant to paragraph (a). ~~which is equal to:~~

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

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

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

42 ~~(III) Zero; or~~

43 ~~(2) Eight percent,~~

44 ↪ ~~whichever is less.~~



1 3. The provisions of subsection 1 do not apply to any property
2 for which the provisions of subsection 1 of NRS 361.4723 or
3 subsection 1 of NRS 361.4724 provide a greater abatement from
4 taxation.

5 4. Except as otherwise required to carry out the provisions of
6 NRS 361.4732 and any regulations adopted pursuant to NRS
7 361.4733, the amount of any reduction in the ad valorem taxes
8 levied in a county for a fiscal year as a result of the application of
9 the provisions of subsections 1 and 2 must be deducted from the
10 amount of ad valorem taxes each taxing entity would otherwise be
11 entitled to receive for that fiscal year in the same proportion as the
12 rate of ad valorem taxes levied in the county on the property by or
13 on behalf of that taxing entity for that fiscal year bears to the
14 combined rate of all ad valorem taxes levied in the county on the
15 property by or on behalf of all taxing entities for that fiscal year.

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

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

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

25 361.4723 The Legislature hereby finds and declares that an
26 increase in the tax bill of the owner of a home by more than 3
27 percent over the tax bill of that homeowner for the previous year
28 constitutes a severe economic hardship within the meaning of
29 subsection 10 of Section 1 of Article 10 of the Nevada Constitution.
30 The Legislature therefore directs a partial abatement of taxes for
31 such homeowners as follows:

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

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



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

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

8 ↪ whichever is greater; and

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

11 2. The provisions of subsection 1 do not apply to any property
12 for which †:

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

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

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

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

35 5. The owner of a single-family residence does not become
36 ineligible for the partial abatement provided pursuant to subsection
37 1 as a result of:

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

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

43 6. For the purposes of this section:

44 (a) “Primary residence of the owner” means a residence which:



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

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

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

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

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

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

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

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

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

22 361.4724 The Legislature hereby finds and declares that many
23 Nevadans who cannot afford to own their own homes would be
24 adversely affected by large unanticipated increases in property
25 taxes, as those tax increases are passed down to renters in the form
26 of rent increases and therefore the benefits of a charitable exemption
27 pursuant to subsection 8 of Section 1 of Article 10 of the Nevada
28 Constitution should be afforded to those Nevadans through an
29 abatement granted to the owners of residential rental dwellings who
30 charge rent that does not exceed affordable housing standards for
31 low-income housing. The Legislature therefore directs a partial
32 abatement of taxes for such owners as follows:

33 1. Except as otherwise provided in or required to carry out the
34 provisions of subsection 2 and NRS 361.4725 to 361.4729,
35 inclusive, if the amount of rent collected from each of the tenants of
36 a residential dwelling does not exceed the fair market rent for the
37 county in which the dwelling is located, as most recently published
38 by the United States Department of Housing and Urban
39 Development, the owner of the dwelling is entitled to a partial
40 abatement of the ad valorem taxes levied in a county on that
41 property for each fiscal year equal to the amount by which the
42 product of the combined rate of all ad valorem taxes levied in that
43 county on the property for that fiscal year and the amount of the
44 assessed valuation of the property which is taxable in that county for
45 that fiscal year, excluding any increase in the assessed valuation of



1 the property from the immediately preceding fiscal year as a result
2 of any improvement to or change in the actual or authorized use of
3 the property, exceeds the sum obtained by adding:

- 4 (a) The amount of all the ad valorem taxes:
5 (1) Levied in that county on the property for the immediately
6 preceding fiscal year; or
7 (2) Which would have been levied in that county on the
8 property for the immediately preceding fiscal year if not for any
9 exemptions from taxation that applied to the property for that prior
10 fiscal year but do not apply to the property for the current fiscal
11 year,

12 ↪ whichever is greater; and

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

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

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

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

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

21 3. Except as otherwise required to carry out the provisions of
22 NRS 361.4732 and any regulations adopted pursuant to NRS
23 361.4733, the amount of any reduction in the ad valorem taxes
24 levied in a county for a fiscal year as a result of the application of
25 the provisions of subsection 1 must be deducted from the amount of
26 ad valorem taxes each taxing entity would otherwise be entitled to
27 receive for that fiscal year in the same proportion as the rate of ad
28 valorem taxes levied in the county on the property by or on behalf of
29 that taxing entity for that fiscal year bears to the combined rate of all
30 ad valorem taxes levied in the county on the property by or on
31 behalf of all taxing entities for that fiscal year.

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

34 **Sec. 4.** The provisions of NRS 361.4722, 361.4723 and
35 361.4724, as amended by sections 1, 2 and 3 of this act,
36 respectively, apply to the tax year which begins on July 1, 2017, and
37 each succeeding tax year.

38 **Sec. 5.** This act becomes effective on July 1, 2017.

