

Mr. May called the meeting to order at 3:00 p.m. with the following members present:

PRESENT: Mr. May
Mrs. Cafferata
Mr. Craddock
Mr. Marvel
Mr. Rusk
Mr. Stewart
Mrs. Westall

ABSENT: Mr. Brady
Mr. Price

EXCUSED: Mr. Coulter
Mr. Bergevin

Mr. May advised the committee that this should be the last review of SB 69 and he has requested Mr. Jim Lien to meet with the committee today and review the bill, as amended and any proposed amendments.

Mr. Lien explained that we have presently about three pages of amendments to SB 69 and are now working on the 6th. reprint. He asked for comments or questions on any portion of the bill.

Mr. May pointed out that there have been questions and concerns expressed about the term "taxable value" and, will it cause any problems with bonding. Also how are we moving to a "taxable value" definition as opposed to a "full cash value" definition that we have used in previous years. Mr. Lien explained that "taxable value" and "full cash value" in some cases could be synonymous and other cases not. The previous concept of full cash value meant basically that we became involved with comparable sales when we appraised improvements. Taxable value now is the valuation that comes out of the combination of using both full cash value and replacement costs in determining value of a property. In other words, when we are talking about land we are really still talking about full cash value, that is how we arrive at a value, but when we talk about improvements to it, we are talking about a different process. We then arrive at what we call "taxable value" which is normally less than full cash value because we do not use the comparable sales approach. On the question of bonding, we previously talked to bonding counsel about the terminology "taxable value" and they felt after we got SB 411 completed, that the statement contained in page 4, line 33 of this bill was satisfactory to them. This indicates that the taxable value was nothing more than full cash value and could never exceed full cash value. Since they now know how you arrive at taxable value, they have felt comfortable that you are not destroying the valuation base. He assured the committee that assessed valuations, basically, will not grow as rapidly as they have in the past and some areas may decline based on the new procedures that have come about. Primarily in depreciation

of improvements where you are now working with actual age instead of effective age. They have slowed down the growth in assessed valuation and this is one of the problems that the bonding houses had is how do they determine and predict what is going to occur 2, 4, or 5 years down the road. No one can really do that at this point in time. They have a problem for the coming year because we are using factors and no one knows what those factors are going to be and won't until the Department of Taxation finishes its field work. He concurred we will probably have a rough year ahead as far as bonding is concerned and, while they get opinions that will approve bonding, it is possible that interest rates will be affected slightly and ratings may be affected for that one or two year interim. They have tried to explain to them as well as everyone else that this process is a 3-year process; factors year 1, factors year 2 (which are better defined) and the third year a new appraisal procedure totally.

Mr. Craddock then asked about the provisions contained on page 4, lines 19 to 23; he stated that's subtracting the completion from the replacement cost and for instance, if we put a building with a 30-year life expectancy in a particular year in which half of the value had been completed, then what. Mr. Lien replied that when you put up a building, you determine the effective life of it is going to be 60 years, then half of it will be gone at approximately 25 years because you always end up with a residual and that residual may be at 20% or 15% but that determination has not been made yet as those tables haven't been established, but there will always be some value.

Mrs. Westall confessed to becoming very nervous at the end of the session when we talk about amending something this extensive, and asked Mr. Lien if he feels fairly comfortable about what we have done. Were there amendments that were much of a substantial nature or were most of the amendments technical. Mr. Lien responded by explaining that most of the changes were technical, however, he is not certain why we included section 325 on utilities with them having to show reductions etc., and feels we will have a problem with it in the bill.

One other area that they had a tremendous amount of problems with was how to handle escrows with the title companies, but they feel they have that taken care of by postponing the conversion for one year and placing them on notice. He added, however, that we have some time frame problems trying to get the work done but basically we have a pretty clean bill to work with.

Mr. May then called attention to line 30, page 4 on "taxable value" where it addresses the issue of personal property

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which could include valuable paintings etc. and asked how those items would be handled insofar as its depreciation or increase in value. Mr. Lien explained that that type of property is not normally appraised but what this is talking about in this section on personal property - when we are appraising personal property in Nevada - we are not normally not talking about what you have in a home, that is, the intangibles. So you are not going to get appraised on those. It is true that other types of things could appreciate in value but what we have done is to continue to appraise personal property and it is now appraised using its original cost. As a result of that, the money you received for it would be much less than if you had received the replacement cost.

Lines 13 down through 15 were brought up by Mr. May who reminded the committee that Orvis Reil has testified on this issue many times and has questioned how that would affect his property. He is aware that this has caused a lot of problems and asked Mr. Lien to go through that area for the committee. Mr. Lien explained that he cannot see where the language that is now in the bill, that is lines 13 through 15 places anyone in any different situation than they did in the prior bill where they actually broke down land into two different categories, i.e., vacant land and improved land. His concern would be, "did I have a home or land which may be used for other purposes and now the assessors or appraisers will now consider the fact that there is a home on it." He doesn't think that this will prevent the assessor from doing exactly what he said he would be doing under the old language and that he is going to have to be looking at the use to which the land is being put when he places a value on it. It does say, "lawfully may be put..." which means if it's vacant land, obviously he is going to have to be looking at the various zoning that affects it, and any other types of legal impediments - moratoriums at the Lake - at the use of the land and area surrounding it. It was felt that by combining those two definitions did not destroy the intent of the definition at all and if you have a home sitting on commercial property, that that had to be taken into consideration that it was a home sitting on commercial property. But remember that land would be valued rather consistently and it's a home which will be valued down to compensate for it being misplaced.

Mr. May pointed out that if ^A~~SJR~~ 27 passes again and the next successive legislature wants to renew this, they could do that at that point. Mr. Lien concurred, adding that at that point, the intent would be to come in and make some type of language changes at some level to handle residential property or owner-occupied property.

In response to a question on page 6, line 36 by Mr. May, Mr. Lien explained that the assessors are required to appraise

the property every year between January and December, but he is only required to have a physical appraisal every five years and he must factor-up all property in the interim years as well. So all property has a valuation change each fiscal year; the Department of Taxation will establish the means by which they will make those interim appraisals. Mr. May added that there had been some complaints on the provision delegating that authority to the Department of Taxation but with the time constraints on us, we were not able to legislate the formula that would be used in that area. Mr. Lien pointed out, as well, that one of the primary reasons for putting that with the Department of Taxation is that it is responsible for overseeing the appraisal system as far as the state is concerned and to make certain that each of the county assessors are going about establishing their factors to use in the interim periods in a consistent manner.

Mr. Rusk then asked if he could give us an idea of what might be projected for the potential increase over and above what the factoring will accomplish in the previous four years; would it be possible for it to range between 4 and 4½% potential per year when the physical appraisal takes place. Mr. Lien stated he would surmise that the factoring process is going to be conservative. On an average you would probably see the difference being something in the range of a 5% increase and the year of the physical, it might be a 10% increase. You have that potentiality also of it being a decrease because if the factors have been inappropriately applied, then the physical appraisal may cause a reduction in the value. Instead of having the massive tax jumps we have been experiencing we can probably expect during the year of the physical appraisal, possibly twice the increase of the prior intervening years.

Mr. Craddock then asked what kind of a problem we were going to run into in the city if the terrain is different within the city and some attempt is made to make up the difference in the tax rate within the city. Mr. Lien explained that you can't change tax rates; all you can do is adjust assessed valuations but you can't change tax rates within a political entity. A political entity can only have one tax rate. In dealing with the problem of taxing the different terrains, that has to do with determining the assessed valuation of property or a full or cash value of the land. If you are using factors for the physical, you are going to be determining what those restrictions are that have taken place and you do that pretty well now.

Mr. May then referred to Page 28, line 3, and asked

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what is the justification for the distribution set forth in that formula; Mr. Lien responded that he was not aware of the justification for the language but he knows it has to do with the interstate movement of motor vehicles, trucks, etc.

Direction was then called to page 32, sections 39, lines 11 through 37 which removes SB 69 from the severability clause which connected it to AB 369 and SB 411. If anything happens in AB 369 and SB 411 the assessment practices bill will stand by itself or, if this is attacked in some manner in court and is ruled inappropriate, the other two bills of the tax package will stand.

A motion was then introduced for a "do pass" by Mr. Marvel, seconded by Mrs. Cafferata and passed by a unanimous vote of those present.

There being no further business the meeting was adjourned.

Respectfully submitted,



Nykki Kinsley, Committee Secretary