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Rost-It™ brand fax transmittal memo 7671		# of pages > 18
To M. DeBraga	From T. Thomas	
Co.	Co.	
Dept.	Phone # 2301	
Fax # 684-8522	Fax # 353-2489	

MEMORANDUM

Date: March 31, 2003

To: Marcia deBraga

From: Terri Thomas, Finance Director

Re: AJR-8 - TESTIMONY IN FAVOR

Thank you for alerting me to the hearing tomorrow on AJR-8, which would initiate the process to amend the Constitution of the State of Nevada to eliminate depreciation of improvements to real property as part of the property tax assessment procedure. **The City of Sparks strongly supports this effort.** While we recognize that successfully amending the Constitution is a long and arduous process, no change can be achieved if we do not make a start.

Sparks attempted to use our single bill draft request in the 2001 session to change state law so that assessed values would be reset (accumulated depreciation would be eliminated) when a property was sold or transferred. The proposal to amend NRS 361.227 was determined to be unconstitutional by the LCB. Subsequently, we requested an opinion from the LCB as to how depreciation could be phased out in a manner that would be constitutionally defensible. We received such an opinion in a March 4, 2002 letter written by William L. Keane of the LCB. The two alternatives discussed by Mr. Keane in his letter were the topic of considerable discussion by the Legislative Committee for Local Government Taxes and Finance and its Technical Advisory Committee. The Committees requested that the Department of Taxation provide an analysis of the assessed value that would be generated in each county should accumulated depreciation be eliminated. The results were made available in August, 2002. Unfortunately, the release of the actual numbers came too late for the Committees to formulate a bill draft request.

Nevertheless, the impacts of depreciating improvements over the past thirty years were shocking and compelling: shocking because fully 20% of the 2002-03 statewide assessed valuation has been lost to the accumulation of depreciation, which erodes values by 1 ½ % per year, and compelling because of the inequity of the impacts from county to county. Relatively young Clark County, for example, has lost 13% of its current assessed value. But the older county, Washoe, has been stripped of 24%. In mining communities like White Pine County, accumulated depreciation balances have eclipsed existing assessed values! It is evident that our existing assessment methodology for real property improvements does not tax according to value, or "ad valorem". It taxes according to age. The irony is that age-based taxation is constitutionally sound, which is to say, "uniform and equal". In Sparks, where we have lost over 40% of our current assessed value, we beg to differ.

ASSEMBLY TAXATION
 DATE: 4/14/03 ROOM: 4100 EXHIBIT ✓
 SUBMITTED BY: Asm Anderson

MEMORANDUM

May 26, 2000

TO: Mayor and Council of the City of Sparks
Shaun D. Carey, P.E., City Manager

FROM: Terri L. Thomas, ^{Finance} Director

RE: Question regarding the impact of depreciation on property tax revenues (posed by John Mayer)

As you know, I have been representing the City of Sparks as an appointee of the Nevada League of Cities on the SB 253 (and its precursor, SCR 40) Technical Advisory Committee (TAC) since 1995. Over the years, the TAC has learned a lot of history and crunched a lot of numbers related to property tax structure in the State of Nevada. I recently sat down to mine my rather significant set of files for information received or provided by the TAC that would be of interest to you.

The first "nugget" I came across is the invaluable summary of important property tax related legislation passed by the Legislature since 1864, prepared by Ted Zuend of the Legislative Counsel Bureau, (Exhibit A). The summary goes through the 1997 session. You'll be interested to know that it was the 1983 session which resulted in AB 232, authorizing a 1.5 percent per year depreciation on the replacement costs of improvements to real property. The legislation took effect in fiscal year 1984-85. The prior session passed a bill (SB 69, 1981) which provided that the Tax Commission develop valuation factors to be used by assessors to help keep property values current between years of reappraisal. The bill also changed assessment practices to require that land be valued at market value, with improvements to be valued based on replacement cost less depreciation. The Tax Commission set depreciation at 2 percent per year for a maximum of 40 years. The actions of the 1981 legislature in passing that bill were later found to be unconstitutional; thus the statutory fix was made in 1983.

The next "nugget" (Exhibit B) I found was an analysis presented to the TAC in July, 1999, which attempted to show the impact of reducing depreciation from 1.5 percent to 1 percent for selected local governments. The analysis used segregation reports filed by the various county assessors to determine the value of property from each year's prior year roll. The idea was to try to isolate property which was being depreciated from new properties placed on the roll each year. Assessed value from new properties added to the roll (through development or annexation) offsets the impact of depreciation on existing properties, as do the "factors" imposed each year on land and

improvements in an effort to maintain assessed values between reappraisals, which must occur at least once every five years. In any year that the factor equals or exceeds 1.5 percent on a combined basis (for land plus improvements), the factor mitigates the depreciation reduction in value.

In the analysis, the column on the left denotes the increase in assessed value of existing property from 1994-95 through 1998-99. The "what if" scenario assumes that depreciation in the before column is 1.5 percent and the after column is 1 percent. The analysis reflects what the change would do both to the tax rate and the ad valorem (property tax) "base" revenue. The TAC was very surprised at the preliminary impact statements results in that base property tax revenues actually declined when the depreciation factor was lowered. That anomalous result was never explained or further analyzed by the TAC. However, the analysis did show that lowering the depreciation factor would slow the so-called "creep" in tax rates. The TAC has been discussing tax rate creep, as many communities are at, over or quickly approaching the \$3.64 statutory cap. Proponents of changing or eliminating the depreciation factor point out the partial relief from rate creep, and that the change is not an attempt to get more revenue. Moreover, the phasing out of depreciation would be a more equitable way of taxing real property. Opponents suspect that the proposal is an attempt to tax at a higher rate (which is what the Nevada Taxpayers Association believes) or that making the change would be difficult on assessors (whose case was made very vocally by the Clark County Assessor). In Exhibit C, provided by Mark Schofield, Clark County Assessor, we see an analysis of an actual assessor parcel which is taxed under a variety of scenarios. The first line shows how taxes are actually calculated. The second line shows the taxes without any of the accumulated depreciation (which was 46.50 percent). Clearly, when the entire "credit" for depreciation is removed in a single transaction, there is an entirely predictable result in the increase in the tax bill. No one has suggested that depreciation be eliminated in one fell swoop. In Exhibit D, the depreciation is phased out in increments of 10 percent per year. The tax burden does rise commensurately in this scenario, which assumes that the tax rate remains unchanged. In theory, however, phasing out of depreciation should slow the growth in tax rates and ultimately lead to more equitable taxation. Because of the inconclusive results of the analysis presented in Exhibit B, and the obvious political ramifications of the results shown in Exhibits C and D, the TAC, with the full cooperation of the SB 253 legislators, simply shelved the issue.

The TAC has also been given historical information on how the assessment ratio of 35 percent was derived. It was set by statute in 1963 based on inequities in assessment practices being followed by various county assessors. There was no particular basis or formula used to derive the 35 percent. It simply evolved as a consensus figure in the legislative process.

Exhibit E is truly the "motherlode" with respect to making a case for Sparks as the most conservative of taxing jurisdictions. The table shows that from 1981-82 through 1997-98, Sparks' tax rate grew by only 39 percent, as opposed to 205 percent for Washoe County and a whopping 444 percent for Reno. More than half of the increase in Sparks' tax rate came from voter approved overrides or bonds, but the same can be said for Washoe County and Reno. Nevertheless, the restraint shown by the City Council is a testament to fiscal conservatism. But it also provides a cautionary tale.....

As shown in Exhibit F, the City of Reno, has made extensive use of tax overrides (as well

as police and maintenance districts for their downtown that are "outside the cap"). The overlapping tax rate in Sparks is presently \$3.3491, which leaves some 29 cents in capacity under the \$3.64 statutory cap. Two tax override questions submitted by the City of Sparks received approval from the Debt Management Commission (DMC) on May 5. They total 11 cents. The County received approval for a park and open space bond issue which would require a debt service rate of about 5 cents. Recently, it came to light that the court bond issue to be presented by the County to the DMC on June 9 could be as much as \$86 million, requiring a rate of about 7 cents. If all the ballot questions were to pass, there could be as little as 6 cents in tax rate left to levy. Sparks (with 7.67 cents) and Washoe County (with 17.14 cents) would not be able to levy their present allowed maximum operating tax rate in the foreseeable future. And, despite the efforts of SB 253, or of the Governor's economic and tax forum, meaningful changes in state law that provide more revenue to local governments, or reduce mandated services or regulations are not likely to come in the near term. As suggested in the foregoing memorandum, the issue of depreciation on real property is not likely to be taken up by the State Legislature any time soon.

Exhibit A

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU
LEGISLATIVE BUILDING
401 S. CARSON STREET
CARSON CITY, NEVADA 89701-4747
Fax No.: (702) 687-5962

LEGISLATIVE COMMISSION (702) 687-6800
RICHARD D. PERKINS, *Assemblyman, Chairman*
Lorne J. Malkiewicz, *Director, Secretary*

INTERIM FINANCE COMMITTEE (702) 687-6821
WILLIAM J. RAGGIO, *Senator, Chairman*
Daniel G. Miles, *Fiscal Analyst*
Mark W. Stevens, *Fiscal Analyst*



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ROBERT E. ERICKSON, *Research Director* (702) 687-6825
BRENDA J. ERDOES, *Legislative Counsel* (702) 687-6830

MEMORANDUM

DATE: November 20, 1997
TO: Chairwoman, Members and Staff
SB 253 Committee and Technical Advisory Committee
FROM: Ted A. Zuend, Deputy Fiscal Analyst TAZ
Fiscal Analysis Division
SUBJECT: History of Property Tax Legislation in Nevada

Attached, as requested at the October 23, 1997, meeting of the SB 253 committee, is a table which shows the history of the most important legislation relating to property taxes in Nevada since 1864.

I trust that this information is helpful to you.

Attachment

History of Important Property Tax Legislation in Nevada since 1864

<u>YEAR</u>	<u>BILL</u>	<u>EFFECT OF LEGISLATION</u>
1864	Constitution	Required the Legislature, among other things, to "provide by law for a uniform and equal rate of assessment and taxation."
1936	SJR 17 (36th session)	As approved by the voters, amended Nevada Constitution to provide for a maximum combined tax rate of 5 cents on each dollar of assessed valuation.
1942	AJR 6 (39th session)	As approved by the voters, amended Nevada Constitution to exempt stock, bonds, mortgages, etc. from property tax.
1960	AJR 10 (48th session)	As approved by the voters, amended Nevada Constitution to exempt property moving through this state or temporarily stored in this state from outside this state to a final destination outside this state from property taxes.
1962	AJR 6 (50th session)	As approved by the voters, amended Nevada Constitution to allow the Legislature to establish a separate tax on motor vehicles in lieu of the property tax.
1963	AB 168	Provided for an assessment rate of 35 percent of taxable value.
1973	SB 31	Provided a state subsidy for property taxes of low-income senior citizens through the Senior Citizens' Property Tax Assistance Act.
1974	AJR 23 (56th session)	As approved by the voters, amended Nevada Constitution to allow the Legislature to provide a separate uniform plan for agricultural and open-space real property.
1978	AJR 21 (58th session)	As approved by the voters, amended Nevada Constitution to require the Legislature to reduce the tax on business inventories by 20 percent per year. Also permitted the Legislature to exempt any other personal property from taxation.
1979	SB 204	Reduced the maximum combined property tax rate to \$3.64 per \$100 of assessed value. This was accomplished by eliminating the county 11 cent property tax rate for Medicaid, the state property tax of 25 cents, and replacing \$1.00 of the school tax rate through additional state appropriations to the distributive school fund (account). Required landlords to pass through any property tax reductions in the form of rent reductions for their tenants. Eliminated the tax on personal property within a home that is owned by the household. Imposed an expenditure cap tied to population growth and inflation on all local governments that receive taxes or license fees.
	SB 77	Pursuant to the 1978 Constitutional amendment, provided for a 20 percent per year reduction with elimination the fifth year of the property tax on business inventories.

History of Important Property Tax Legislation in Nevada since 1864

<u>YEAR</u>	<u>BILL</u>	<u>EFFECT OF LEGISLATION</u>
1981	SB 69	<p>Provided for the application of "multipliers" during 1981-82 and 1982-83 to align the values of various property based on each property's last year of appraisal.</p> <p>Revised assessment practices to require that land be valued at market based on its use. Required improvements to be valued based on replacement cost less depreciation.</p> <p>Provided that the Tax Commission develop valuation factors to be used by the assessors to help keep property values current between years of physical reappraisal.</p> <p>Changed the date the tax lien attaches to property from September of the prior year to July 1 of the year the taxes are due. This had no effect on revenue collections.</p>
	AB 116	<p>Provided that mobile homes first sold prior to July 1, 1982, are to be valued at purchase price less 5 percent per year depreciation, but not below 20 percent of the original amount. New mobile homes sold on or after July 1, 1982, are to be valued by the Tax Commission according to the factors which most closely determine their useful lives.</p>
	SB 411	<p>Repealed the expenditure caps on local governments and replaced them with limitations on property tax, business license fee and permit fee revenue.</p> <p>For fiscal year 1981-82, the combined amount of property tax revenue, excluding debt service, and revenue from a new supplemental city-county relief tax (SCCRT) approved in AB 369 was limited to a maximum of 12 percent more than the ad valorem collected in FY 1980-81. This limit had the effect of substantially reducing property tax rates from the 1980-81 levels because the SCCRT replaced about half of the property tax revenue.</p> <p>For years after FY 1981-82 increases in the combined revenues from property tax and the SCCRT were limited to a combination of inflation and new property added to the tax roll. Also, the growth rate of tax revenues from property on the prior year's tax roll was limited to 4.5 percent each year.</p> <p>Provided several mechanisms to allow local governments to increase property tax revenues when circumstances required additional revenues.</p>
1983	AB 371	<p>Increased the property tax rate for schools from 50 cents to 75 cents per \$100 of assessed valuation. The additional 25 cents was placed within the Nevada Plan formula to directly reduce state support.</p> <p>Imposed during FY 1983-83 and FY 1984-85 a property tax of 5 cents per \$100 of assessed valuation for the state general fund.</p> <p>Provided a trigger to reduce the state property tax if the general fund balance at the end of FY 1983-84 exceeded forecasts by specified amounts. The provision went into effect, and the property tax for FY 1984-85 was reduced to two cents per \$100 of assessed valuation.</p>
	AB 218	<p>Imposed a statewide property tax of 3/4 cent per \$100 of assessed valuation to pay for the hospital care of indigents injured in automobile accidents.</p>
	AB 496	<p>Authorized counties to impose, with voter approval, a property tax of up to 25 cents per \$100 of assessed valuation to support the fund for capital projects of a school district.</p>

History of Important Property Tax Legislation in Nevada since 1864

<u>YEAR</u>	<u>BILL</u>	<u>EFFECT OF LEGISLATION</u>
1983	AB 449	Suspended for FY 1983-84 only the provision that revenue from property on the prior year's tax roll could only increase by 4.5 percent. However, the 4.5 percent was enforced if a petition meeting certain criteria was presented to the governing body seeking higher property taxes.
		Required, beginning in FY 1984-85, that annual increases in the combined property tax and SCCRT revenue limit could reflect only 80 percent of the increase in the Consumer Price Index.
		Increased the combined allowable revenue of certain local governments to better align their revenue base with spending needs. This had the effect of allowing higher property taxes in those entities in all subsequent years.
	AB 232	Instituted, effective for FY 1984-85, a fixed depreciation amount of 1.5 percent per year for 50 years of the replacement cost of improvements to real property.
		Required that the depreciated age of an improvement be adjusted for major remodeling or renovation that amounted to 10 percent or more of the replacement cost of the improvement. Routine maintenance to keep the improvement in good condition was excluded from this requirement.
		Transferred to the county assessors the responsibility for developing the factors to adjust the value of land between years of physical reappraisal.
1985	AB 22	Imposed a state property tax of 2 cents per \$100 of assessed valuation for bond interest and redemption in FY 1985-86 and FY 1986-87.
	AB 422	Imposed a statewide tax of three cents per \$100 of assessed valuation to create local and state funds for medical assistance to indigent persons. Ninety percent of the revenues remain in the county of origin, while the remaining 10 percent go into a state fund to pay extraordinary medical expenses under certain circumstances.
	SB 393	Required the equalization of property tax rates among adjacent unincorporated towns in Clark County.
1987	SB 592	Imposed a state property tax of 4.7 cents per \$100 of assessed valuation in FY 1987-88 and 5.7 cents in FY 1988-89 for bond interest and redemption.
	AB 645	Permanently increased by 5 percent the allowed ad valorem revenue and the maximum combined revenue from property taxes and SCCRT of all local governments.
		Increased to 6 percent the limit on revenue increases from taxes on property on the prior year's tax roll.
		Required that annual increases in the combined property tax and SCCRT revenue limit could reflect 100 percent of the increase in the Consumer Price Index.
	AB 72	Removed revenues from the net proceeds tax from all computations used in determining the revenue caps upon local governments.
	AB 77	Changed the basis for computing the annual allowable increase in ad valorem revenues from the "revenue received" to the "maximum revenue allowable." This provision allowed local governments to reduce taxes in one year without being penalized for that reduction in a subsequent year.

History of Important Property Tax Legislation in Nevada since 1864

<u>YEAR</u>	<u>BILL</u>	<u>EFFECT OF LEGISLATION</u>
1987	SB 56	Limited the duration of redevelopment agencies to 30 years and allowed property to be included within a redevelopment area only once every 50 years.
	AB 660	Limited the total amount of revenue paid to a redevelopment agency to 10 percent of the total combined property tax revenue of all local governments within a municipality whose population is 100,000 or more and to 15 percent within all other municipalities.
	AB 660	Increased the maximum property tax levy to support the fund for capital projects of a school district to 35 cents per \$100 of assessed valuation in a district with 25,000 or more students and to 50 cents in all other districts.
1989	SJR 22 (64th session)	As approved by the voters, removed the net proceeds tax from the uniform and equal provisions of article 10, section 1 of the Nevada Constitution. Provided for a tax of up to 5 percent on the net proceeds of minerals and required that local governments receive a share of the tax equal to the amount of revenue that would have been raised through their property tax rates.
	SB 61	Provided for a tax on net proceeds of from 2 to 5 percent depending upon the ratio of net proceeds to gross yield of the mine. Provided for a tax of five percent on all royalties.
	SB 770	Imposed a tax of 5 percent on all mines with more than \$4 million of net proceeds during the calendar year.
	AB 45	Increased the statewide property tax for the medical care of indigents injured in automobile accidents to 1.5 cents per \$100 of assessed valuation. Increased the statewide property tax for the medical care of indigents to 6 cents per \$100 of assessed valuation. Authorized an additional county optional property tax of up to 4 cents per \$100 of assessed valuation to provide medical care to indigent persons.
	AB 801	Eliminated the cap on the combined revenue of local governments from property taxes and SCCRT. Provided a mechanism for local governments to temporarily increase property tax rates when the statewide estimate of SCCRT revenue falls below a certain threshold. Provided that local governments did not have to reduce property tax rates from one year to another to meet the 6 percent revenue limitation. Authorized a county optional property tax levy of up to 5 cents per \$100 of assessed valuation to allow the acquisition of capital assets not usually financed through bonds. The money is distributed among the county, cities and towns based on each government's share of SCCRT revenue.
	AB 276	Allowed any county, city or town whose property tax was less than 15 cents to impose a property tax of 15 cents per \$100 of assessed valuation.
	AB 961	Imposed a state property tax of 10.1 cents per \$100 of assessed valuation in FY 1989-90 and 11.8 cents in FY 1990-91 for bond interest and redemption.
	AB 25	Provided a mechanism by which one local government can take over the functions of another and receive the property tax revenues that paid for those functions.

History of Important Property Tax Legislation in Nevada since 1864

<u>YEAR</u>	<u>BILL</u>	<u>EFFECT OF LEGISLATION</u>
1991	SB 241	Increased the maximum property tax levy to support the fund for capital projects of a school district to 50 cents per \$100 of assessed valuation in a district with 25,000 or more students and to 75 cents in all other districts.
	AB 86	Allowed a county to impose with voter approval a tax of up to 3 cents per \$100 of assessed valuation for the safety and security of public schools. Authority for the tax was to expire at the end of FY 1994-95.
	AB 104	Allowed Washoe County to permanently increase property taxes to make up for part of the loss of revenue due to the "fair share" redistribution of SCCRT revenue.
	AB 559	Authorized Clark and Washoe counties to impose a property tax of up to 1.92 cents per \$100 of assessed valuation to support family courts in the respective judicial districts.
	AB 337	Required the Department of Taxation to perform various duties regarding the establishment of uniform standards and the training of county assessors to ensure the proper assessment of property.
	AB 826	Imposed a state property tax of 13.7 cents per \$100 of assessed valuation in FY 1991-92 and 14.4 cents in FY 1992-93 for bond interest and redemption.
1993	AB 100	Reduced the rate of the optional property tax for the safety and security of public schools to 2 cents per \$100 of valuation and extended authority for imposition of the tax through FY 1996-97.
	SB 501	Required Washoe County to reduce the property tax to replace redistributed SCCRT revenues by 1.5 cents per \$100 of assessed valuation in FY 1993-94 and 4 cents each year thereafter.
	AB 282	Allowed a county to impose, with voter approval, a tax of up to 15 cents per \$100 of assessed valuation for pay-as-you-go financing of capital needs. The revenue is to be distributed among the county, cities and towns based on each government's share of SCCRT revenue.
	AB 735	Revised the manner of assessing the value of a leasehold or possessory interest in real or personal property that is owned by a tax-exempt entity but used by someone that is not tax exempt.
	AB 788	Imposed a state property tax of 15 cents per \$100 of assessed valuation in FY 1993-94 and FY 1994-95 for bond interest and redemption.
	SB 41	Simplified procedures and the qualification requirements for assistance under the Senior Citizens' Property Tax Assistance Program.
	AB 557	Strengthened requirements relating to the issuance of debt by local governments and the authority of the general obligation bond commission in each county to manage the issuance of debt.
1995	AB 272	Streamlined provisions relating to the collection and distribution of taxes on the net proceeds of minerals. Among other things, the measure eliminated the prepayment of net proceeds taxes and required that all mines submit estimates of net proceeds by April 30 of each year to assist local governments in the preparation of budgets for the ensuing fiscal year.
	AB 671	Exempted from taxes personal property purchased by a business that will be consumed during the operation of the business.
	AB 72	Imposed a 20-year limit on the imposition of the optional property tax used to support the fund for capital projects of a school district.

History of Important Property Tax Legislation in Nevada since 1864

<u>YEAR</u>	<u>BILL</u>	<u>EFFECT OF LEGISLATION</u>
1995	AB 738	Imposed a state property tax of 15 cents per \$100 of assessed valuation in FY 1995-96 and FY 1996-97 for bond interest and redemption.
	SB 248	Changed the name of the general obligation bond commission in each county to the debt management commission and expanded the activity of the commission relating to the management of local government debt.
1997	AB 353	Allowed the board of trustees of a school district, with voter approval, to issue general obligation bonds for the next ten years without an election at a level that will not result in an increase in the existing property tax for school debt service.
	AB 644	Allowed county assessors to waive penalties and interest on the payment of delinquent property taxes. Authorized the Tax Commission to exempt personal property from taxation if the cost of collecting the tax exceeds the amount of the taxes. Provides that property only needs to be reappraised rather than physically reappraised every five years.
	SB 375	Clarified the authority of the Tax Commission over the Department of Taxation.
	SB 233	Authorized the Commission on Economic Development to grant an abatement of 50 percent of the personal property taxes of certain new and expanding businesses for a period of 10 years.
	AB 670	Imposed a state property tax of 15 cents per \$100 of assessed valuation in FY 1997-98 and FY 1998-99 for bond interest and redemption.

*Fiscal Analysis Division
Legislative Counsel Bureau
November 20, 1997*

CHANGE IN DEPRECIATION FACTOR
PRELIMINARY IMPACT STATEMENT FOR SELECTED LOCAL GOVERNMENTS

WASHOE COUNTY

WHAT IF:	INCREASE IN ASSESSED VALUE	TAX RATE FACTOR			AD VALOREM BASE REVENUE		
		BEFORE	AFTER	RATE REDUCTION	BEFORE	AFTER	REVENUE REDUCTION
FY 94-95	66,715,214	0.7700	0.7603	0.0097	41,870,967	41,851,148	19,819
FY 95-96	133,764,004	0.7957	0.7767	0.0190	46,643,096	46,568,117	74,979
FY 96-97	201,148,038	0.8120	0.7848	0.0272	52,624,796	52,438,572	186,224
FY 97-98	268,868,992	0.8547	0.8177	0.0370	59,384,750	59,008,579	376,171
FY 98-99	336,928,550	0.8993	0.8526	0.0467	67,451,906	66,819,088	632,818

RENO

WHAT IF:	INCREASE IN ASSESSED VALUE	TAX RATE FACTOR			AD VALOREM BASE REVENUE		
		BEFORE	AFTER	RATE REDUCTION	BEFORE	AFTER	REVENUE REDUCTION
FY 94-95	19,868,638	0.2678	0.2657	0.0021	7,207,860	7,205,765	2,095
FY 95-96	39,836,620	0.2765	0.2725	0.0040	8,007,234	7,999,694	7,540
FY 96-97	59,904,442	0.2898	0.2837	0.0061	9,100,642	9,079,799	20,843
FY 97-98	80,072,602	0.3195	0.3106	0.0089	10,296,424	10,256,093	40,331
FY 98-99	100,341,604	0.3367	0.3253	0.0114	11,798,876	11,726,204	72,672

SPARKS

WHAT IF:	INCREASE IN ASSESSED VALUE	TAX RATE FACTOR			AD VALOREM BASE REVENUE		
		BEFORE	AFTER	RATE REDUCTION	BEFORE	AFTER	REVENUE REDUCTION
FY 94-95	5,274,412	0.4179	0.4153	0.0026	3,655,900	3,655,066	834
FY 95-96	10,575,195	0.4370	0.4318	0.0052	4,058,260	4,055,178	3,082
FY 96-97	15,902,483	0.4234	0.4166	0.0068	4,544,995	4,537,798	7,197
FY 97-98	21,256,407	0.4667	0.4566	0.0101	5,123,654	5,109,377	14,277
FY 98-99	26,637,100	0.4866	0.4740	0.0126	5,905,068	5,877,595	27,473

INCLINE VILLAGE

WHAT IF:	INCREASE IN ASSESSED VALUE	TAX RATE FACTOR			AD VALOREM BASE REVENUE		
		BEFORE	AFTER	RATE REDUCTION	BEFORE	AFTER	REVENUE REDUCTION
FY 94-95	5,584,969	0.0559	0.0554	0.0005	310,762	310,672	90
FY 95-96	11,197,862	0.0557	0.0548	0.0009	344,097	336,719	7,378
FY 96-97	16,838,820	0.0555	0.0530	0.0025	378,267	369,826	8,441
FY 97-98	22,507,983	0.0575	0.0545	0.0030	417,350	407,535	9,815
FY 98-99	28,205,491	0.0513	0.0485	0.0028	454,293	443,242	11,051

Exhibit C

Real Property Tax Analysis
 Single Family Residence built 1967
 Current depreciation is 46.50%
 Tax District 410 - \$2,7460 per \$100 of Assessed
 Assessor Parcel # - 162-12-214-039
 Improvement Classification = Average

Replacement
 Cost - New
 \$105,920

Taxable
 Improvement
 Value
 \$56,670

If artificial 1 1/2 % depreciation is removed.
 \$105,920

Change from Cost to Sales Comparison Approach

\$110,465

Market depreciated improvement and land value included

Cost approach using Marshall Swift Depreciation Table - Avg. Life 55 yr = 36%

\$105,920

\$67,789

If fractional assessment was not used (Tax rate was applied to Taxable Value)

\$105,920

\$56,670

Assessed
 Improvement
 Value
 \$49,830

Taxable
 Land
 Value
 \$21,777

Assessed
 Land
 Value
 \$7,620

Total
 Assessed
 Value
 \$27,450

Total
 Tax
 Dollars
 \$754

\$21,777

\$44,692

\$1,227

\$38,663

\$1,062

\$21,777

\$31,346

\$861

\$21,777

\$78,447

\$754

Single Family Residence built 1967
 Current depreciation is 46.50%
 Tax District 410 - \$2,7460 per \$100 of Assessed
 Assessor Parcel # - 162-12-214-039
 Improvement Classification = Average

Year	Statutory Depreciation	Replacement Cost - New	AB 653 Depreciation	Taxable Improvement Value	Taxable Land Value	Total Assessed Value	Total Tax Dollars
98/99	46.50%	\$105,920	\$49,250	\$56,670	\$21,777	\$27,450	\$754
99/00	48.00%	\$105,920	\$45,757	\$60,163	\$21,777	\$28,679	\$788
00/01	49.50%	\$105,920	\$41,944	\$63,976	\$21,777	\$30,013	\$824
01/02	51.00%	\$105,920	\$37,813	\$68,107	\$21,777	\$31,459	\$864
02/03	52.50%	\$105,920	\$33,365	\$72,555	\$21,777	\$33,016	\$907
03/04	54.00%	\$105,920	\$28,598	\$77,322	\$21,777	\$34,685	\$952
04/05	55.50%	\$105,920	\$23,514	\$82,406	\$21,777	\$36,464	\$1,001
05/06	57.00%	\$105,920	\$18,112	\$87,808	\$21,777	\$38,355	\$1,055
06/07	58.50%	\$105,920	\$12,393	\$93,527	\$21,777	\$40,357	\$1,108
07/08	60.00%	\$105,920	\$6,355	\$99,565	\$21,777	\$42,470	\$1,166

If depreciation is reduced 10% per year - assume no appreciation

4-11

Exhibit E

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
401 S. CARSON STREET
CARSON CITY, NEVADA 89701-4747
Fax No.: (702) 687-5962

RECEIVED

NOV - 5 1997

LEGISLATIVE COMMISSION (702) 687-6800
RICHARD D. PERKINS, *Assemblyman, Chairman*
Lorne J. Malkiewicz, *Director, Secretary*

CITY OF SPARKS
DEPARTMENT OF FINANCE

INTERIM FINANCE COMMITTEE (702) 687-6821
WILLIAM J. RAGGIO, *Senator, Chairman*
Daniel G. Miles, *Fiscal Analyst*
Mark W. Stevens, *Fiscal Analyst*



LORNE J. MALKIEWICH, *Director*
(702) 687-6800

Wm. GARY CREWS, *Legislative Auditor* (702) 687-6815
ROBERT E. ERICKSON, *Research Director* (702) 687-6825
BRENDA J. ERDOES, *Legislative Counsel* (702) 687-6830

MEMORANDUM

DATE: November 3, 1997
TO: Chairwoman and Members
SB 253 Committee and Technical Advisory Committee
FROM: Ted A. Zuend, Deputy Fiscal Analyst *AZ*
Fiscal Analysis Division
SUBJECT: Changes in Property Tax Rates Since Start of Tax Shift

Attached as requested at the October 23, 1997, meeting of the SB 254 committee is a table which details the changes in property tax rates in all counties, cities and school districts and in certain other entities since the implementation of the 1981 "tax shift." The table also provides the increase in the highest combined rate in each of the counties between FY 1981-82 and FY 1997-98. Average increases for counties, cities, school districts and the highest combined rates are detailed at the end of the table.

The table shows that tax rates have increased dramatically since the implementation of the tax shift. Of the \$1.50 increase in the average of the highest combined rates, 40 cents is due to legislatively mandated increases for school support and state debt service.

I trust that this information is helpful to you.

Attachment

Senate Bill No. 253 Committee
Comparison of Property Tax Rates, Selected Entities
FY 1981-82 and FY 1997-98

	<u>FY 1981-82</u>	<u>FY 1997-98</u>	<u>Difference</u>
Carson City (average)	0.4303	1.0283	0.5980
Carson City Schools	0.6876	1.3500	0.6624
highest combined	1.6782	2.6609	0.9827
Churchill County	0.3356	0.8766	0.5410
Fallon	0.2541	0.5389	0.2848
Churchill County Schools	0.8630	1.3700	0.5070
highest combined	1.4527	3.0155	1.5628
Clark County	0.4867	0.6785	0.1918
Boulder City	0.1050	0.2007	0.0957
Henderson	0.1330	0.7035	0.5705
Las Vegas	0.5357	0.6771	0.1414
North Las Vegas	0.5049	1.1611	0.6562
Mesquite	0.2221	0.1120	-0.1101
Laughlin	0.1726	0.8416	0.6690
Paradise	0.2226	0.2064	-0.0162
Winchester	0.2326	0.2064	-0.0262
Clark County Schools	1.1796	1.3034	0.1238
highest combined	3.0755	3.4008	0.3253
Douglas County	0.2811	0.5665	0.2854
Gardnerville	0.4119	0.3274	-0.0845
Minden	0.1171	0.3412	0.2241
Tahoe Douglas Fire	0.2754	0.4391	0.1637
Douglas County Schools	0.8860	0.9750	0.0890
highest combined*	2.1388	3.0700	0.9312
Elko County	0.3322	0.8128	0.4806
Carlin	0.3994	1.1583	0.7589
Elko	0.2451	0.5393	0.2942
Wells	0.2266	0.8605	0.6339
West Wendover	0.2851	0.6070	0.3219
Elko County Schools	0.7055	1.5189	0.8134
highest combined	1.5653	3.6400	2.0747
Esmeralda County	1.2271	1.9150	0.6879
Goldfield	0.1412	0.0927	-0.0485
Esmeralda County Schools	0.5000	0.7500	0.2500
highest combined	1.8684	2.9077	1.0393
Eureka County	0.2443	0.7888	0.5445
Eureka	0.0277	0.1577	0.1300
Eureka County Schools	0.5000	0.7500	0.2500
highest combined	0.8378	1.8562	1.0184
Humboldt County	0.3539	0.6375	0.2836
Winnemucca	0.4673	0.9700	0.5027
Humboldt County Schools	0.6590	1.1000	0.4410
highest combined	1.4802	3.2175	1.7373
Lander County	0.4959	1.7380	1.2421
Battle Mountain	0.0000	0.0457	0.0457
Lander County Schools	0.9097	0.9924	0.0827
highest combined	1.5372	3.6400	2.1028

Senate Bill No. 253 Committee
Comparison of Property Tax Rates, Selected Entities
FY 1981-82 and FY 1997-98

	<u>FY 1981-82</u>	<u>FY 1997-98</u>	<u>Difference</u>
Lincoln County	0.5766	1.2093	0.6327
Caliente	0.3114	1.0261	0.7147
Pioche	0.2199	0.2683	0.0484
Lincoln County Schools	0.6917	0.9731	0.2814
highest combined	1.8556	3.5810	1.7254
Lyon County	0.4611	0.7269	0.2658
Yerington	0.0000	0.2578	0.2578
Fernley	0.0279	0.1528	0.1249
Lyon County Schools	1.0351	1.5400	0.5049
highest combined	1.5729	3.3296	1.7567
Mineral County	0.5986	1.8663	1.2677
Hawthorne	0.0000	0.0000	0.0000
Mineral County Schools	0.7083	1.3000	0.5917
highest combined	1.3069	3.6400	2.3331
Nye County	0.3582	1.2977	0.9395
Gabbs	0.4277	0.5337	0.1060
Pahrump	0.0450	0.1632	0.1182
Round Mountain	0.0813	0.3164	0.2351
Tonopah	0.0203	0.3393	0.3190
Nye County Schools	1.1468	1.3350	0.1882
highest combined	1.9327	3.6400	1.7073
Pershing County	0.3094	1.2498	0.9404
Lovelock	0.4006	0.6288	0.2282
Pershing County Schools	1.0563	1.2570	0.2007
highest combined	1.7663	3.6392	1.8729
Storey County	0.6273	1.4042	0.7769
Virginia City	0.0000	0.0000	0.0000
Storey County Schools	0.7085	0.7500	0.0415
highest combined	1.3358	2.3042	0.9684
Washoe County	0.4101	1.2495	0.8394
Reno	0.1570	0.8546	0.6976
Sparks	0.5096	0.7071	0.1975
Truckee Meadows Fire	0.1871	0.4813	0.2942
Washoe County Schools	0.7901	1.0985	0.3084
highest combined	2.3290	3.3532	1.0242
White Pine County	0.5391	1.4081	0.8690
Ely	0.2031	0.0880	-0.1151
McGill	0.1650	0.0880	-0.0770
White Pine County Schools	0.5000	1.6005	1.1005
highest combined	1.2544	3.6400	2.3856
<i>*Excludes Round Hill GID</i>			
Average State Rate	= 0.0000	0.1500	0.1500
Average County Rate	= 0.5334	1.2032	0.6698
Average City Rate	= 0.4104	0.7569	0.3465
Average School Rate	= 0.9722	1.3508	0.3786
Average Combined Rate	= 1.9405	3.4433	1.5028



DEPARTMENT OF FINANCE

MEMORANDUM

May 17, 2000

TO: Mayor/Council
City Manager

FROM: Terri Thomas, Finance Director

SUBJECT: Clarification of Reno/Sparks Tax Rate

The tax rate in effect for the City of Reno is as follows:

87 Fire Override	\$.0654
96 Fire Override	.0715
87 Police Override	.1684
Operating Rate	<u>.3725</u>
Rate for the General Fund	.6778
Rate for Street Maintenance (Also an override)	.1168
Rate for Debt Service	<u>.1130</u>
Total Tax Rate	.9076

The street maintenance override question was phrased in such a way that it can be adjusted as the City's debt rate rises or falls so that the combined street and debt rate does not exceed \$.2298.

The tax rate in effect for the City of Sparks is as follows:

General Fund operating rate	\$.5901
1987 Public Safety Override	.1105
Debt rate	<u>.1100</u>
Total Tax Rate	.8106

These tables clearly show how effectively the City of Reno has used tax overrides to get voter support for City services. Reno collects 45 percent of its General Fund operating rate via overrides, while Sparks collects only 16 percent.