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S.B. 197
March 30, 1989

TO: SENATE COMMITTEE ON TAXATION
FROM: FISCAL ANALYSIS DIVISION
SUBJECT: S.B. 197--Revises provisions governing treatment of
assessed valuation of property owned by the state.

Senate Bill 197 addresses a local government concern that occurs when that local government's assessed valuation includes a significant portion (5 percent or more) of exempt state property.

Currently when the state owns or purchases property, that property becomes exempt from ad valorem taxes. Further, that property is removed from the assessed valuation used for calculating the local government's Maximum Allowable Combined Revenue (MACR) and its share of Supplemental City/County Relief Tax (SCCRT). Finally, the property's value would be subtracted from the incremental assessed valuation increase that is used as a tax base for local redevelopment agencies.

The bill addresses the concerns in four ways:

1. The bill provides for a one-time increase in assessed valuation for the purposes of calculating MACR and the SCCRT distribution equal to the value of state exempt property in entities where that property is greater than 5 percent of total.
2. The bill provides that any additional property acquired by the state which becomes state exempt property will not be removed from the assessed value for the purposes of the calculation of MACR or the SCCRT distribution.

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3. It further provides that any land acquired by the state that becomes state exempt property will be removed from the base and not the incremental increase of the assessed valuation used in the funding of redevelopment agencies.
4. Finally, it provides that any other entity in the state that is adversely impacted by the above three steps can impose a one-time tax rate increase to offset the loss that will be rolled into their base for purposes of MACR and the distribution of SCCRT revenues.

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SB-197 SOLVES THIS PROBLEM BY PROVIDING THAT THE ASSESSED VALUE OF PROPERTY ACQUIRED BY THE STATE WILL REDUCE THE ORIGINAL TAX BASE INCLUDED IN THE TAX DISTRICT. THE FOLLOWING IS AN EXAMPLE OF HOW THE DISTRICT WOULD BE PROTECTED IF THE STATE ACQUIRED PROPERTY WITH AN ASSESSED VALUE OF \$1 MILLION.

	<u>BEFORE PURCHASE</u>	<u>AFTER PURCHASE</u>	<u>WITH SB-197</u>
CURRENT ASSESSED VALUE IN DISTRICT	\$10,000,000	\$10,000,000	\$10,000,000
STATE PURCHASE	<u> </u>	<u>1,000,000</u>	<u>1,000,000</u>
	\$10,000,000	9,000,000	9,000,000
ORIGINAL ASSESSED VALUE IN DISTRICT WHEN FORMED	<u>9,000,000</u>	<u>9,000,000</u>	<u>8,000,000</u>
TAX INCREMENT	<u>\$ 1,000,000</u>	<u>-0-</u>	<u>\$1,000,000</u>

WE BELIEVE THAT SB-197 PROVIDES THE BASIS FOR CONTINUED COOPERATION BETWEEN CARSON CITY AND THE STATE.

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