

SENATE BILL NO. 468—COMMITTEE ON TAXATION

(ON BEHALF OF THE LEGISLATIVE COMMITTEE ON LOCAL GOVERNMENT TAXES AND FINANCE)

MARCH 24, 2003

Referred to Committee on Taxation

SUMMARY—Revises limitation on total ad valorem tax levy. (BDR 32-625)

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; decreasing the limitation on the total ad valorem tax levy for all public purposes; exempting certain ad valorem tax levies from that limitation; clarifying the manner in which certain other limitations on ad valorem taxes are calculated; and providing other matters properly relating thereto.

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

- 1 **Section 1.** NRS 361.453 is hereby amended to read as follows:
- 2 361.453 1. Except as otherwise provided in this section and
- 3 NRS 354.705, 354.723 and 450.760, the total ad valorem tax levy
- 4 for all public purposes must not exceed ~~[\$3.64]~~ ***\$3.14*** on each \$100
- 5 of assessed valuation, or a lesser or greater amount fixed by the
- 6 State Board of Examiners if the State Board of Examiners is
- 7 directed by law to fix a lesser or greater amount for that fiscal year.
- 8 2. Any levy imposed by the Legislature for the repayment of
- 9 bonded indebtedness or the operating expenses of the State of
- 10 Nevada and any levy imposed by the board of county
- 11 commissioners pursuant to *subsection 1 of* NRS 387.195 ~~[that is in~~
- 12 ~~excess of 50 cents on each \$100 of assessed valuation of taxable~~
- 13 ~~property within the county]~~ must not be included in calculating the



1 limitation set forth in subsection 1 on the total ad valorem tax levied
 2 within the boundaries of the county, city or unincorporated town . ~~†~~
 3 ~~if, in a county whose population is 40,000 or less, or in a city or~~
 4 ~~unincorporated town located within that county:~~
 5 ~~—(a) The combined tax rate certified by the Nevada Tax~~
 6 ~~Commission was at least \$3.50 on each \$100 of assessed valuation~~
 7 ~~on June 25, 1998;~~
 8 ~~—(b) The governing body of that county, city or unincorporated~~
 9 ~~town proposes to its registered voters an additional levy ad valorem~~
 10 ~~above the total ad valorem tax levy for all public purposes set forth~~
 11 ~~in subsection 1;~~
 12 ~~—(c) The proposal specifies the amount of money to be derived,~~
 13 ~~the purpose for which it is to be expended and the duration of the~~
 14 ~~levy; and~~
 15 ~~—(d) The proposal is approved by a majority of the voters voting~~
 16 ~~on the question at a general election or a special election called for~~
 17 ~~that purpose.~~
 18 ~~—3. The duration of the additional levy ad valorem levied~~
 19 ~~pursuant to subsection 2 must not exceed 5 years. The governing~~
 20 ~~body of the county, city or unincorporated town may discontinue the~~
 21 ~~levy before it expires and may not thereafter reimpose it in whole or~~
 22 ~~in part without following the procedure required for its original~~
 23 ~~imposition set forth in subsection 2.~~
 24 ~~—4. A special election may be held pursuant to subsection 2 only~~
 25 ~~if the governing body of the county, city or unincorporated town~~
 26 ~~determines, by a unanimous vote, that an emergency exists. The~~
 27 ~~determination made by the governing body is conclusive unless it is~~
 28 ~~shown that the governing body acted with fraud or a gross abuse of~~
 29 ~~discretion. An action to challenge the determination made by the~~
 30 ~~governing body must be commenced within 15 days after the~~
 31 ~~governing body’s determination is final. As used in this subsection,~~
 32 ~~“emergency” means any unexpected occurrence or combination of~~
 33 ~~occurrences which requires immediate action by the governing body~~
 34 ~~of the county, city or unincorporated town to prevent or mitigate a~~
 35 ~~substantial financial loss to the county, city or unincorporated town~~
 36 ~~or to enable the governing body to provide an essential service to~~
 37 ~~the residents of the county, city or unincorporated town.]~~

38 **Sec. 2.** NRS 361.4545 is hereby amended to read as follows:
 39 361.4545 1. On or before May 5 of each year or within 5
 40 days after receiving the projections of revenue from the Department,
 41 whichever is later, the ex officio tax receivers shall prepare and
 42 cause to be published in a newspaper of general circulation in their
 43 respective counties, a notice which contains at least the following
 44 information:



- 1 (a) A statement that the notice is not a bill for taxes owed but an
2 informational notice. The notice must state:
- 3 (1) That public hearings will be held on the dates listed in the
4 notice to adopt budgets and tax rates for the fiscal year beginning on
5 July 1;
- 6 (2) That the purpose of the public hearings is to receive
7 opinions from members of the public on the proposed budgets and
8 tax rates before final action is taken thereon; and
- 9 (3) The tax rate to be imposed by the county and each
10 political subdivision within the county for the ensuing fiscal year if
11 the tentative budgets which affect the property in those areas
12 become final budgets.
- 13 (b) A brief description of the limitation imposed by the
14 Legislature on the revenue of the local governments.
- 15 (c) The dates, times and locations of all of the public hearings
16 on the tentative budgets which affect the taxes on property.
- 17 (d) The names and addresses of the county assessor and ex
18 officio tax receiver who may be consulted for further information.
- 19 (e) A brief statement of how property is assessed and how the
20 combined tax rate is determined.
- 21 The notice must be displayed in the format used for news and must
22 be printed on at least one-half of a page of the newspaper.
- 23 2. Each ex officio tax receiver shall prepare and cause to be
24 published in a newspaper of general circulation within the county:
- 25 (a) A notice, displayed in the format used for news and printed
26 in not less than 8-point type, disclosing any increase in the property
27 taxes as a result of any change in the tentative budget.
- 28 (b) A notice, displayed in the format used for advertisements
29 and printed in not less than 8-point type on at least one-quarter of a
30 page of the newspaper, disclosing any amount in cents on each \$100
31 of assessed valuation by which the highest combined tax rate for
32 property in the county exceeds ~~[\$3.64]~~ \$3.14 on each \$100 of
33 assessed valuation.
- 34 These notices must be published within 10 days after the receipt of
35 the information pursuant to NRS 354.596.
- 36 **Sec. 3.** NRS 354.705 is hereby amended to read as follows:
37 354.705 1. As soon as practicable after the Department takes
38 over the management of a local government, the Executive Director
39 shall:
- 40 (a) Determine the total amount of expenditures necessary to
41 allow the local government to perform the basic functions for which
42 it was created;
- 43 (b) Determine the amount of revenue reasonably expected to be
44 available to the local government; and



- 1 (c) Consider any alternative sources of revenue available to the
2 local government.
- 3 2. If the Executive Director determines that the available
4 revenue is not sufficient to provide for the payment of required debt
5 service and operating expenses, he may submit his findings to the
6 Committee who shall review the determinations made by the
7 Executive Director. If the Committee determines that additional
8 revenue is needed, it shall prepare a recommendation to the Nevada
9 Tax Commission as to which one or more of the following
10 additional taxes or charges should be imposed by the local
11 government:
- 12 (a) The levy of a property tax up to a rate which , when
13 combined with all other overlapping rates levied in the State ,
14 *including, without limitation, any levy imposed by the Legislature*
15 *for the repayment of bonded indebtedness or the operating*
16 *expenses of the State of Nevada and any levy imposed by the board*
17 *of county commissioners pursuant to NRS 387.195, does not*
18 exceed \$4.50 on each \$100 of assessed valuation.
- 19 (b) An additional tax on transient lodging at a rate not to exceed
20 1 percent of the gross receipts from the rental of transient lodging
21 within the boundaries of the local government upon all persons in
22 the business of providing lodging. Any such tax must be collected
23 and administered in the same manner as all other taxes on transient
24 lodging are collected by or for the local government.
- 25 (c) Additional service charges appropriate to the local
26 government.
- 27 (d) If the local government is a county or has boundaries that are
28 coterminous with the boundaries of the county:
- 29 (1) An additional tax on the gross receipts from the sale or
30 use of tangible personal property not to exceed one-quarter of 1
31 percent throughout the county. The ordinance imposing any such tax
32 must include provisions in substance which comply with the
33 requirements of subsections 2 to 5, inclusive, of NRS 377A.030.
- 34 (2) An additional governmental services tax of not more than
35 1 cent on each \$1 of valuation of the vehicle for the privilege of
36 operating upon the public streets, roads and highways of the county
37 on each vehicle based in the county except those vehicles exempt
38 from the governmental services tax imposed pursuant to chapter 371
39 of NRS or a vehicle subject to NRS 706.011 to 706.861, inclusive,
40 which is engaged in interstate or intercounty operations. As used in
41 this subparagraph, "based" has the meaning ascribed to it in
42 NRS 482.011.
- 43 3. Upon receipt of the plan from the Committee, a panel
44 consisting of three members of the Nevada Tax Commission
45 appointed by the Nevada Tax Commission and three members of the



1 Committee appointed by the Committee shall hold a public hearing
2 at a location within the boundaries of the local government in which
3 the severe financial emergency exists after giving public notice of
4 the hearing at least 10 days before the date on which the hearing will
5 be held. In addition to the public notice, the panel shall give notice
6 to the governing body of each local government whose jurisdiction
7 overlaps with the jurisdiction of the local government in which the
8 severe financial emergency exists.

9 4. After the public hearing conducted pursuant to subsection 3,
10 the Nevada Tax Commission may adopt the plan as submitted or
11 adopt a revised plan. Any plan adopted pursuant to this section must
12 include the duration for which any new or increased taxes or charges
13 may be collected which must not exceed 5 years.

14 5. Upon adoption of the plan by the Nevada Tax Commission,
15 the local government in which the severe financial emergency exists
16 shall impose or cause to be imposed the additional taxes and charges
17 included in the plan for the duration stated in the plan or until the
18 severe financial emergency has been determined by the Nevada Tax
19 Commission to have ceased to exist.

20 6. The allowed revenue from taxes ad valorem determined
21 pursuant to NRS 354.59811 does not apply to any additional
22 property tax levied pursuant to this section.

23 7. If a plan fails to satisfy the expenses of the local government
24 to the extent expected, the Committee shall report such failure to:

- 25 (a) The county for consideration of absorption of services; or
- 26 (b) If the local government is a county, to the next regular
27 session of the Legislature.

28 **Sec. 4.** NRS 354.723 is hereby amended to read as follows:

29 354.723 1. If the Executive Director determines that a severe
30 financial emergency which exists in a local government under
31 management by the Department is unlikely to cease to exist within 3
32 years, he shall determine:

33 (a) The amount any tax or mandatory assessment levied by the
34 local government must be raised to ensure a balanced budget for the
35 local government; and

36 (b) The manner in which the services provided by the local
37 government must be limited to ensure a balanced budget for the
38 local government,

39 and submit his findings to the Committee.

40 2. The Committee shall review the findings submitted by the
41 Executive Director pursuant to subsection 1. If the Committee
42 determines that the severe financial emergency which exists in the
43 local government is unlikely to cease to exist within 3 years and that
44 the findings made by the Executive Director are appropriate, the
45 Committee shall submit its recommendation to the Nevada Tax



1 Commission. If the Committee determines that the financial
2 emergency is likely to cease to exist within 3 years, that decision is
3 not subject to review by the Nevada Tax Commission.

4 3. The Nevada Tax Commission shall schedule a public
5 hearing within 30 days after the Committee submits its
6 recommendation. The Nevada Tax Commission shall provide public
7 notice of the hearing at least 10 days before the date on which the
8 hearing will be held. The Executive Director shall provide copies of
9 all documents relevant to the recommendation of the Committee to
10 the governing body of the local government in severe financial
11 emergency.

12 4. If, after the public hearing, the Nevada Tax Commission
13 determines that the recommendation of the Committee is
14 appropriate, a question must be submitted to the electors of the local
15 government at the next primary or general municipal election or
16 primary or general state election, as applicable, asking whether the
17 local government should be disincorporated or dissolved. If the
18 electors of the local government do not approve the disincorporation
19 or dissolution of the local government:

20 (a) The maximum ad valorem tax levied within the local
21 government, if any, must be raised to \$5 on each \$100 of assessed
22 valuation;

23 (b) Any other taxes or mandatory assessments levied in the local
24 government, notwithstanding any limitation on those taxes or
25 assessments provided by statute, must be raised in an amount the
26 Nevada Tax Commission determines is necessary to ensure a
27 balanced budget for the local government; and

28 (c) The services provided by the local government must be
29 limited in a manner the Nevada Tax Commission determines is
30 necessary to ensure a balanced budget for the local
31 government.

32 *In calculating the rate of tax required by paragraph (a), any levy*
33 *imposed by the Legislature for the repayment of bonded*
34 *indebtedness or the operating expenses of the State of Nevada and*
35 *any levy imposed by the board of county commissioners pursuant*
36 *to NRS 387.195 must be included.*

37 5. If the electors of the local government approve the
38 disincorporation or dissolution of a local government that is:

39 (a) Created by another local government, ~~it~~ *the local*
40 *government* must be disincorporated or dissolved:

41 (1) Pursuant to the applicable provisions of law; or

42 (2) If there are no specific provisions of law providing for the
43 disincorporation or dissolution of the local government, by
44 the entity that created the local government. If, at the time of the
45 disincorporation or dissolution of the local government pursuant to



1 this paragraph, there are any outstanding loans or bonded
2 indebtedness of the local government, including, without limitation,
3 loans made to the local government by the county in which the local
4 government is located, the taxes for the payment of the bonds or
5 other indebtedness must continue to be levied and collected in the
6 same manner as if the local government had not been
7 disincorporated or dissolved until all outstanding indebtedness is
8 repaid, but for all other purposes the local government shall be
9 deemed disincorporated or dissolved at the time that the entity
10 which created the local government disincorporates or dissolves the
11 local government. Any other liabilities and any remaining assets
12 shall revert to the entity that created the local government which is
13 being disincorporated or dissolved.

14 (b) Created by a special or local act of the Legislature, ~~the~~ *the*
15 *local government* may only be disincorporated or dissolved by
16 the Legislature. The Executive Director shall submit notification of
17 the vote approving the disincorporation or dissolution of the local
18 government to the Director of the Legislative Counsel Bureau for
19 transmittal to the Legislature. At the first opportunity, the
20 Legislature shall consider the question of whether the special or
21 local act will be repealed.

22 (c) Created in any other manner, ~~the~~ *the local government* must
23 be disincorporated or dissolved:

- 24 (1) Pursuant to the applicable provisions of law; or
25 (2) If there are no specific provisions of law providing for the
26 disincorporation or dissolution of the local government, by
27 the governing body of that local government. If, at the time of the
28 disincorporation or dissolution of the local government pursuant to
29 this paragraph, there are any outstanding loans or bonded
30 indebtedness of the local government, including, without limitation,
31 loans made to the local government by the county or counties in
32 which the local government is located, the taxes for the payment of
33 the bonds or other indebtedness must continue to be levied and
34 collected in the same manner as if the local government had not
35 been disincorporated or dissolved until all outstanding indebtedness
36 is repaid, but for all other purposes the local government shall be
37 deemed disincorporated or dissolved at the time that the governing
38 body of the local government disincorporates or dissolves the local
39 government. Except as otherwise provided in this subparagraph, any
40 other liabilities and any remaining assets of the local government
41 shall revert to the board of county commissioners of the county in
42 which the local government is located. If the local government is
43 located in more than one county, the governing body of the local
44 government shall apportion the remaining liabilities and assets



1 among the boards of county commissioners of the counties in which
2 the local government is located.

3 6. Within 10 days after the Nevada Tax Commission makes a
4 determination pursuant to subsection 4, the Executive Director shall
5 notify:

6 (a) The city clerk, if the local government is a city; or

7 (b) The county clerk in all other cases,

8 and provide the clerk with the amount any tax or mandatory
9 assessment levied by the local government must be raised and a
10 description of the manner in which the services provided by the
11 local government must be limited to ensure a balanced budget for
12 the local government.

13 7. After the Executive Director notifies the city clerk or the
14 county clerk, as applicable, pursuant to subsection 6, the clerk shall
15 cause to be published in a newspaper of general circulation that is
16 printed in the local government a notice of the election once in each
17 calendar week for 2 successive calendar weeks by two weekly
18 insertions a week apart, the first publication to be not more than 30
19 days nor less than 22 days next preceding the date of the election. If
20 no newspaper is printed in the local government, publication of the
21 notice of election must be made in a newspaper printed in this state
22 and having a general circulation in the local government.

23 8. The notice required pursuant to subsection 7 must contain
24 the following information:

25 (a) That the Nevada Tax Commission has determined that the
26 severe financial emergency which exists in the local government is
27 unlikely to cease to exist within 3 years;

28 (b) That the question of whether the local government should be
29 disincorporated or dissolved will be submitted to the electors of the
30 local government at the next primary or general municipal election
31 or the next primary or general state election, as applicable; and

32 (c) That if the electors do not approve the disincorporation or
33 dissolution:

34 (1) The maximum ad valorem tax levied within the local
35 government, if any, will be raised to \$5 on each \$100 of assessed
36 valuation;

37 (2) Any taxes or mandatory assessment levied in the local
38 government will be raised to ensure a balanced budget for the local
39 government and the amount by which those taxes or mandatory
40 assessments will be raised; and

41 (3) The services the local government provides will be
42 limited to ensure a balanced budget for the local government and the
43 manner in which those services will be limited.

44 9. If any provisions providing generally for the
45 disincorporation or dissolution of the local government require that



1 the question of disincorporating or dissolving be published or
2 submitted to a vote of the electors of the local government, the
3 publication required by subsection 3 and the election required by
4 subsection 4 satisfy those requirements. If:

5 (a) There is any other conflict between the provisions of this
6 section and any provisions providing generally for the
7 disincorporation or dissolution of a local government; or

8 (b) The provisions providing generally for the disincorporation
9 or dissolution of a local government provide additional rights to
10 protest the disincorporation or dissolution of a local government not
11 provided by this section,

12 the provisions of this section control a disincorporation or
13 dissolution pursuant to this section and any person wishing to
14 protest such a disincorporation or dissolution must proceed in
15 accordance with the provisions of this section.

16 10. As used in this section, "local government" does not
17 include a county, a school district or any agency or department of a
18 county or city which prepares a budget separate from that of the
19 parent political subdivision.

20 **Sec. 5.** NRS 450.760 is hereby amended to read as follows:

21 450.760 In a county whose population is less than 400,000:

22 1. If, after a hearing, the board of county commissioners
23 determines that the dissolution of a hospital district is necessary, the
24 board shall by resolution provide for the dissolution of the hospital
25 district. On and after the filing of the resolution with the county
26 recorder, the hospital district shall be deemed dissolved.

27 2. Before dissolving a hospital district pursuant to subsection 1,
28 the board of county commissioners shall determine whether the
29 proceeds from the taxes currently being levied in the district, if any,
30 for the operation of the hospital and the repayment of debt are
31 sufficient to repay any outstanding obligations of the hospital
32 district within a reasonable period after the dissolution of
33 the district. If there are no taxes currently being levied for the
34 hospital district or the taxes being levied are not sufficient to repay
35 the outstanding obligations of the hospital district within a
36 reasonable period after the dissolution of the district, before
37 dissolving the district pursuant to subsection 1 the board of county
38 commissioners may levy a property tax on all of the taxable
39 property in the district that is sufficient, when combined with any
40 revenue from taxes currently being levied in the district, to repay the
41 outstanding obligations of the hospital district within a reasonable
42 period after the dissolution of the district. The allowed revenue from
43 taxes ad valorem determined pursuant to NRS 354.59811 does not
44 apply to any additional property tax levied pursuant to this
45 subsection. If the hospital district is being managed by the



1 Department of Taxation pursuant to NRS 354.685 to 354.725,
2 inclusive, at the time of dissolution, the rate levied pursuant to this
3 subsection must not be included in the total ad valorem tax levy for
4 the purposes of the application of the limitation in NRS 361.453, but
5 the rate levied , when combined with all other overlapping rates
6 levied in the State , *including, without limitation, any levy imposed*
7 *by the Legislature for the repayment of bonded indebtedness or the*
8 *operating expenses of the State of Nevada and any levy imposed by*
9 *the board of county commissioners pursuant to NRS 387.195,*
10 must not exceed \$4.50 on each \$100 of assessed valuation. The
11 board of county commissioners shall discontinue any rate levied
12 pursuant to this subsection on a date that will ensure that no taxes
13 are collected for this purpose after the outstanding obligations of the
14 hospital district have been paid in full.

15 3. If, at the time of the dissolution of the hospital district, there
16 are any outstanding loans, bonded indebtedness or other obligations
17 of the hospital district, including, without limitation, unpaid
18 obligations to organizations such as the Public Employees'
19 Retirement System, unpaid salaries or unpaid loans made to the
20 hospital district by the county, the taxes being levied in the district
21 at the time of dissolution must continue to be levied and collected in
22 the same manner as if the hospital district had not been dissolved
23 until all outstanding obligations of the district have been paid in full,
24 but for all other purposes the hospital district shall be deemed
25 dissolved from the time the resolution is filed pursuant to
26 subsection 1.

27 4. If the hospital district is being managed by the Department
28 of Taxation pursuant to NRS 354.685 to 354.725, inclusive, at the
29 time of dissolution, the management ceases upon dissolution, but
30 the board of county commissioners shall continue to make such
31 financial reports to the Department of Taxation as the Department
32 deems necessary until all outstanding obligations of the hospital
33 district have been paid in full.

34 5. The property of the dissolved hospital district may be
35 retained by the board of county commissioners for use as a hospital
36 or disposed of in any manner the board deems appropriate. Any
37 proceeds of the sale or other transfer of the property of the dissolved
38 hospital district and any proceeds from taxes which had been levied
39 and received by the hospital district before dissolution, whether
40 levied for operating purposes or for the repayment of debt, must be
41 used by the board of county commissioners to repay any
42 indebtedness of the hospital district.

43 **Sec. 6.** If, before July 1, 2003, the governing body of a county,
44 city or unincorporated town has levied an additional ad valorem tax
45 pursuant to the provisions of subsection 2 of NRS 361.453 and that



- 1 levy does not expire or is not discontinued before July 1, 2003, that
- 2 levy must be included in the calculation of the limitation set forth in
- 3 subsection 1 of NRS 361.453 until it expires.
- 4 **Sec. 7.** This act becomes effective on July 1, 2003.

