



# Analysis of Property Tax Cap Alternatives

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## *Preliminary Overview & Analysis*



# Presentation Overview

- Mechanics
- Preliminary county-level impacts
- Tax incidence considerations



# Mechanics: Property Tax Calculation

**Taxable Value** =  $(\text{Land}_{\text{fcv}} + (\text{Improvements}_{\text{rc}} - \text{Depreciation}))$

**Assessed Value** = Taxable Value \* Assessment Rate

**Tax Liability** = Assessed Value / 100 \* Tax Rate

- **Key Values**

- Depreciation Rate = 1.5% / Year to 25% Residual Value
- Assessment Ratio = 35%
- Rate Caps = \$3.64 and \$5.00



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- Depreciation Rate = 1.5% / Year to 25% Residual Value
- Assessment Ratio = 35%
- Rate Caps = \$3.64 and \$5.00



# Mechanics: Example

	<b>Year 1</b>
Land Value	\$75,000
<i>Plus:</i> Improvement Value	<u>\$150,000</u>
<i>Equals:</i> Taxable Value	225,000
<i>Times:</i> Assessment Ratio	35%
<i>Equals:</i> Assessed Value	\$78,750
<i>Times:</i> Tax Rate	\$3.00 / \$100
<i>Equals:</i> Tax Liability	\$2,362
Effective Tax Rate	1.1%



# Mechanics: Example – *cont.*

	<b>Year 1</b>	<b>Year 2</b>
Land Value	\$75,000	\$150,000
<i>Plus:</i> Improvement Value	<u>\$150,000</u>	<u>\$170,000</u>
<i>Equals:</i> Taxable Value	225,000	320,000
<i>Times:</i> Assessment Ratio	35%	35%
<i>Equals:</i> Assessed Value	\$78,750	\$112,000
<i>Times:</i> Tax Rate	\$3.00 / \$100	\$3.00 / \$100
<i>Equals:</i> Tax Liability	\$2,362	\$3,360
Effective Tax Rate	1.1%	1.1%

# Mechanics: Example – *cont.*

	Year 1	Year 2	Change
Land Value	\$75,000	\$150,000	100.0%
<i>Plus:</i> Improvement Value	<u>\$150,000</u>	<u>\$170,000</u>	<u>13.3%</u>
<i>Equals:</i> Taxable Value	225,000	320,000	42.2%
<i>Times:</i> Assessment Ratio	35%	35%	0.0%
<i>Equals:</i> Assessed Value	<b>\$78,750</b>	<b>\$112,000</b>	<b>42.2%</b>
<i>Times:</i> Tax Rate	\$3.00 / \$100	\$3.00 / \$100	0.0%
<i>Equals:</i> Tax Liability	\$2,362	\$3,360	42.2%
Effective Tax Rate	1.1%	1.1%	



# Mechanics: Capping

- What is capped?
  - Real property existing in its current form in Year 1 and Year 2
- What is outside the cap?
  - Newly constructed properties
  - Subdivided properties
  - Properties with a change in use
  - Properties with a change in exempt status





# Comparative Analysis

- Status Quo
- 6% Cap
- CPI + 2% Cap
- CPI + 1% Cap
- CPI Cap
- 0% Cap (“Effective Freeze”)

# Capping Example – 6%

	Year 1	Year 2	Change
Land Value	\$75,000	\$150,000	100.0%
<i>Plus:</i> Improvement Value	<u>\$150,000</u>	<u>\$170,000</u>	<u>13.3%</u>
<i>Equals:</i> Taxable Value	225,000	320,000	42.2%
<i>Times:</i> Assessment Ratio	35%	35%	0.0%
<i>Equals:</i> Assessed Value	\$78,750	\$112,000	42.2%
<i>Replace:</i> Capping Limitation	--	\$83,475	6.0%
<i>Times:</i> Tax Rate	\$3.00 / \$100	\$3.00 / \$100	0.0%
<i>Equals:</i> Tax Liability	\$2,362	\$2,504	6.0%
Effective Tax Rate:	1.1%	0.78%	

# Capping Example – 0%

	Year 1	Year 2	Change
Land Value	\$75,000	\$150,000	100.0%
<i>Plus:</i> Improvement Value	<u>\$150,000</u>	<u>\$170,000</u>	<u>13.3%</u>
<i>Equals:</i> Taxable Value	225,000	320,000	42.2%
<i>Times:</i> Assessment Ratio	35%	35%	0.0%
<i>Equals:</i> Assessed Value	\$78,750	\$112,000	42.2%
<i>Replace:</i> Capping Limitation	--	\$78,750	0.0%
<i>Times:</i> Tax Rate	\$3.00 / \$100	\$3.00 / \$100	0.0%
<i>Equals:</i> Tax Liability	\$2,362	\$2,362	0.0%
Effective Tax Rate:	1.1%	0.74%	



# Alternative Comparison

	Year 1	Status Quo	6% Cap	CPI + 2% (4.71%)	CPI + 1% (3.71%)	CPI (2.71%)	Freeze (0%)
Land Value	\$ 75,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
<i>Plus:</i> Improvement Value	<u>\$ 150,000</u>	<u>\$ 170,000</u>	<u>\$ 170,000</u>	<u>\$ 170,000</u>	<u>\$ 170,000</u>	<u>\$ 170,000</u>	<u>\$ 170,000</u>
<i>Equals:</i> Taxable Value	\$ 225,000	\$ 320,000	\$ 320,000	\$ 320,000	\$ 320,000	\$ 320,000	\$ 320,000
<i>Times:</i> Assessment Ratio	35%	35%	35%	35%	35%	35%	35%
<i>Equals:</i> Assessed Value	\$ 78,750	\$ 112,000	\$ 83,475	\$ 82,459	\$ 81,672	\$ 80,884	\$ 78,750
<i>Times:</i> Tax Rate	\$3/\$100	\$3/\$100	\$3/\$100	\$3/\$100	\$3/\$100	\$3/\$100	\$3/\$100
<i>Equals:</i> Tax Liability	\$ 2,363	\$ 3,360	\$ 2,504	\$ 2,474	\$ 2,450	\$ 2,427	\$ 2,363
Effective Tax Rate	1.05%	1.05%	0.78%	0.77%	0.77%	0.76%	0.74%



# Preliminary County-level Impacts

Proposal	Total	Carson City	Churchill	Clark	Douglas	Elko	Esmeralda	Eureka
Baseline (05-06)	22.4%	4.7%	7.7%	28.1%	14.7%	3.5%	1.9%	-22.5%
6% Cap	6.3%	1.5%	6.3%	7.6%	1.4%	1.4%	1.2%	-22.7%
CPI + 2% Cap	5.5%	1.0%	6.2%	6.6%	0.7%	1.3%	1.1%	-22.7%
CPI + 1% Cap	4.9%	0.6%	6.1%	5.9%	0.1%	1.2%	1.0%	-22.7%
CPI Cap	4.2%	0.2%	5.9%	5.1%	-0.5%	1.1%	1.0%	-22.7%
0% Freeze	2.1%	-1.1%	5.1%	2.8%	-2.2%	0.5%	0.5%	-22.7%



# Preliminary County-level Impacts

Proposal	Humboldt	Lander	Lincoln	Lyon	Mineral	Nye	Pershing	Storey
Baseline (05-06)	-2.5%	-5.2%	8.5%	3.6%	2.7%	6.7%	-13.3%	-0.5%
6% Cap	-3.6%	-6.4%	2.9%	1.8%	1.3%	1.2%	-13.6%	-2.4%
CPI + 2% Cap	-3.7%	-6.5%	2.8%	1.6%	1.3%	0.8%	-13.6%	-2.6%
CPI +1% Cap	-3.8%	-6.6%	2.6%	1.4%	1.2%	0.5%	-13.6%	-2.7%
CPI Cap	-3.9%	-6.8%	2.4%	1.3%	1.0%	0.1%	-13.6%	-2.9%
0% Freeze	-4.6%	-7.3%	1.4%	0.2%	0.7%	-1.1%	-13.7%	-3.6%

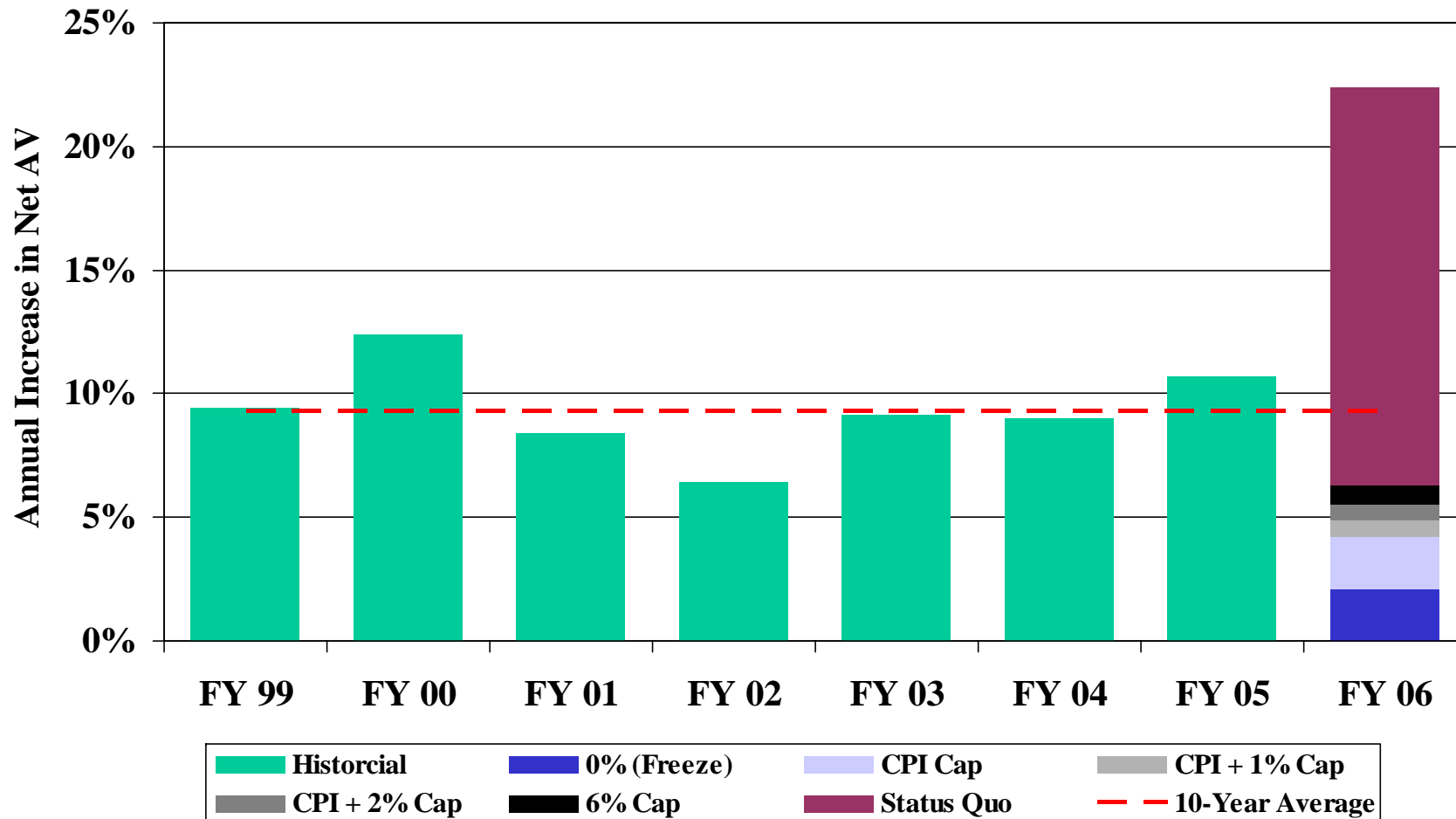


# Preliminary County-level Impacts

Proposal	Washoe	White Pine
Baseline (05-06)	7.0%	4.7%
6% Cap	4.6%	3.1%
CPI + 2% Cap	4.2%	2.9%
CPI +1% Cap	3.8%	2.7%
CPI Cap	3.4%	2.4%
0% Freeze	1.6%	0.8%



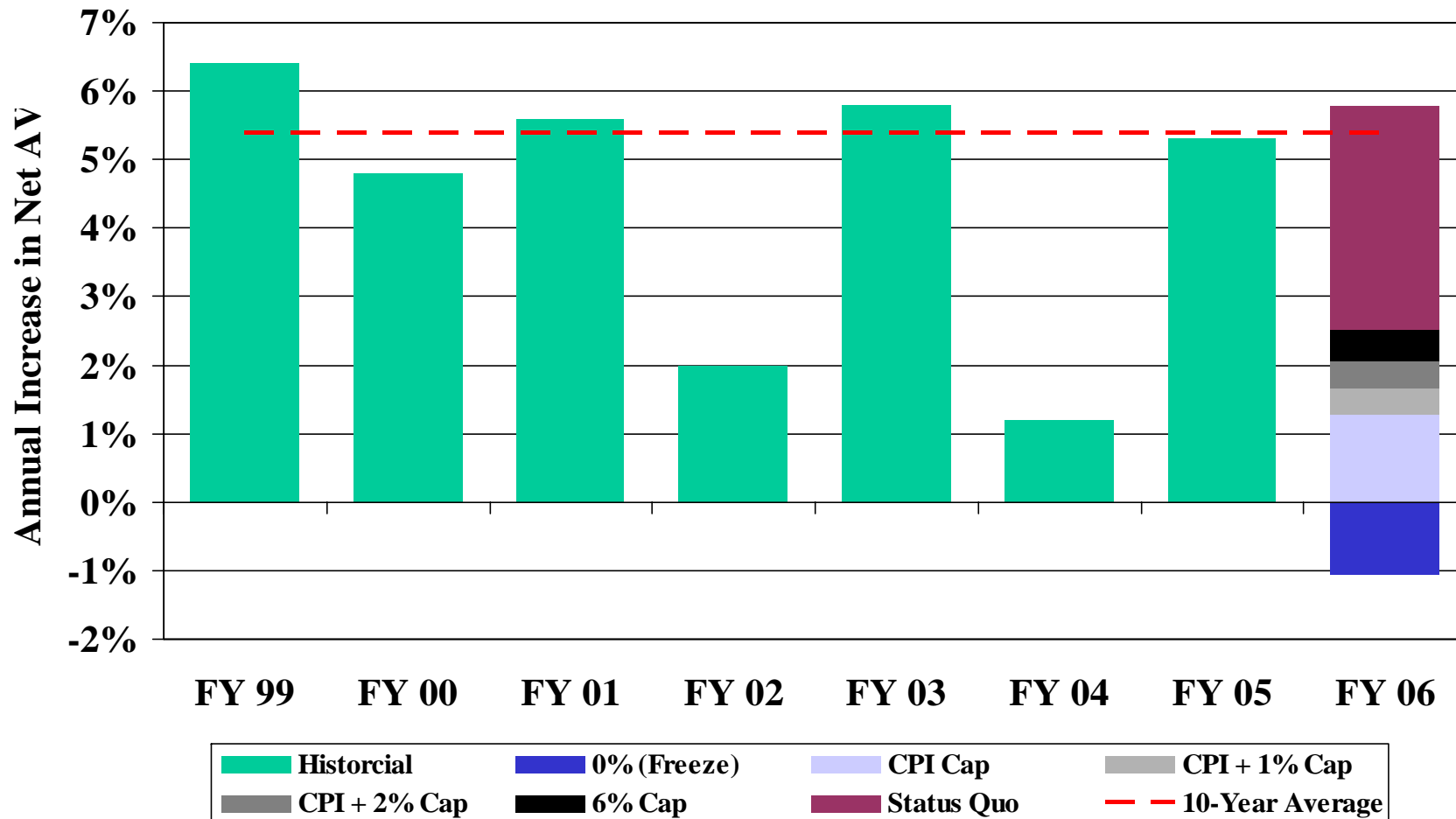
# Growth Analysis: All Counties





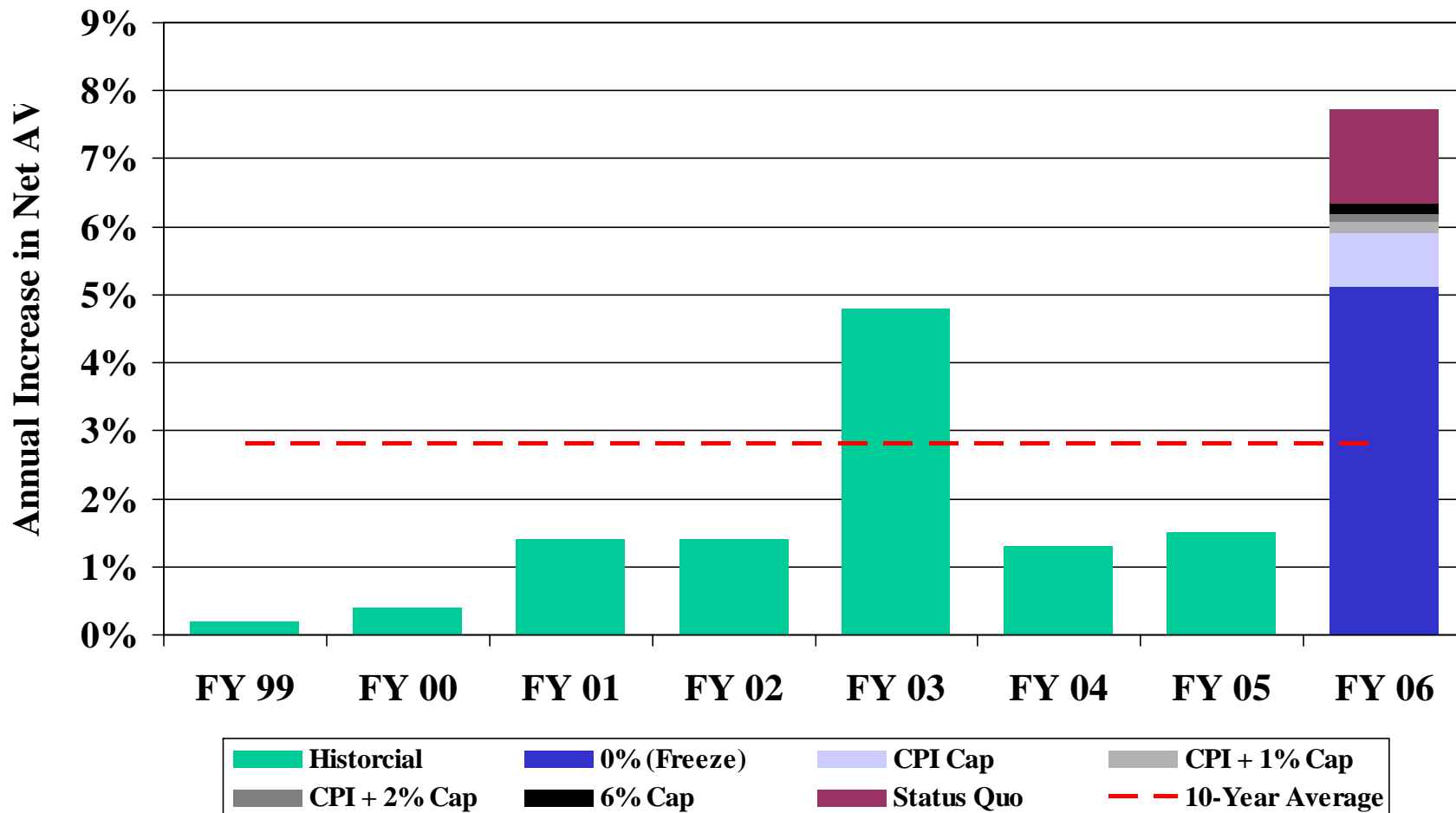


# Growth Analysis: Carson



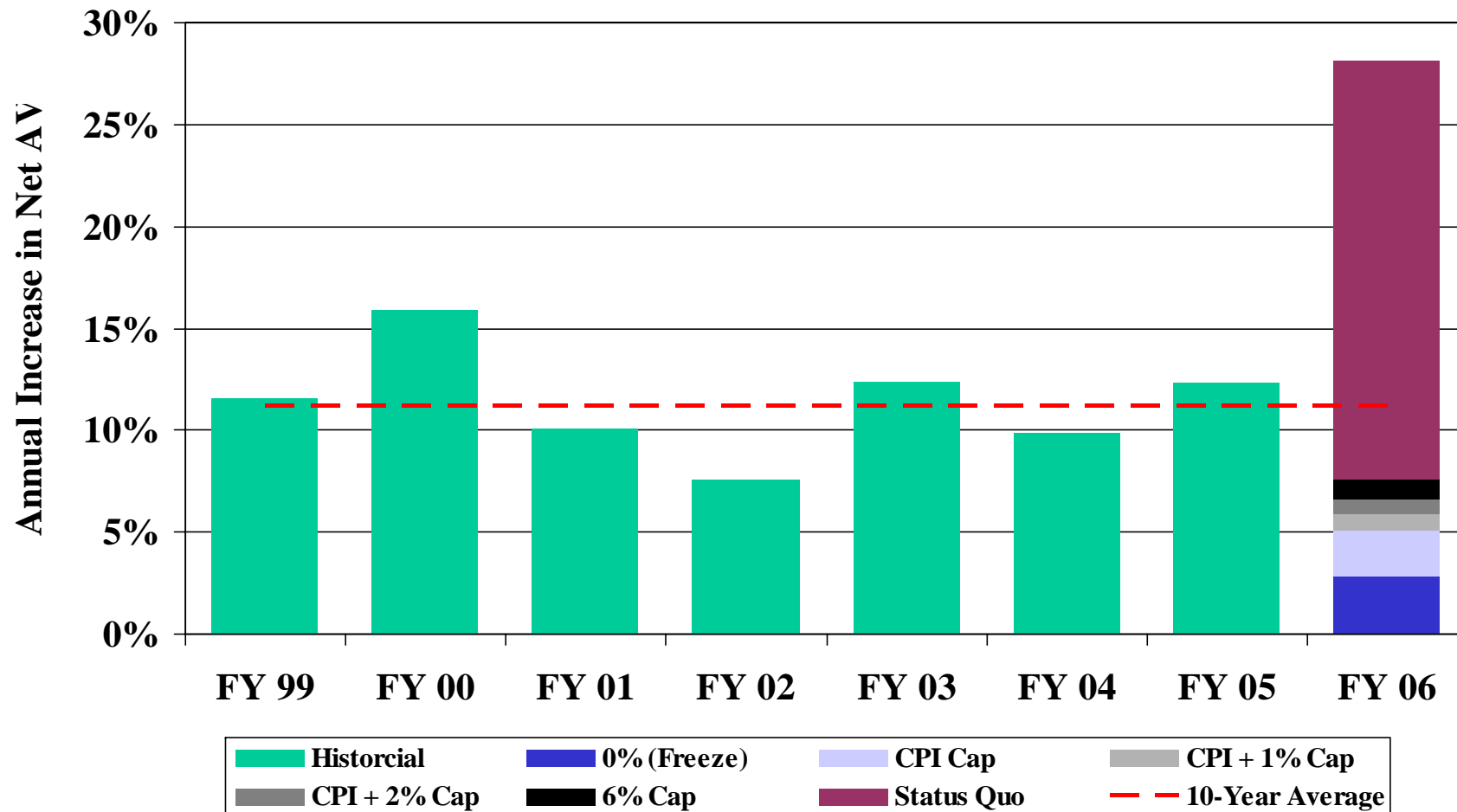


# Growth Analysis: Churchill



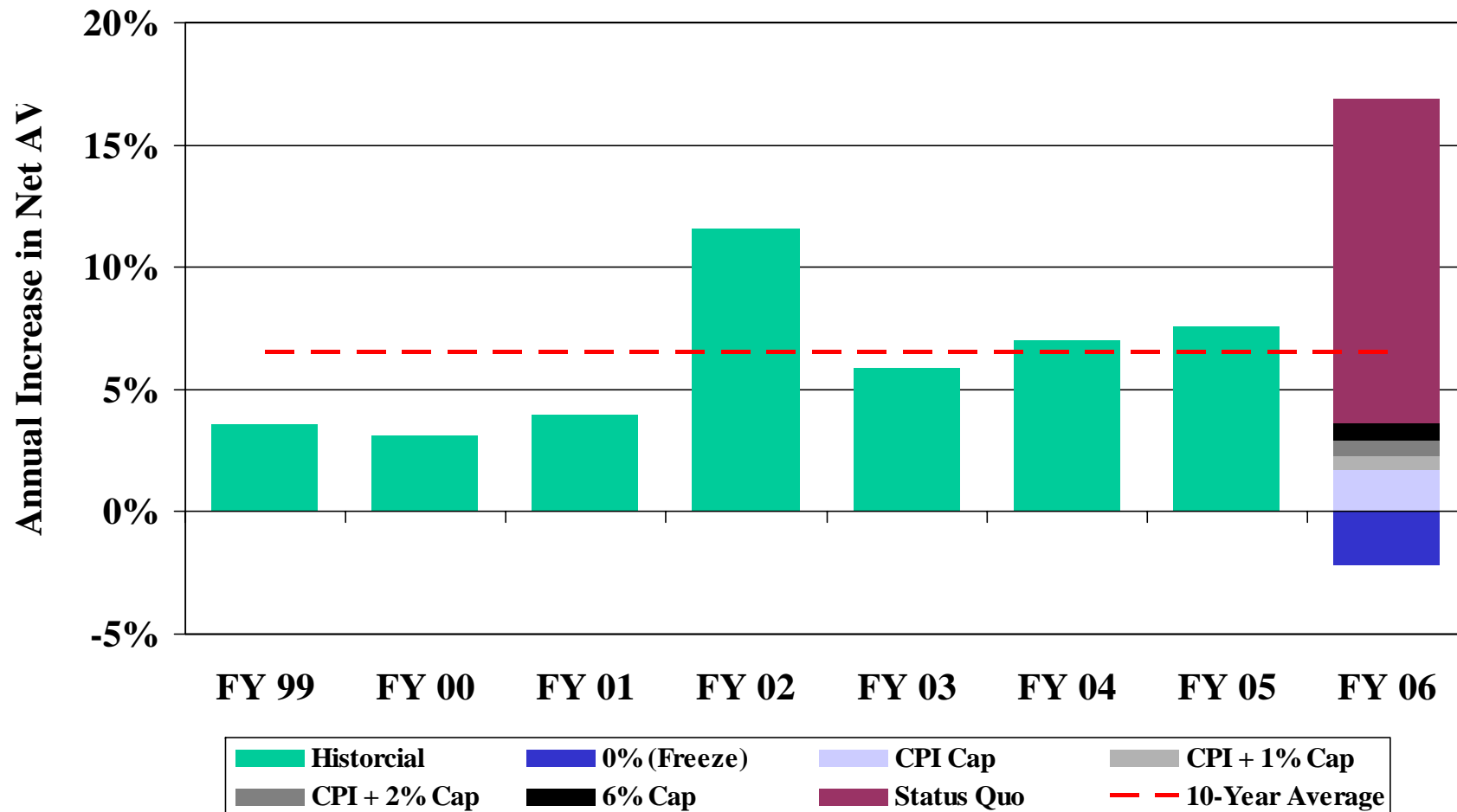


# Growth Analysis: Clark



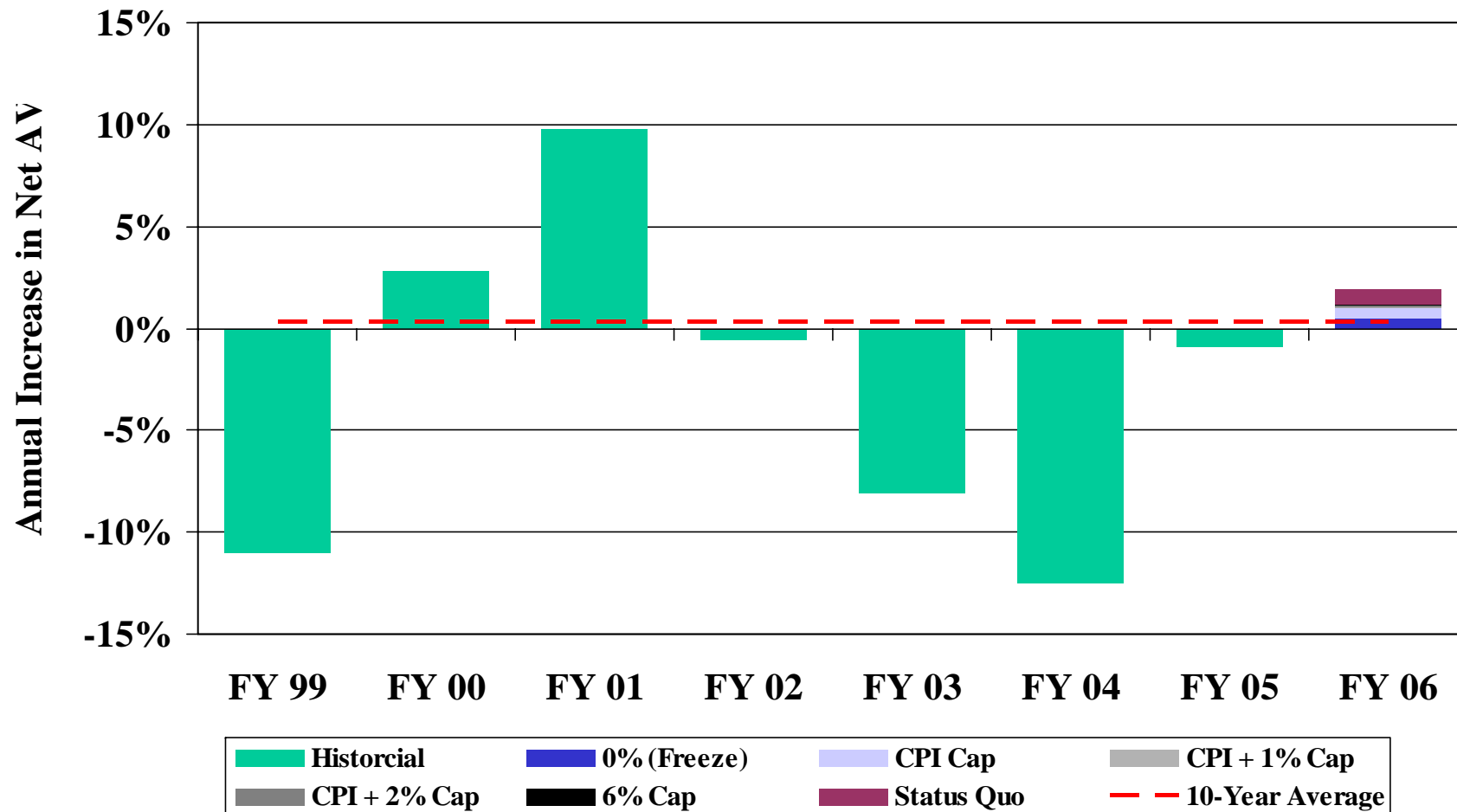


# Growth Analysis: Douglas



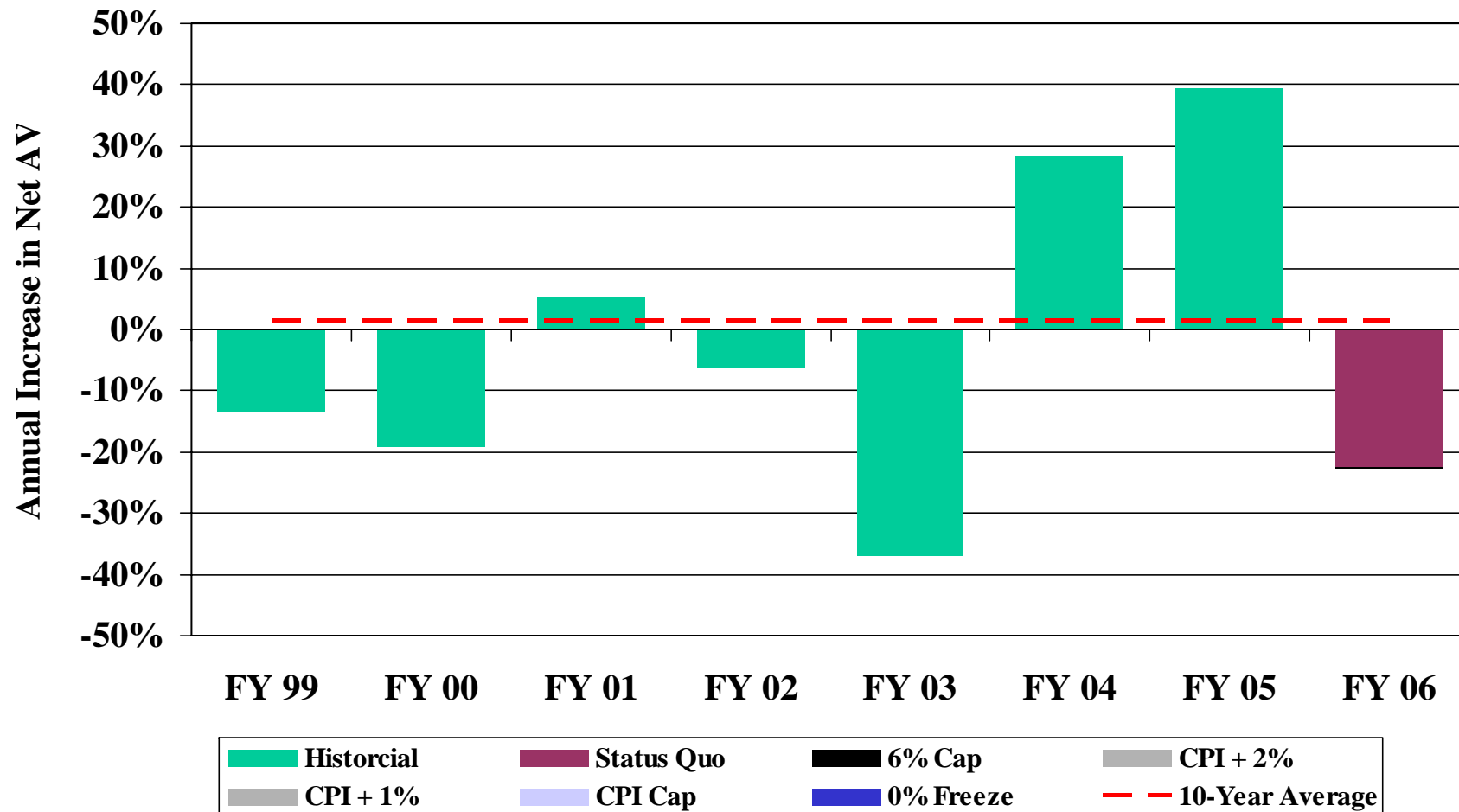


# Growth Analysis: Esmeralda



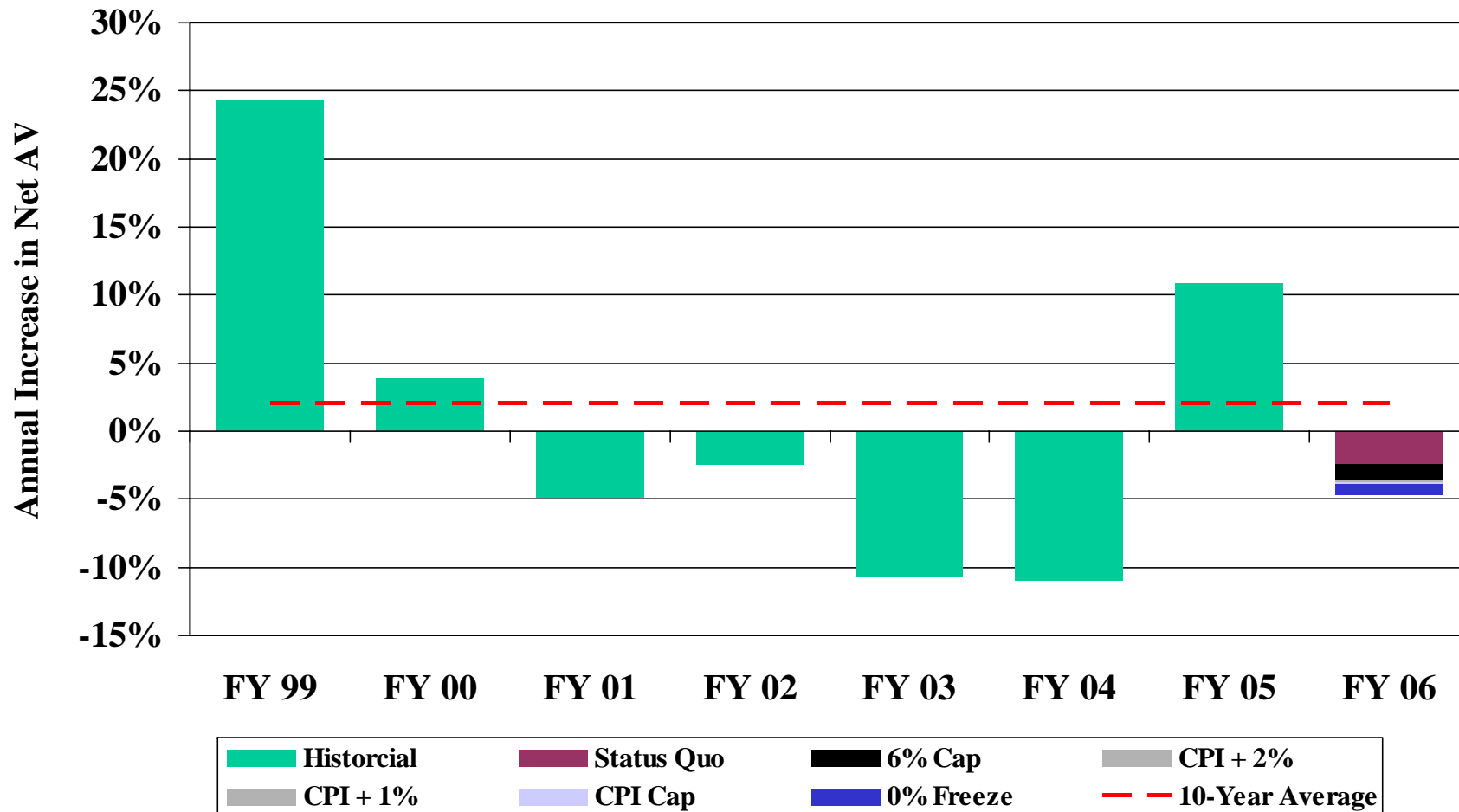


# Growth Analysis: Eureka



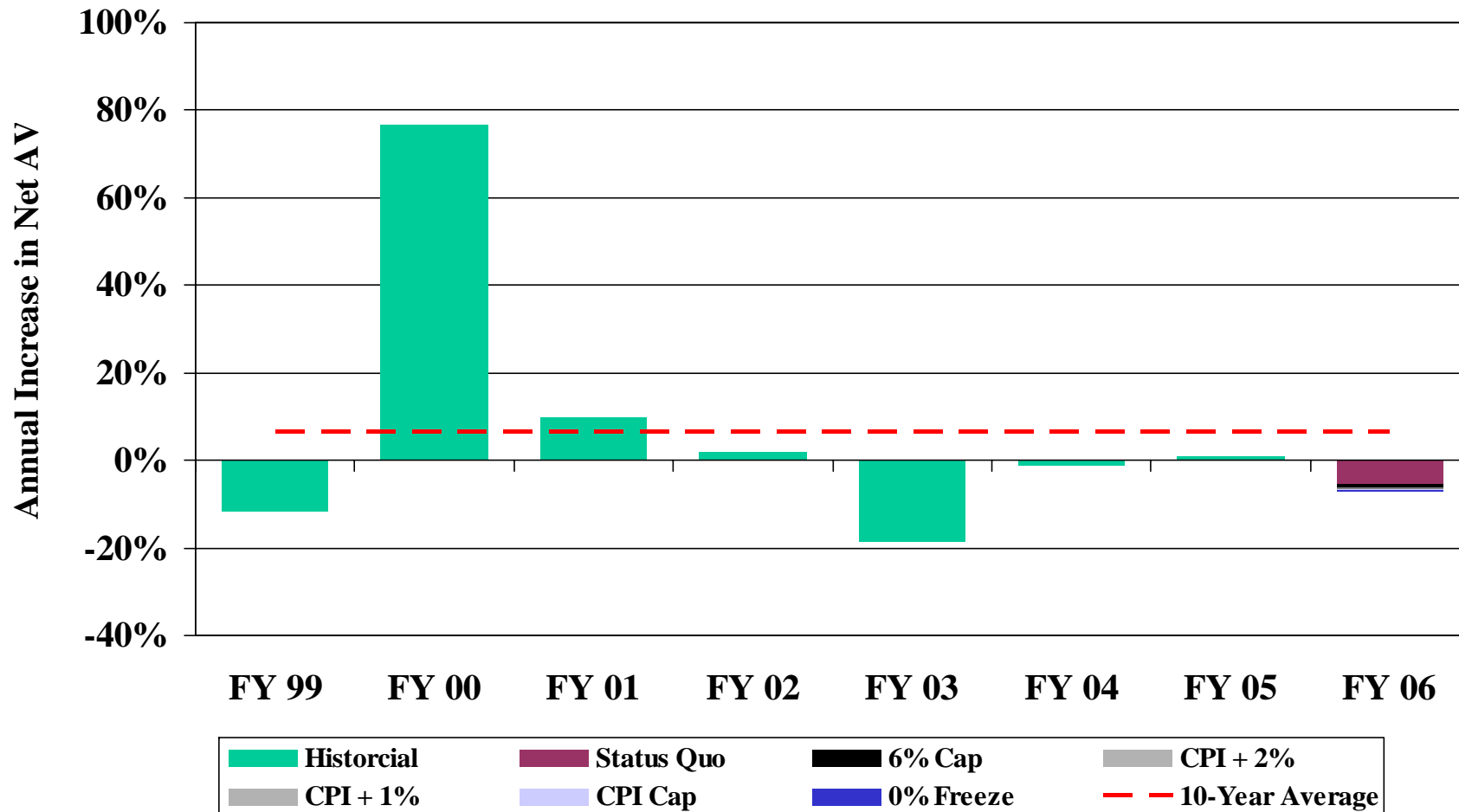


# Growth Analysis: Humboldt





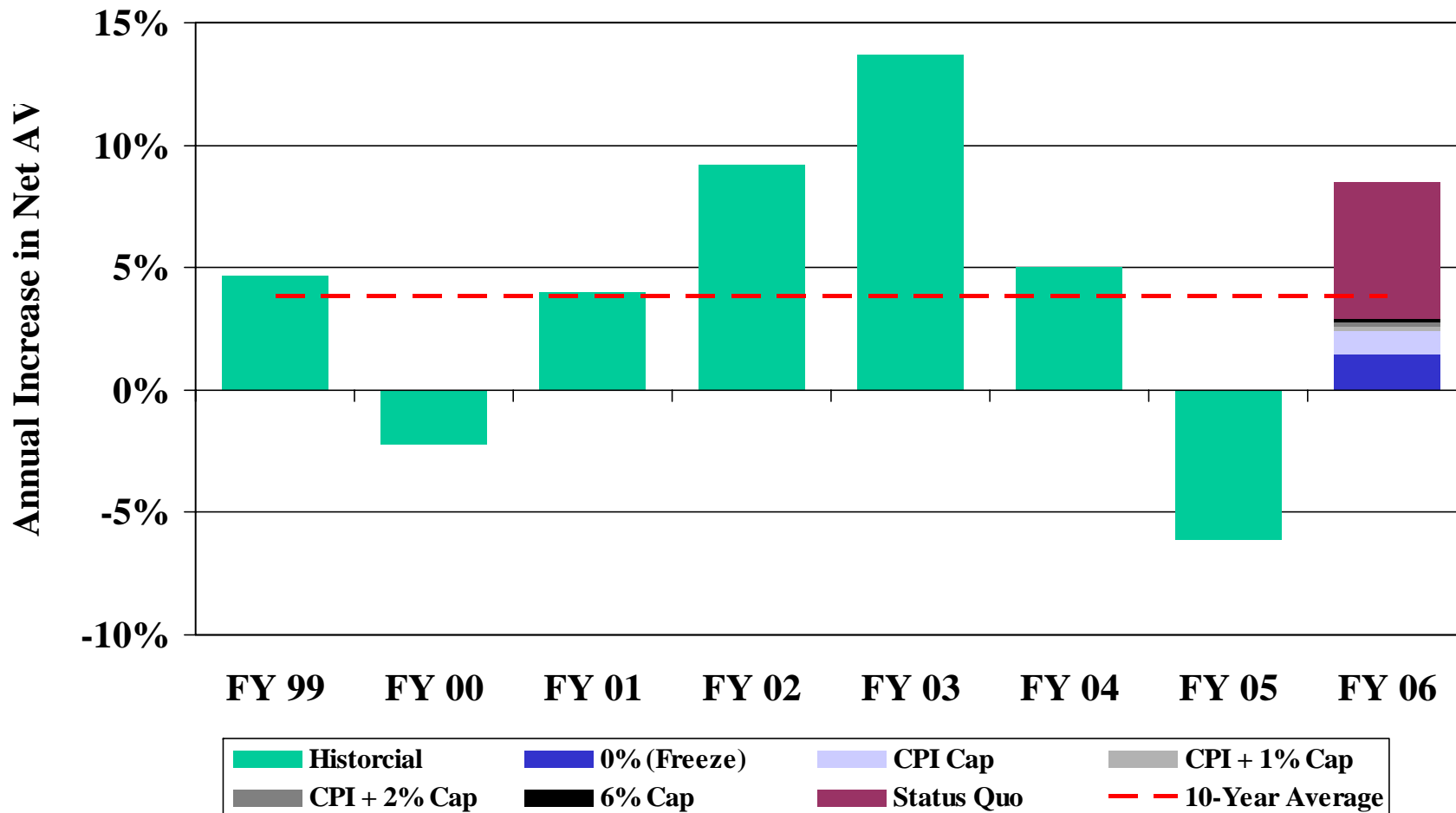
# Growth Analysis: Lander





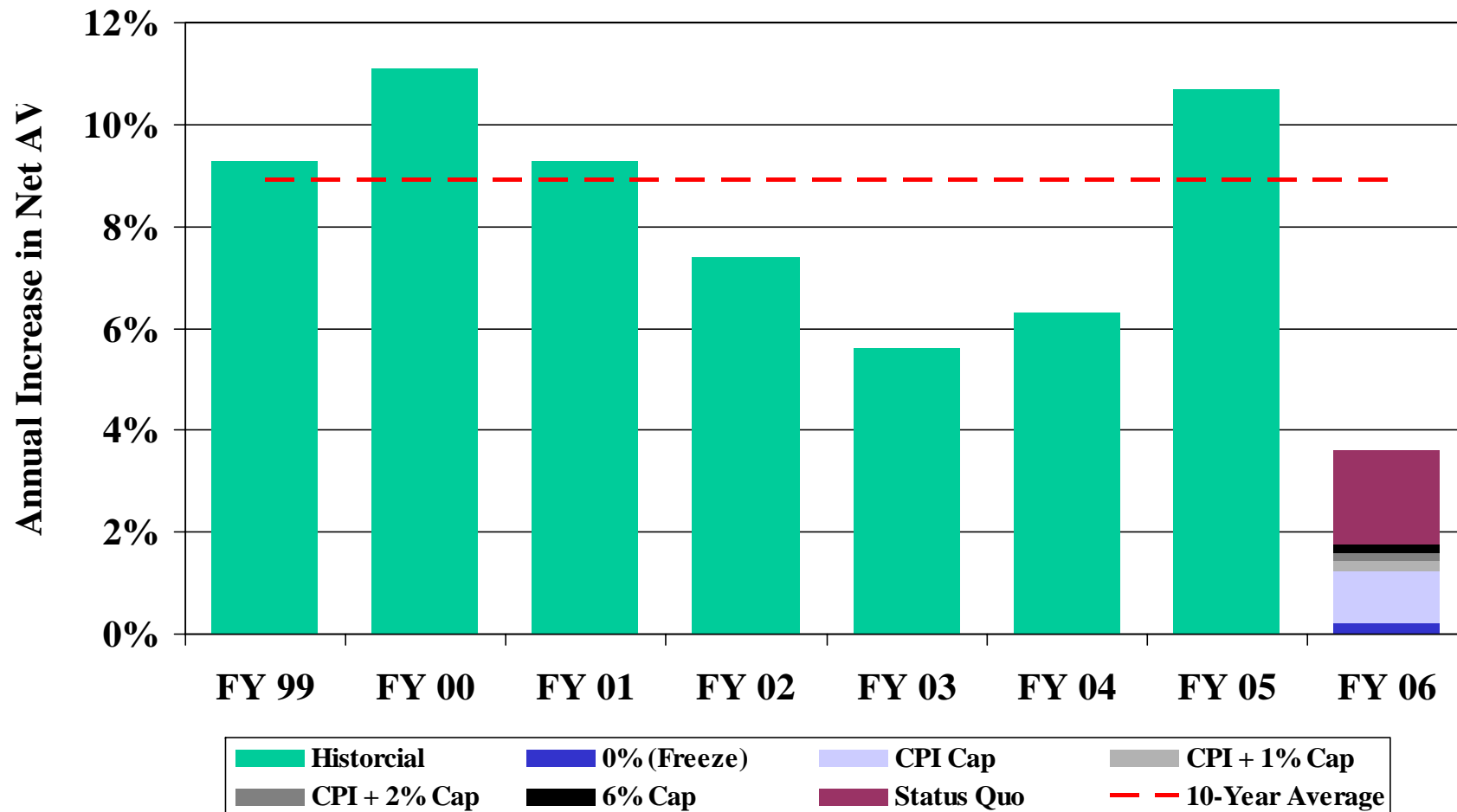


# Growth Analysis: Lincoln



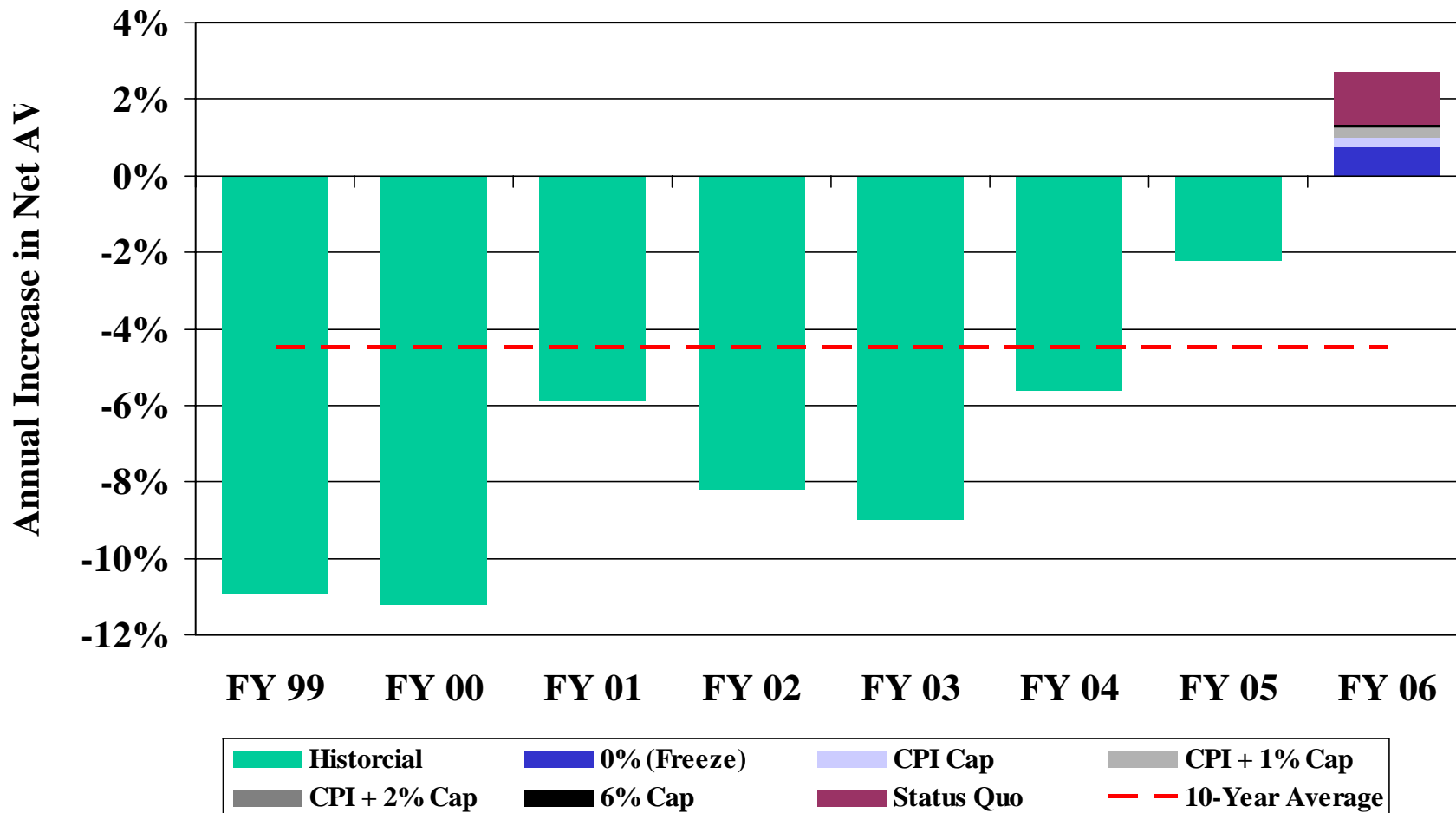


# Growth Analysis: Lyon



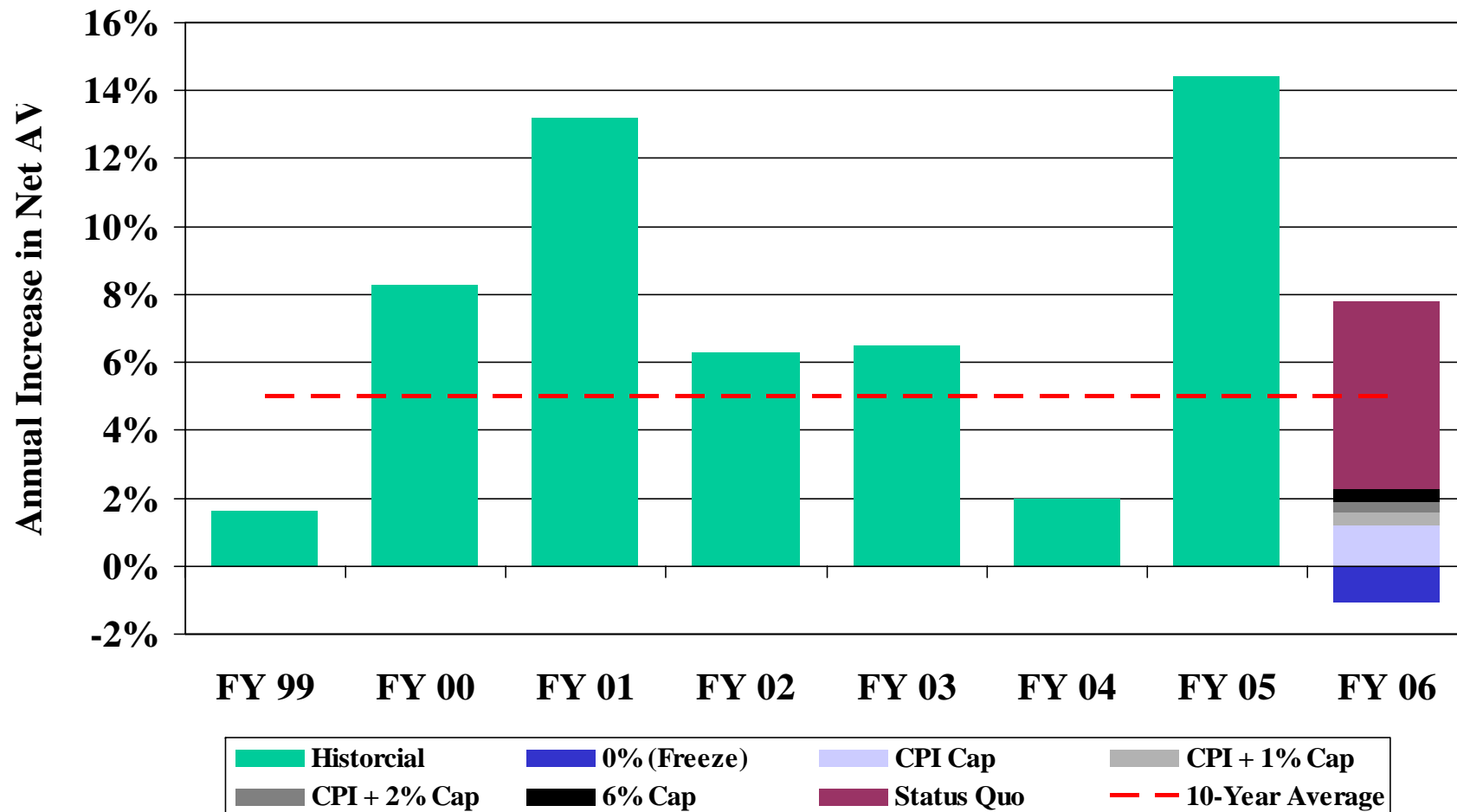


# Growth Analysis: Mineral



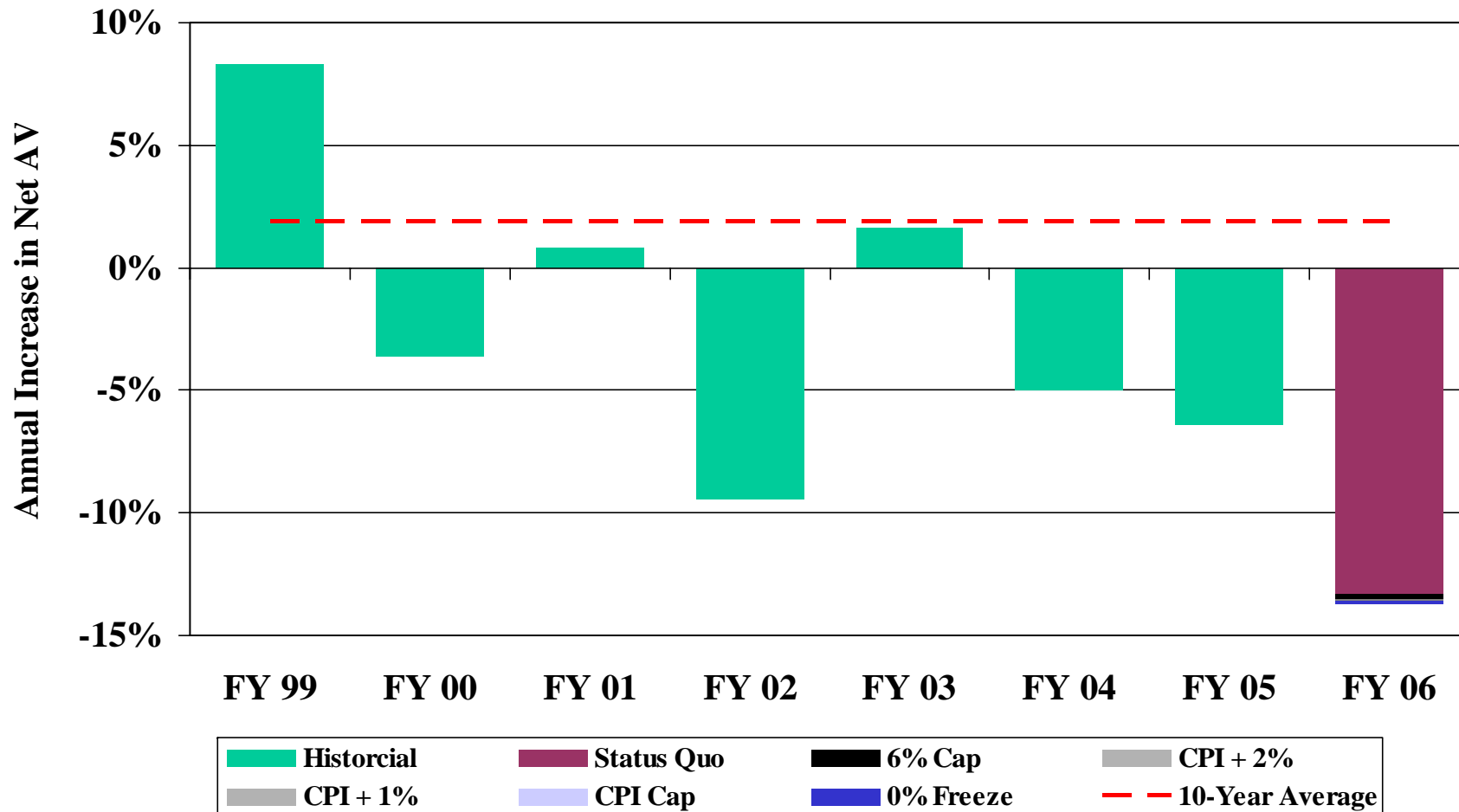


# Growth Analysis: Nye



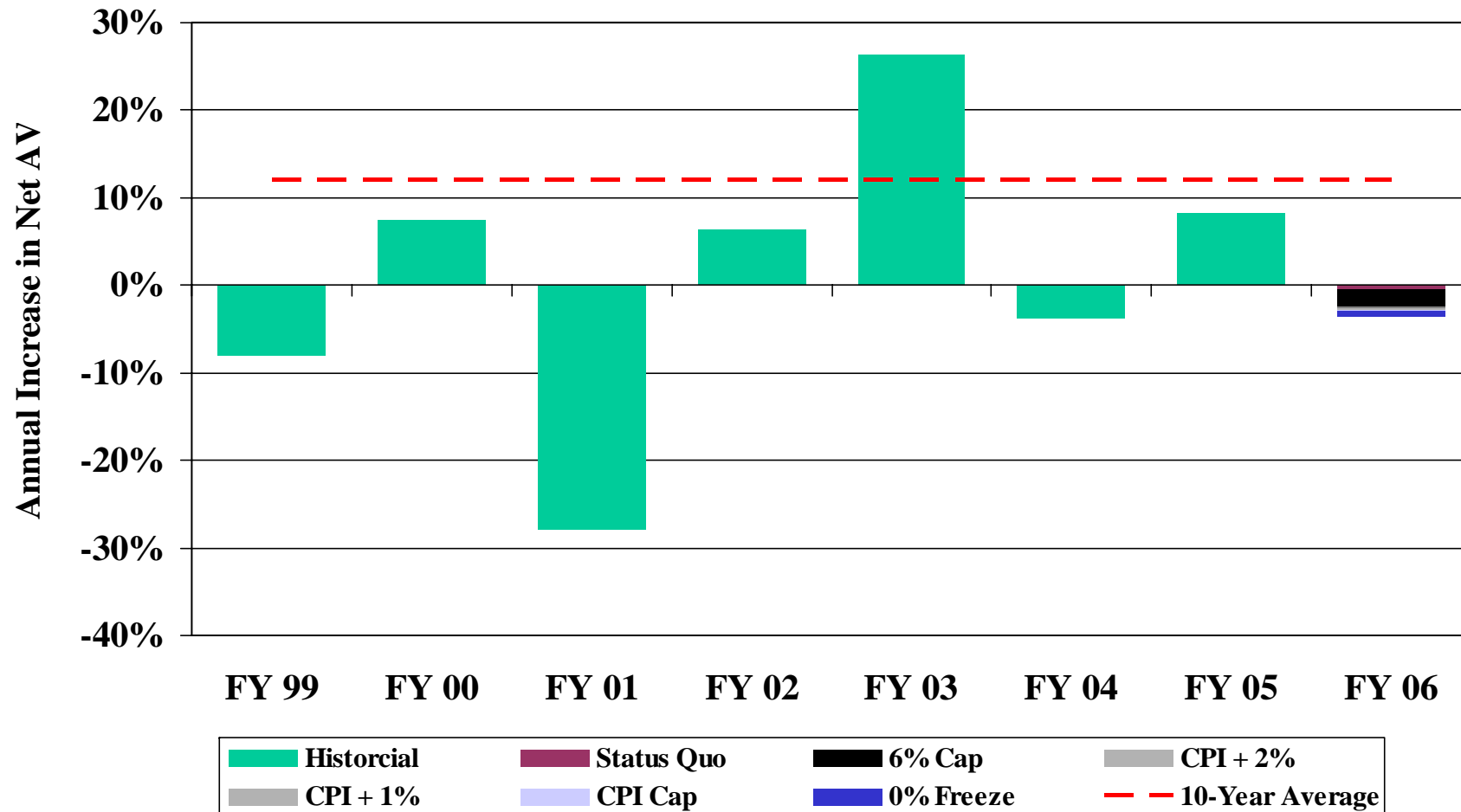


# Growth Analysis: Pershing



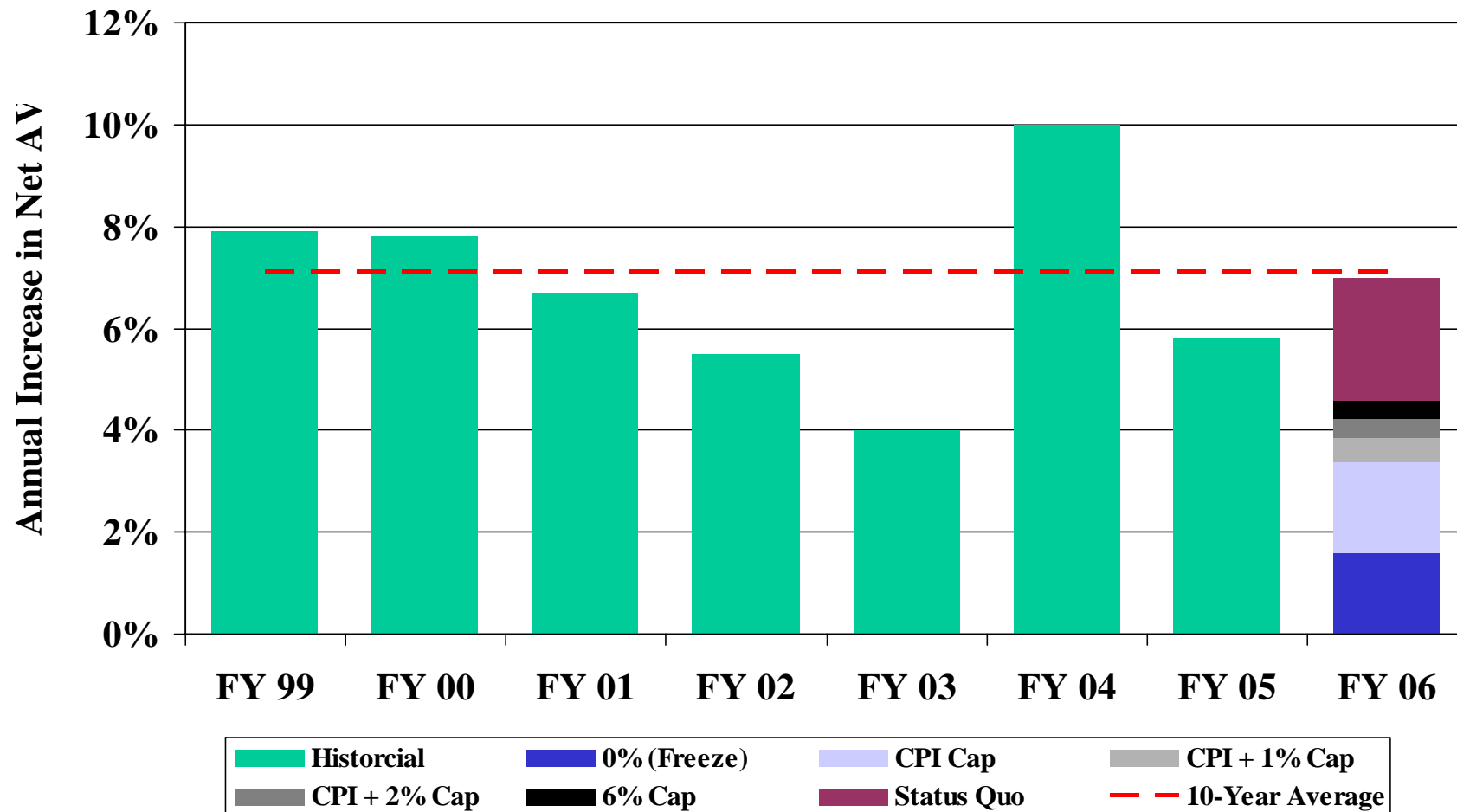


# Growth Analysis: Storey



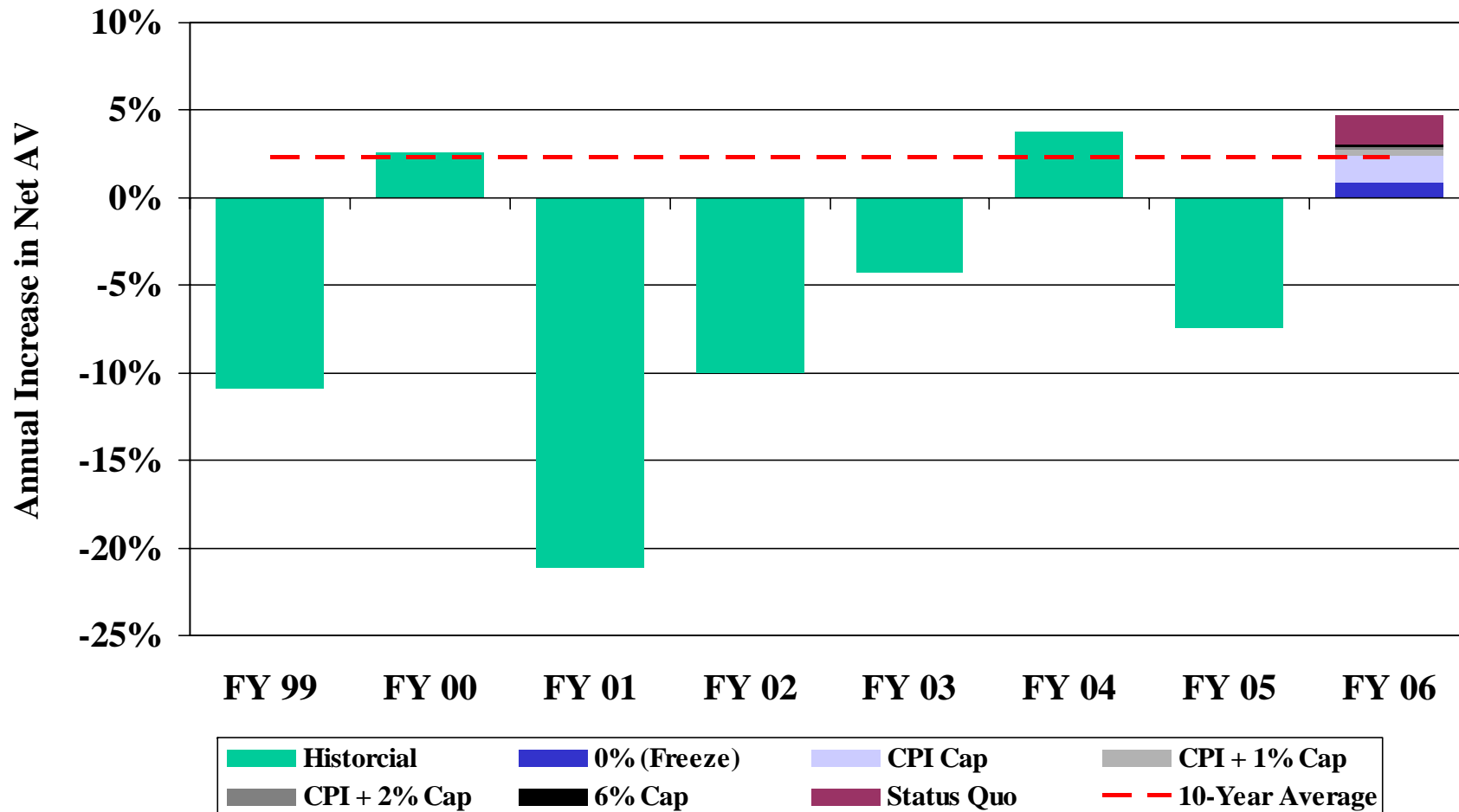


# Growth Analysis: Washoe





# Growth Analysis: White Pine





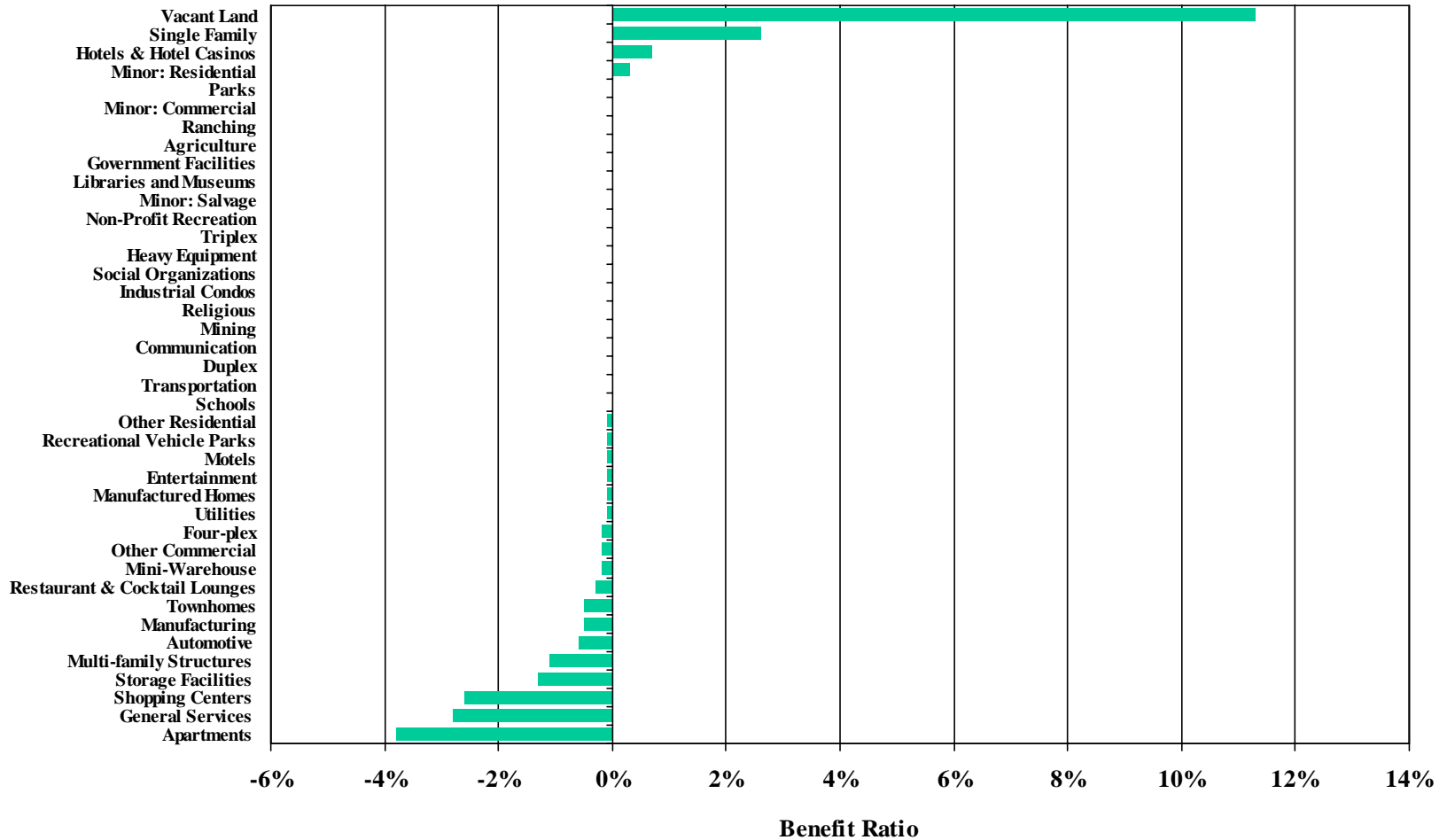


# Incidence: Land Use Analysis

Land Use	Assessed Value	Share of Total	Benefit of Capping	Share of Total	Ratio
Vacant	\$ 8,452,902,972	13.9%	\$ 75,319,349	25.2%	+11.3%
Residential	36,477,988,076	60.0%	169,722,447	56.8%	- 3.2%
Industrial	1,542,596,044	2.5%	1,416,715	0.5%	- 2.1%
Commercial	13,719,494,283	22.6%	49,022,557	16.4%	- 6.2%
Community Non-profit	81,590,383	0.1%	311,006	0.1%	0.0%
Ag., Ranching, etc.	12,706,767	0.0%	83,459	0.0%	0.0%
T.C.P.U.	182,242,621	0.3%	290,651	0.1%	- 0.2%
Minor Imp.	<u>326,369,501</u>	<u>0.5%</u>	<u>2,496,233</u>	<u>0.8%</u>	<u>+ 0.3%</u>
<b>Total</b>	<b>60,795,890,647</b>	<b>100.0%</b>	<b>298,662,417</b>	<b>100.0%</b>	<b>0.0%</b>



# Incidence: Detailed Land Use





# Incidence: Single Family

	<b>\$0 to \$100K</b>	<b>\$100K to \$150K</b>	<b>\$150K to \$200K</b>	<b>\$200K to \$400K</b>
Taxable Value (04-05)	\$ 74,577	\$ 127,643	\$ 170,992	\$ 258,151
Taxable Value (05-06)	\$ 92,818	\$ 164,765	\$ 228,642	\$ 333,324
Assessed Value (04-05)	\$ 26,102	\$ 44,675	\$ 59,847	\$ 90,353
Assessed Value (05-06)	\$ 32,486	\$ 57,668	\$ 80,025	\$ 116,663
Status Quo Growth Rate	24.5%	29.1%	33.7%	29.1%
Status Quo Tax Liability	\$ 975	\$ 1,730	\$ 2,401	\$ 3,500
Capped Liability (CPI +1%)	\$ 812	\$ 1,390	\$ 1,862	\$ 2,811
Benefit	(\$ 162)	(\$ 340)	(\$ 539)	(\$ 689)
Percentage Savings	16.7%	19.7%	22.4%	19.7%
Adjusted Effective Tax Rate	0.87%	0.84%	0.81%	0.84%



# Incidence: Single Family

	<b>\$400K to \$600K</b>	<b>\$600K to \$800K</b>	<b>\$800K to \$1M</b>	<b>\$1M+</b>
Taxable Value (04-05)	\$ 474,645	\$ 681,241	\$ 885,893	\$ 1,591,574
Taxable Value (05-06)	\$ 583,793	\$ 813,396	\$ 1,014,492	\$ 1,705,503
Assessed Value (04-05)	\$ 166,126	\$ 238,434	\$ 310,062	\$ 557,051
Assessed Value (05-06)	\$ 204,328	\$ 284,689	\$ 355,072	\$ 596,926
Status Quo Growth Rate	23.0%	19.4%	14.5%	7.2%
Status Quo Tax Liability	\$ 6,130	\$ 8,541	\$ 10,652	\$ 17,908
Capped Liability (CPI +1%)	\$ 5,169	\$ 7,418	\$ 9,647	\$ 17,332
Benefit (Tax Savings)	(\$ 961)	(\$ 1,122)	(\$ 1,005)	(\$ 576)
Percentage Savings	15.7%	13.1%	9.4%	3.2%
Adjusted Effective Tax Rate	0.89%	0.91%	0.95%	1.02%

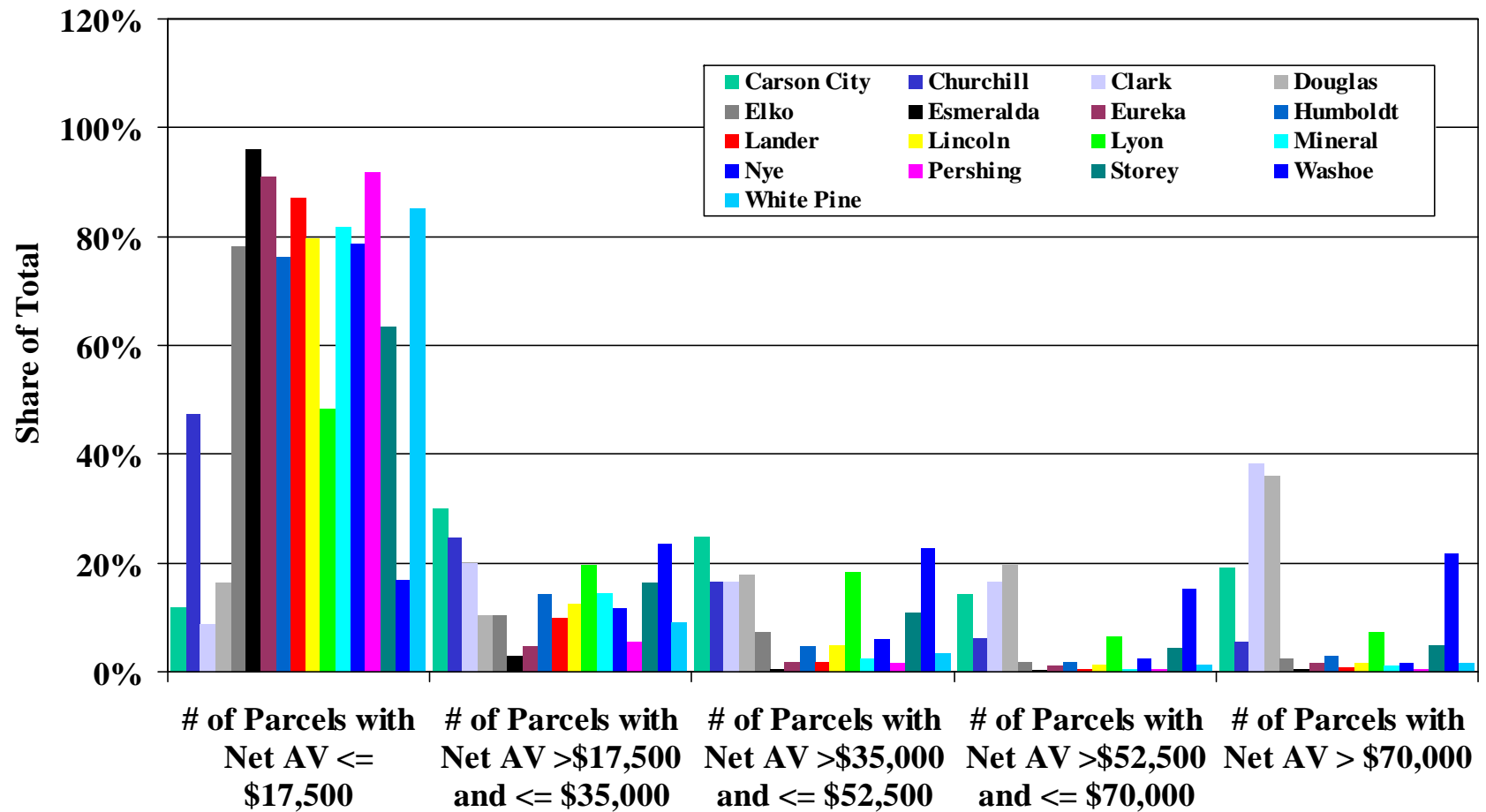


# Incidence: Structural Considerations

- Share of New Value Attributed to New Construction
- BLM Land Releases
- Assessment Cycles
- Conversion Trends
- Make Up of the Tax Base

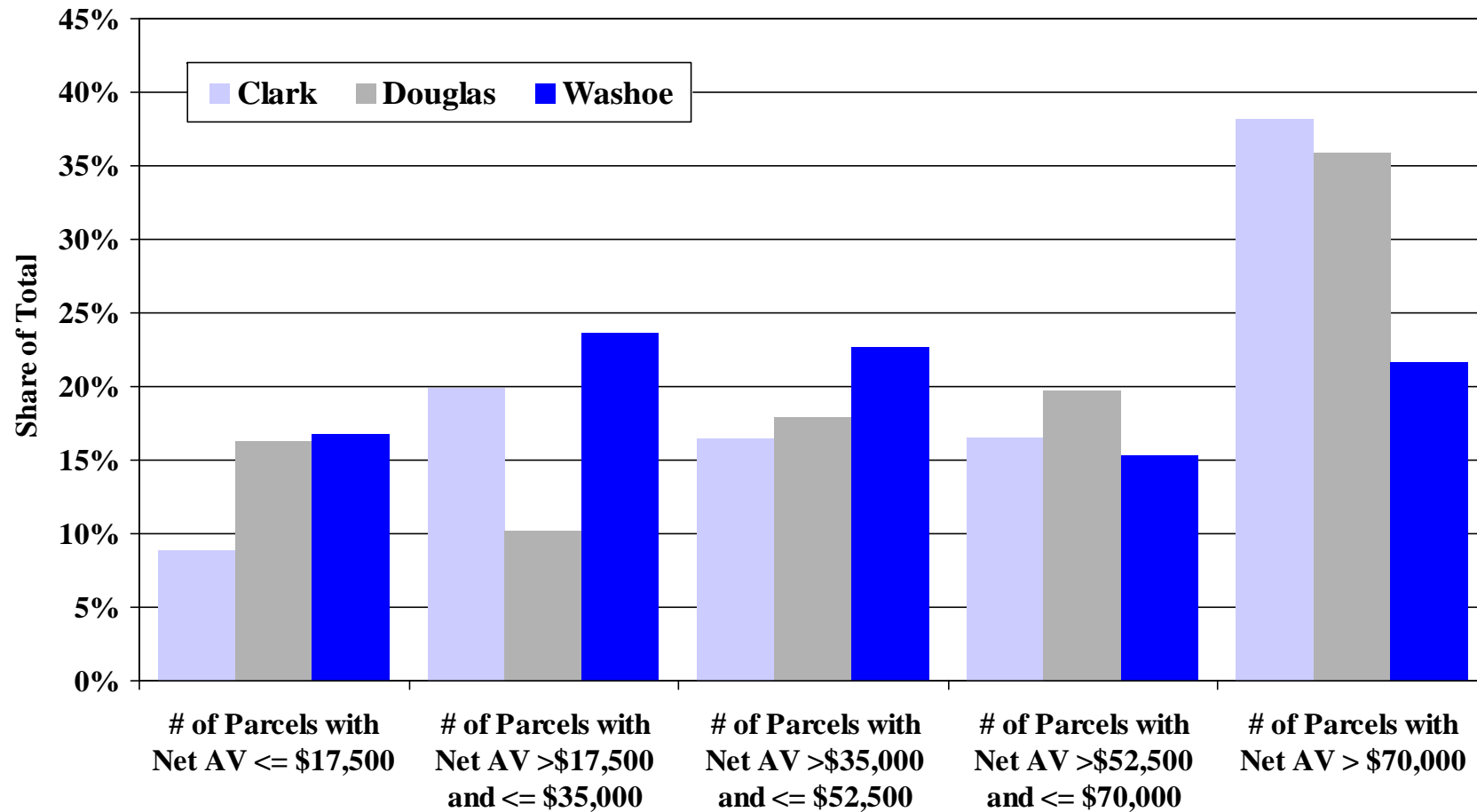


# Incidence: Number of Parcels



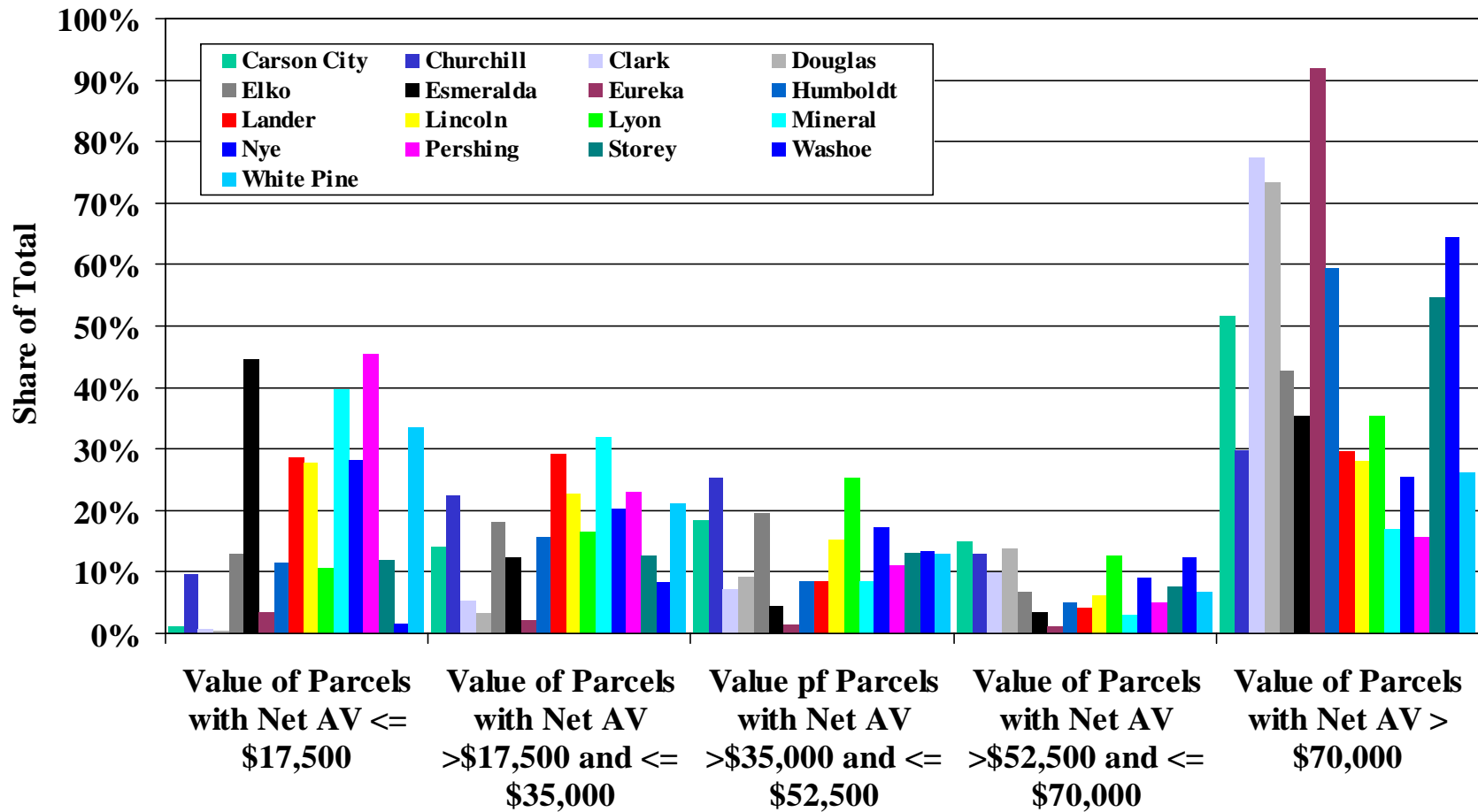


# Incidence: Number of Parcels





# Incidence: Parcel Values







# Incidence: Parcel Values

