

TAX TOPICS

A Publication of the Nevada Taxpayers Association serving the citizens of Nevada since 1922

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PROPERTY TAXES IN NEVADA

Nevada property taxpayers receive a “Notice of Assessment” in December of each year from their County Assessor. The notice indicates any changes in the assessed valuation of their property. This issue of *TAX TOPICS* charts the changes in assessed values and property tax rates since the “tax shift”.

A History of Nevada’s Property Tax . . . Since the Tax Shift

Prior to 1979, the property tax rate in all urban areas was at or near the constitutional limit of \$5.00 per \$100 assessed valuation (Table 1, page 2, 1978-79). The 1979 Legislature adopted a plan to statutorily reduce the tax rate to \$3.64 per \$100 of assessed value. The result was a reduction of property tax revenue for local governments, including schools, which was offset by increased appropriations from the State’s general fund.

The 1981 Legislature further reduced property tax rates, in what is known as the “Tax Shift”, whereby counties and cities received less property tax and more sales tax. Property tax revenue that could be received by a local government was “capped”. To offset the reduction in property tax revenues, the statewide combined sales and use tax rate was increased from 3.5 to 5.75 percent. (As of October, 2001 the combined statewide rate was 6.5 percent, although with local options the rate in some counties is 7.25 percent.) Nevada also became the only state to depreciate improvements (buildings) in determining the value of property. As a result property in Nevada is not at “market value”, but is at “taxable value.”

The 1981-82 property tax rates have proven to be the lowest rates for most Nevada property owners. (Table 1, page 2) Between 1978-79 and 1981-82, property tax rates decreased per \$100 of assessed value, from \$5.00 to \$2.20 in the City of Las Vegas; from \$5.00 to \$1.71 in the City of Reno; from \$4.83 to \$1.07 in Carson City; and from \$5.00 to \$1.57 in Elko. See Table 1, page 2 for the rate history and Table 2, page 2 for the assessed value history.

Since that time however, tax rates have steadily increased for four reasons:

1. LEGISLATIVELY APPROVED INCREASES.
2. VOTER APPROVED BOND ISSUES AND OPERATING OVERRIDES.
3. INCREASED RELIANCE ON TAX RATES FOR SPECIAL DISTRICTS.
4. DECLINING PROPERTY TAX REVENUES IN SOME RURAL AREAS WHICH HAS CAUSED INCREASED RATES.

Understanding Nevada’s Property Tax

Included in this issue of *TAX TOPICS* is the Association’s publication *Understanding Nevada’s Property Tax System*, where you will find answers to questions ranging from “how your value is determined” --- to --- “how to file an appeal”. You will also find this publication on the Association’s web site at:

www.nevadataxpayers.org

For information on how to question an assessment of your property please see page 16 of the enclosed brochure; to appeal your value see page 17.

Table 1 summarizes the increases in property tax rates since the “tax shift”. Table 2 shows the growth in the assessed value for the same time periods. (Assessed value is 35% of “taxable value”.)

TABLE 1

| COMBINED PROPERTY TAX RATE (\$ Per \$100 Assessed Valuation) IN CITIES AND TOWNS | | | | | | | | | |
|-----------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------------------------------|
| City/ Town | 1978-79 | 1981-82 | 1983-84 | 1987-88 | 1991-92 | 1995-96 | 2000-01 | 2001-02 | % of Increase 1981/82-2001/02 |
| Carson City | \$4.83 | \$1.07 | \$1.52 | \$1.94 | \$2.73 | \$2.55 | \$2.65 | \$2.68 | 150% |
| Fallon | \$5.00 | \$1.45 | \$1.56 | \$2.05 | \$2.71 | \$2.44 | \$3.35 | \$3.47 | 139% |
| Las Vegas | \$5.00 | \$2.20 | \$2.56 | \$2.64 | \$2.92 | \$3.02 | \$3.17 | \$3.25 | 48% |
| N. Las Vegas | \$5.00 | \$2.17 | \$2.42 | \$2.67 | \$3.06 | \$3.06 | \$3.38 | \$3.39 | 56% |
| Henderson | \$5.00 | \$1.81 | \$2.21 | \$2.38 | \$2.81 | \$2.79 | \$2.56 | \$2.90 | 60% |
| Boulder City | \$5.00 | \$1.79 | \$2.12 | \$2.14 | \$2.28 | \$2.29 | \$2.92 | \$2.47 | 38% |
| Mesquite | \$5.00 | \$1.90 | \$2.47 | \$2.77 | \$2.30 | \$2.27 | \$2.50 | \$2.49 | 31% |
| Gardnerville | \$4.39 | \$1.72 | \$2.00 | \$2.26 | \$2.57 | \$2.78 | \$2.65 | \$2.82 | 64% |
| Elko | \$5.00 | \$1.57 | \$1.88 | \$2.45 | \$2.86 | \$3.08 | \$3.02 | \$3.07 | 96% |
| Winnemucca | \$4.88 | \$1.48 | \$2.30 | \$2.46 | \$3.14 | \$3.41 | \$2.86 | \$2.88 | 95% |
| Battle Mountain | \$5.00 | \$1.41 | \$2.28 | \$3.01 | \$3.26 | \$3.24 | \$3.19 | \$3.19 | 126% |
| Caliente | \$5.00 | \$1.58 | \$2.16 | \$2.31 | \$3.35 | \$3.32 | \$3.64 | \$3.64 | 130% |
| Yerington | \$5.00 | \$1.50 | \$2.27 | \$2.00 | \$3.08 | \$3.16 | \$3.22 | \$3.32 | 121% |
| Hawthorne | \$5.00 | \$1.31 | \$1.69 | \$1.95 | \$2.67 | \$2.93 | \$3.64 | \$3.64 | 178% |
| Tonopah | \$4.89 | \$1.53 | \$1.98 | \$1.97 | \$2.94 | \$3.41 | \$3.64 | \$3.64 | 138% |
| Lovelock | \$5.00 | \$1.77 | \$2.38 | \$2.41 | \$3.38 | \$3.64 | \$3.64 | \$3.64 | 106% |
| Virginia City | \$4.99 | \$1.34 | \$1.68 | \$2.61 | \$2.78 | \$2.93 | \$2.85 | \$2.89 | 116% |
| Reno | \$5.00 | \$1.36 | \$1.69 | \$2.25 | \$3.02 | \$3.25 | \$3.45 | \$3.52 | 159% |
| Sparks | \$5.00 | \$1.71 | \$1.95 | \$2.34 | \$3.19 | \$3.40 | \$3.35 | \$3.42 | 100% |
| Ely | \$5.00 | \$1.04 | \$1.54 | \$2.28 | \$2.56 | \$3.64 | \$3.64 | \$3.64 | 250% |

TABLE 2

| TOTAL ASSESSED VALUATION OF NEVADA COUNTIES (Add 000) | | | | | | | | |
|--------------------------------------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| County | 1978-79 | 1981-82 | 1983-84 | 1987-88 | 1991-92 | 1995 - 96 | 2000-01 | 2001-02 |
| CarsonCity | \$171,766 | \$321,393 | \$370,491 | \$464,931 | \$563,544 | \$738,281 | \$978,806 | \$997,994 |
| Churchill | 58,314 | 93,656 | 122,355 | 191,616 | 280,762 | 354,384 | 403,920 | 409,762 |
| Clark | 2,463,415 | 4,469,791 | 5,643,489 | 8,361,685 | 12,964,606 | 18,909,831 | 33,616,437 | 36,163,445 |
| Douglas | 175,872 | 509,894 | 519,315 | 689,320 | 598,658 | 1,143,675 | 1,469,944 | 1,639,847 |
| Elko | 148,583 | 219,189 | 260,519 | 424,982 | 587,802 | 671,773 | 996,339 | 941,633 |
| Esmeralda | 15,627 | 21,973 | 28,823 | 35,307 | 40,018 | 45,948 | 48,087 | 47,811 |
| Eureka | 35,623 | 72,411 | 69,047 | 188,782 | 496,394 | 1,022,679 | 545,398 | 512,754 |
| Humboldt | 71,462 | 136,870 | 163,403 | 224,772 | 481,860 | 469,391 | 608,542 | 594,239 |
| Lander | 34,023 | 56,618 | 66,624 | 94,173 | 193,392 | 241,975 | 399,115 | 407,050 |
| Lincoln | 25,320 | 38,028 | 45,528 | 46,266 | 55,083 | 78,072 | 85,887 | 93,802 |
| Lyon | 83,005 | 147,497 | 178,476 | 238,180 | 316,288 | 425,487 | 672,214 | 722,103 |
| Mineral | 28,373 | 40,530 | 70,054 | 86,529 | 104,083 | 175,707 | 92,635 | 85,078 |
| Nye | 89,969 | 207,465 | 285,332 | 347,552 | 584,661 | 566,582 | 754,032 | 801,670 |
| Pershing | 38,508 | 50,349 | 77,000 | 87,286 | 124,180 | 145,157 | 183,426 | 166,213 |
| Storey | 10,165 | 31,661 | 38,822 | 46,481 | 57,856 | 87,611 | 124,874 | 132,900 |
| Washoe | 1,280,110 | 2,670,858 | 3,095,037 | 3,934,200 | 4,700,274 | 5,863,539 | 8,624,387 | 9,096,698 |
| White Pine | 53,148 | 63,071 | 72,809 | 81,173 | 108,515 | 162,241 | 145,246 | 130,739 |
| TOTAL | \$4,783,283 | \$9,150,959 | \$11,107,124 | \$15,552,236 | \$22,257,976 | \$31,102,333 | \$49,749,248 | \$52,943,738 |

PROPERTY TAX: EFFECTIVE TAX RATES

The definition of “effective tax rate” is the relationship between net property taxes and the true market value of the property. Different states use different methods of taxing property, including assessment ratios of various percentages and partial exemptions. Using effective tax rates is the best way to show a valid comparison of property tax rates among the 50 states. Table 3 below shows Nevada’s effective tax rates and Table 4 provides a 50-state comparison of effective tax rates.

TABLE 3

| EFFECTIVE TAX RATES | | | | |
|----------------------------|-------------------------------------------|----------------------------------|------------------------------------|------------------------------------------------------|
| YEAR | TOTAL ASSESSED VALUATION (ADD 000) | TOTAL PROPERTY TAXES PAID | STATE-WIDE AVERAGE TAX RATE | EFFECTIVE TAX RATES AS A % OF FULL CASH VALUE |
| 1978-79 | \$ 4,783,283 | \$ 225,211,469 | \$4.71 | 1.65 |
| 1981-82 | 9,150,959 | 155,401,161 | \$1.70 | 0.59 |
| 1983-84 | 11,107,124 | 235,099,980 | \$2.12 | 0.74 |
| 1987-88 | 15,552,236 | 364,432,248 | \$2.34 | 0.82 |
| 1991-92 | 22,257,976 | 626,437,660 | \$2.81 | 0.99 |
| 1995-96 | 31,102,333 | 886,586,221 | \$2.85 | 1.00 |
| 2000-01 | 49,749,248 | 1,509,326,840 | \$3.03 | 1.06 |
| 2001-02 | \$ 52,943,738 | \$1,618,119,483 | \$3.06 | 1.07 |

Source: Department of Taxation “Redbook”, NTA Calculations

TABLE 4

| 50-STATE COMPARISON OF EFFECTIVE TAX RATES FOR YEAR 2000 | | | | |
|-----------------------------------------------------------------|----------------------------------------|-------------------------|-----------------------------|----------------------------------|
| MARKET VALUE | NEVADA’S EFFECTIVE TAX RATE (%) | NEVADA’S RANKING | NATIONAL AVERAGE (%) | HIGHEST NATIONAL RATE (%) |
| Urban Residential: | | | | |
| \$ 80,000 | 0.931 | 33 | 1.248 | 2.597 (Michigan) |
| \$200,000 | 0.798 | 35 | 1.136 | 2.405 (Michigan) |
| Urban Commercial: | | | | |
| \$ 120,000 | 1.082 | 49 | 2.217 | 6.923 (Illinois) |
| \$ 1,000,000 | 1.082 | 49 | 2.256 | 6.923 (Illinois) |
| \$25,000,000 | 1.082 | 49 | 2.262 | 6.923 (Illinois) |
| Rural Residential: | | | | |
| \$ 80,000 | 1.015 | 28 | 1.126 | 2.718 (New York) |
| \$ 200,000 | 0.870 | 29 | 1.004 | 2.330 (New York) |
| Rural Commercial: | | | | |
| \$ 120,000 | 1.162 | 37 | 1.665 | 4.897 (Kansas) |
| \$ 1,000,000 | 1.218 | 38 | 1.702 | 4.897 (Kansas) |
| \$25,000,000 | 1.112 | 38 | 1.701 | 4.897 (Kansas) |

Source: Minnesota Taxpayers Association - 50-State Property Tax Comparison Study - 2001

THE FUTURE OF PROPERTY TAX

From the creation of the first legislative interim committee in 1995 - - The Study of the Laws Relating to the Distribution Among Local Governments of Revenue from State and Local Taxes, to the current standing legislative Committee To Study Local Government Taxes and Finance, discussions on property tax have been a part of almost every meeting. Among the issues the Committee will discuss this interim are: changing/eliminating depreciation; allowing the property tax cap of \$3.64 per \$100 of assessed value to “float” or be increased; central assessment versus local assessment; and the economic condition of the rural counties including the effect of losses in assessed valuation.

Additionally, over the last year there has been a great deal of discussion about the State receiving property tax for operating expenses. During the past session this took the form of a bill (killed in committee) to take a share of the motor vehicle privilege tax. (The privilege tax, now called the “government services tax”, is levied in place of a personal property tax.) Also discussed was a proposal for the State to take from local governments a percentage of the “growth factor” in assessed value and the resultant increase in property tax receipts. This specific issue is expected to be discussed by the Governor’s Tax Policy Committee as part of discussions relating to the State receiving property tax revenue for the general fund.

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ALLODIAL TITLE NOW AVAILABLE

The State Treasurer’s Office adopted a regulation to implement the State’s *Allodial Title** program. This program allows a home owner to pay all the property taxes calculated to be owed for their lifetime in one payment or in installments over 10 years. Once the full amount has been paid, the owner receives an *Allodial Title* and all future tax bills are sent to the State Treasurer’s Office for payment. The regulation became effective October 22, 2001. Application forms are available at the Treasurer’s Office and all county assessors’ offices. Note that Nevada is the only state to use *Allodial Title*.

**Allodial is defined in law as, land owned independently, without any rent, payment in service etc; a freehold estate: opposed to feudal.*

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