

ASSEMBLY BILL NO. 26—COMMITTEE ON TAXATION

(ON BEHALF OF THE NEVADA LEAGUE OF  
CITIES AND MUNICIPALITIES)

PREFILED DECEMBER 20, 2012

Referred to Committee on Taxation

SUMMARY—Reduces the statutory rate of depreciation applicable to improvements made on real property for the purpose of determining the taxable value of the property. (BDR 32-258)

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 the taxation of property; reducing the statutory rate of depreciation applicable to improvements made on real property for the purpose of determining the taxable value of the property; and providing other matters properly relating thereto.

**Legislative Counsel’s Digest:**

1 Under current law, the taxable value of an improvement made on real property  
2 must be determined by subtracting from the cost of replacement of the  
3 improvement all applicable depreciation and obsolescence. That depreciation is  
4 required to be calculated at the rate of 1.5 percent of the cost of replacement of the  
5 improvement for each year that the improvement has aged, up to a maximum of 50  
6 years. (NRS 361.227) The application of this formula for the entire 50-year period  
7 results in a maximum rate of depreciation of 75 percent of the cost of replacement.  
8 This bill reduces the future rate of depreciation for an improvement made on  
9 real property to 1 percent of the cost of replacement of the improvement for each  
10 year that the improvement ages after 2012. This bill does not affect the maximum  
11 rate of depreciation allowed under current law. The change in the rate of  
12 depreciation pursuant to this bill does not affect the determination of the taxable  
13 value of any improvements for the purposes of any property taxes imposed before  
14 July 1, 2014.



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

- 1       **Section 1.** NRS 361.227 is hereby amended to read as follows:  
2       361.227 1. Any person determining the taxable value of real  
3 property shall appraise:  
4       (a) The full cash value of:  
5       (1) Vacant land by considering the uses to which it may  
6 lawfully be put, any legal or physical restrictions upon those uses,  
7 the character of the terrain, and the uses of other land in the vicinity.  
8       (2) Improved land consistently with the use to which the  
9 improvements are being put.  
10      (b) Any improvements made on the land by subtracting from the  
11 cost of replacement of the improvements all applicable depreciation  
12 and obsolescence. Depreciation of an improvement made on real  
13 property must be calculated at :  
14       (1) *The rate of 1.5 percent of the cost of replacement for*  
15 *each year of adjusted actual age of the improvement ~~† that ends on~~*  
16 *or before December 31, 2012; and*  
17       (2) *The rate of 1 percent of the cost of replacement for each*  
18 *year of adjusted actual age of the improvement that ends on or*  
19 *after January 1, 2013,*  
20       ↳ *up to a maximum rate of depreciation of ~~{50 years.} 75 percent~~*  
21 *of the cost of replacement of the improvement.*  
22      2. The unit of appraisal must be a single parcel unless:  
23      (a) The location of the improvements causes two or more  
24 parcels to function as a single parcel;  
25      (b) The parcel is one of a group of contiguous parcels which  
26 qualifies for valuation as a subdivision pursuant to the regulations of  
27 the Nevada Tax Commission; or  
28      (c) In the professional judgment of the person determining the  
29 taxable value, the parcel is one of a group of parcels which should  
30 be valued as a collective unit.  
31      3. The taxable value of a leasehold interest, possessory interest,  
32 beneficial interest or beneficial use for the purpose of NRS 361.157  
33 or 361.159 must be determined in the same manner as the taxable  
34 value of the property would otherwise be determined if the lessee or  
35 user of the property was the owner of the property and it was not  
36 exempt from taxation, except that the taxable value so determined  
37 must be reduced by a percentage of the taxable value that is equal to  
38 the:  
39      (a) Percentage of the property that is not actually leased by the  
40 lessee or used by the user during the fiscal year; and



1 (b) Percentage of time that the property is not actually leased by  
2 the lessee or used by the user during the fiscal year, which must be  
3 determined in accordance with NRS 361.2275.

4 4. The taxable value of other taxable personal property, except  
5 a mobile or manufactured home, must be determined by subtracting  
6 from the cost of replacement of the property all applicable  
7 depreciation and obsolescence. Depreciation of a billboard must be  
8 calculated at 1.5 percent of the cost of replacement for each year  
9 after the year of acquisition of the billboard, up to a maximum of 50  
10 years.

11 5. The computed taxable value of any property must not exceed  
12 its full cash value. Each person determining the taxable value of  
13 property shall reduce it if necessary to comply with this  
14 requirement. A person determining whether taxable value exceeds  
15 that full cash value or whether obsolescence is a factor in valuation  
16 may consider:

17 (a) Comparative sales, based on prices actually paid in market  
18 transactions.

19 (b) A summation of the estimated full cash value of the land and  
20 contributory value of the improvements.

21 (c) Capitalization of the fair economic income expectancy or fair  
22 economic rent, or an analysis of the discounted cash flow.

23 ➔ A county assessor is required to make the reduction prescribed in  
24 this subsection if the owner calls to his or her attention the facts  
25 warranting it, if the county assessor discovers those facts during  
26 physical reappraisal of the property or if the county assessor is  
27 otherwise aware of those facts.

28 6. The Nevada Tax Commission shall, by regulation, establish:

29 (a) Standards for determining the cost of replacement of  
30 improvements of various kinds.

31 (b) Standards for determining the cost of replacement of  
32 personal property of various kinds. The standards must include a  
33 separate index of factors for application to the acquisition cost of a  
34 billboard to determine its replacement cost.

35 (c) Schedules of depreciation for personal property based on its  
36 estimated life.

37 (d) Criteria for the valuation of two or more parcels as a  
38 subdivision.

39 7. In determining, for the purpose of computing taxable value,  
40 the cost of replacement of:

41 (a) Any personal property, the cost of all improvements of the  
42 personal property, including any additions to or renovations of the  
43 personal property, but excluding routine maintenance and repairs,  
44 must be added to the cost of acquisition of the personal property.



1 (b) An improvement made on land, a county assessor may use  
2 any final representations of the improvement prepared by the  
3 architect or builder of the improvement, including, without  
4 limitation, any final building plans, drawings, sketches and surveys,  
5 and any specifications included in such representations, as a basis  
6 for establishing any relevant measurements of size or quantity.

7 8. The county assessor shall, upon the request of the owner,  
8 furnish within 15 days to the owner a copy of the most recent  
9 appraisal of the property, including, without limitation, copies of  
10 any sales data, materials presented on appeal to the county board of  
11 equalization or State Board of Equalization and other materials used  
12 to determine or defend the taxable value of the property.

13 9. The provisions of this section do not apply to property which  
14 is assessed pursuant to NRS 361.320.

15 **Sec. 2.** The amendatory provisions of section 1 of this act do  
16 not apply to or affect the determination pursuant to NRS 361.227 of  
17 the taxable value of any property for any fiscal year beginning  
18 before July 1, 2014.

19 **Sec. 3.** This act becomes effective:

20 1. Upon passage and approval for the purposes of adopting  
21 regulations and determining the taxable value of real property for  
22 the fiscal year beginning on July 1, 2014; and

23 2. On July 1, 2014, for all other purposes.

