

# Nevada

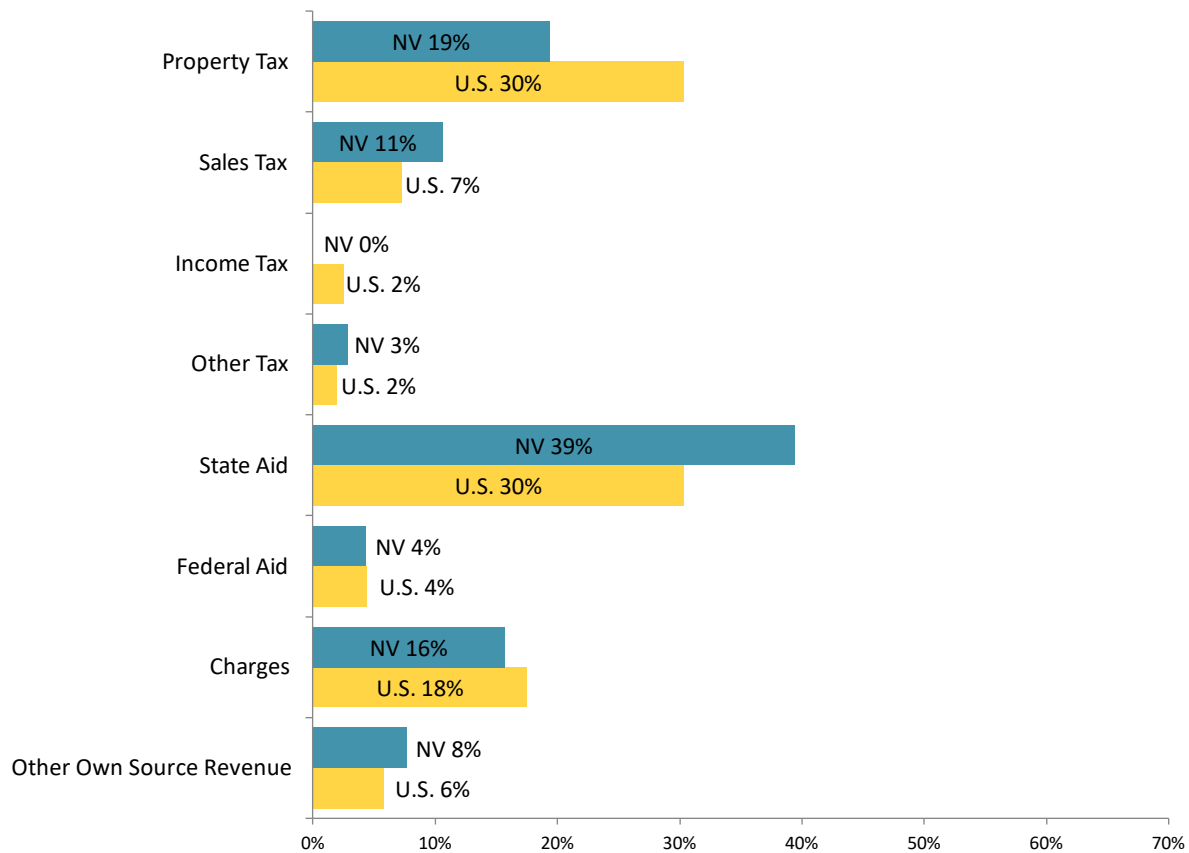
## Highlights

Nevada has no personal or corporate income tax. Local governments in Nevada rely more heavily on state aid and the sales tax and less on the property tax than the U.S. average (figure NV-1).

The method of property valuation in Nevada is different than that used in any other state (Wolters Kluwer Editorial Staff 2022). Rather than assessing property on the basis of market value, Nevada’s property tax system uses market value for land but values most improvements to real property based on replacement cost minus depreciation as set by state law (American Bar Association 2021). This concept is known as taxable value.

Nevada imposes limits on property tax rates, and its residential levy limit (called the partial property tax abatement) provides a 3 percent (or sometimes lower) cap on the annual increase in the residential property tax bill.

**Figure NV-1**  
**Sources of Local General Revenue, Nevada and U.S., 2020**



Source: U.S. Census via Significant Features of the Property Tax

## Property Tax Reliance

In 2020, property taxes as a percentage of state and local revenue were lower in Nevada than the U.S. average, as were other measures such as property tax per capita, property tax as a percentage of total state personal income, median real estate taxes paid on an owner-occupied home, and the effective property tax rate for a median-value owner-occupied home (table NV-1). These statistics all point to lower than average property tax reliance and tax burden in Nevada.

**Table NV-1**  
**Selected Nevada Property Tax Statistics, 2020<sup>1</sup>**

	Nevada	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$1,153	\$1,810	38
Property tax percentage of personal income	2.1%	3.1%	42
Total property tax as percentage of state-local revenue	13.4%	16.6%	32
Median owner-occupied home value <sup>2</sup>	\$290,200	\$229,800	12
Median real estate taxes paid for owner-occupied home <sup>2</sup>	\$1,660	\$2,551	34
Effective tax rate, median owner-occupied home <sup>3</sup>	0.6%	1.1%	31

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

<sup>1</sup> All revenue numbers in this table include the state government as well as local governments.

<sup>2</sup> The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2016–2020.

<sup>3</sup> Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

## Administration and Assessment

Nevada taxes both real and personal property. Property taxes are levied by the state, county, city, town, school district, and special district governments. The government agencies responsible for the administration of the property tax are the Nevada Tax Commission; the Nevada Department of Taxation; county assessors, treasurers, and commissioners; the state and county boards of equalization; the Committee on Local Government Finance; and the Appraiser Certification Board. Property assessments are undertaken by elected county assessors, who identify all taxable property (table NV-2). There is no property classification system. The Department of Taxation and the Nevada Tax Commission play regulatory and supervisory roles in the administration of the property tax. Real property must be reappraised at least once every five years.

All property that is not subject to any exemption is assessed at 35 percent of the taxable value. For real property, taxable value is the full cash value of the land plus the replacement cost less depreciation of the structures on land. For personal property, taxable value is the replacement cost less depreciation of the property. The tax rate is set at no more than \$3.64 per \$100 of assessed value of the property, with

an additional 2 cent rate for state debt for capital projects, which brings the total maximum tax rate to \$3.66 per \$100 of assessed value (Levine et al. 2017; Significant Features of the Property Tax).

## Limits on Property Taxation

Legislation in 1979 and 1981 brought significant limits on the property tax. The tax rate cap was reduced from \$5.00 to \$3.64 in 1979, and the value used in the assessment process changed from market value to taxable value in 1981.

The legislature imposed a further cap on the increase in property tax bills in 2005. The cap on all property is set annually at the greater of the average percentage change in assessed value in the county over the last 10 years or twice the increase in the consumer price index, but no more than 8 percent. In most cases, an additional 3 percent levy limit applies to increases in residential property tax bills. However, if the general levy cap drops lower than 3 percent, the residential cap no longer applies and residential property taxes are subject to the same percentage as other property types (American Bar Association 2021). Properties that experience an increase in assessed value that leads to an increase in the property tax bill that is greater than the aforementioned limits are subject to property tax abatement.

Section 5 of Article 10 of the Nevada Constitution allows for a tax on the “net proceeds of all minerals, including oil, gas and other hydrocarbons, extracted in the state,” and further notes “no other tax may be imposed upon a mineral or its proceeds until the identity of the proceeds as such is lost.” This provision limits property taxes levied on mining.

## Property Tax Relief and Incentives

Nevada adopted a property tax circuit breaker program in 1973 in the form of the Senior Citizens Property Tax Assistance Program. This program provided tax relief to state residents age 62 years and older. The program was progressive in nature, as it provided more tax relief to lower-income residents and capped the tax relief at an income of \$15,100 (Ebel 1990; Legislative Counsel Bureau 2009). The Department of Health and Human Services ended the Senior Citizens Property Tax Assistance Program in 2011 in response to revenue shortfalls (Nevada Legislative Counsel Bureau 2016).

Nevada authorizes property tax exemptions for certain groups, including blind residents and veterans and their surviving spouses. The state’s property tax deferral program allows low-income households that have experienced an economic hardship to defer property taxes on a homestead for up to three years, to be repaid with 6 percent interest (Significant Features of the Property Tax).

Nevada’s Community Redevelopment Law (Chapter 279 of NRS) established in 1959 allowed local governments to create redevelopment areas and related agencies. The same law also enabled the use of tax increment financing for redevelopment and elimination of blight in local areas. Nevada offers real and personal property tax abatements for certain types of development (Significant Features of the Property Tax).

**Table NV-2**  
**Nevada Property Tax Features, 2021**

Feature	Nevada	Count for 50 states plus DC
<a href="#">Statewide classification of real property</a>	No	25
<a href="#">Assessment of property primarily by county</a>	Yes	31
<a href="#">Limits on property tax rates or levies</a>	Yes	45
<a href="#">Limits on the rate of growth of assessed value</a>	No	17
<a href="#">Circuit breaker property tax relief program</a>	No	31

Sources: Significant Features of the Property Tax

## Key Property Tax History

The property tax was the dominant source of revenue during the early part of Nevada's history both as a territory and as a new state. The property tax system was highly decentralized in that early period, and county assessors were heavily relied upon (Adams 1918; Nevada Department of Taxation 2023). The tax system became more centralized with the creation of such state agencies as the State Board of Assessors and the Department of Taxation.

Nevada passed legislation in 1975 that led to the transfer of property tax responsibilities from the Nevada Tax Commission to the newly created Department of Taxation. A new standardized parceling system was also adopted, the goal of which was to describe all the land in the state with a complete set of maps to be used by the assessors.

In response to California's passage of Proposition 13, Nevada passed SB 204 in 1979 to reduce the property tax rate cap from \$5.00 to \$3.64 per \$100 of assessed value, a cut that reduced funds paid to school districts, the Distributive School Fund, and a Medicaid levy.

SB 69, enacted in 1981, changed how improvements to real property were valued, moving away from market value to taxable value which is Nevada's current standard of valuation. The taxable value of land is the full cash value of land in its actual use; the taxable value of improvements is the replacement cost less depreciation. The changes in 1981 led to a 50 percent decrease in property tax collections and drove local governments to rely more on sales taxes (Nevada Department of Taxation 2023).

In 2005, the state legislature placed a complex cap on the increase in residential property tax bills and a separate cap on the increase in property tax bills for other property. However, this cap does not apply to new parcels or to new construction. When a residential parcel is sold and the new owners confirm that the property will be their primary residence, they qualify to continue under the tax cap and to pay no more than 3 percent above the tax from the previous year. The cap applies only to the actual tax bill; the assessor is still responsible for annual appraisal of the property (Washoe County Assessor).

## Recent Developments

In 2019, Nevada passed the Pupil Centered Funding Plan (SB 543 of 2019) to replace the Nevada Plan adopted in 1967. The new funding system consolidated revenue streams and used a new weighted system to distribute aid. The system was supposed to be phased in beginning in 2021, but the legislature passed a wholesale implementation of the new law in May 2021 (SB 439) and approved \$502 million to fund the measure (SB 458) (DeHaven 2021; Rindels and Valley 2021). The bill, which was expected to raise per-pupil funding from \$7,400 to \$9,000, swept mining tax revenue and scores of other revenue streams into one large pot from which state aid will be distributed instead of letting mining revenue flow directly to districts, leaving some local school districts short after their budgets were approved and counting on direct revenue (Hernandez 2022). In 2022, the Nevada Supreme Court upheld the dismissal of *Shea v. State of Nevada*, a school funding adequacy case in which a group of Nevada students and parents claimed Nevada has failed to meet its constitutional obligation to fund a suitable education (SchoolFunding.Info 2022).

Assembly Bill 495 of 2021 diverted funds from the state's ad valorem tax on net proceeds of mines from the general fund to the state education fund. The bill also created a new excise tax on mining for gold and silver mines with gross revenue over \$20 million per year. Passage occurred on the last day of the legislative session. Lawmakers were under pressure to reach an agreement after Democratic legislators successfully passed legislation in summer 2020 that put three ballot measures before voters to change taxation on mines and after the Clark County Education Association (CCEA) teacher's union initiated two petitions to raise gaming and sales taxes to increase funding for education. As part of the negotiations over Assembly Bill 495, the union agreed to withdraw its petitions (Girrus 2021). After the secretary of state blocked the effort to remove the measures from the ballot, the legislature passed Assembly Bill 320 to allow petitioners to withdraw initiatives. In March 2022, a judge upheld the ability of petitioners to withdraw their initiatives. Neither the mining tax ballot initiatives nor the CCEA-backed measures appeared on the November 2022 ballot (Associated Press 2022).

In November 2022, the Commission on School Funding released a report that recommended increasing education funding by \$3.2 billion over 10 years to increase per-pupil spending to \$14,337. The commission recommended removing the state's assessment limits and expanding the sales tax base to discretionary services such as recreation and personal care. The report stated "Once heralded as Nevada's most stable and predictable revenue source, the introduction of property tax abatements has complicated and confounded the calculation of the value of a unit of property tax, while the unique use of depreciation and replacement value has further separated property assessments from a market-based reality" (Gentry 2022; Nevada Commission on School Funding 2022).

Nevada's hospitality-reliant economy was battered by the Covid-19 pandemic. The state's unemployment rate soared from 3.6 percent in January 2020 to 30.1 percent in April 2020. Governor Steve Sisolak presented a revised fiscal year 2021 budget, proposing widespread cuts to address an estimated \$1.2 billion pandemic-induced shortfall (Hamilton 2021). Though Nevada's recovery has been slow compared to other states, in May 2021, an analysis by the Pew Charitable Trusts predicted Nevada would finish 2021 "with some of the fastest economic growth in the nation" (Rosewicz, Theal, and Fall 2021).

While more than half of states had made up Covid-19 pandemic-related revenue losses by February 2021, Nevada was among the 18 states still experiencing revenue losses. Tax collections between March 2020 and February 2021 were down 10.8 percent (Rosewicz, Theal, and Fall 2021). Indeed, in May 2021, the state's Economic Forum reported that "Nevada's economy is proving to be on a track toward recovery" (Office of the Governor, State of Nevada 2021). By the end of the second quarter of 2022, Nevada revenue was 20 percent higher than it was pre-pandemic (adjusting for inflation), but was still lower than if revenue had continued to grow at the pre-pandemic rate (Theal and Fall 2023).

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