Nevada

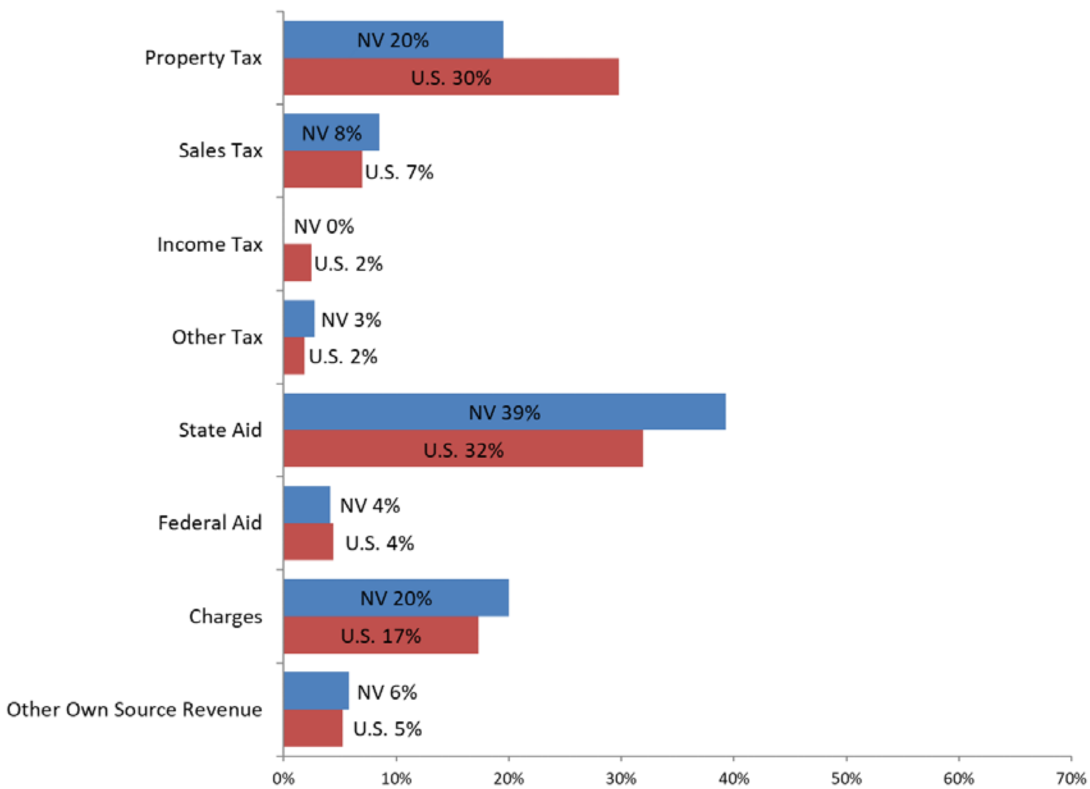
Highlights

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 does the average U.S. state (figure NV-1).

The method of property valuation in Nevada is different than that used in any other state. 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 2016). This concept is known as taxable value.

Nevada imposes limits on property tax rates, and its 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., 2014



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

Property Tax Reliance

In 2014, 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 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, 2014[1]

	Nevada	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$954	$1,464	*39*
Property tax percentage of personal income	2.4%	3.2%	*40*
Total property tax as percentage of state-local revenue	14.3%	16.9%	*33*
Median owner-occupied home value[2]	$173,700	$178,600	*24*
Median real estate taxes paid for owner-occupied home[2]	$1,481	$2,149	*31*
Effective tax rate, median owner-occupied home[3]	0.9%	1.2%	*31*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] 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 2011-2015.

[3] 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.

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 has imposed a further cap on the increase in property tax bills. 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 ten years or twice the increase in the consumer price index, but no more than 8 percent. In most cases, an additional 3 percent cap 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 2016, Bancroft and McKean 2016). 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. The Department of Health and Human Services ended the Senior Citizens Property Tax Assistance Program in 2011 in response to revenue shortfalls (Ebel 1990; Legislative Counsel Bureau 2009).

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.

Table NV-2
Property Tax Features of State Governments, United States, 2015

Feature	Nevada	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	19
Circuit breaker property tax relief program	No	34

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 2013). 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 which led to the transfer of the 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, SB 204 was passed in 1979 to reduce the property tax rate cap from $5.00 to $3.64 per $100 assessed value, a cut that reduced funds paid to the school district, 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. Land was also taxed based on actual use instead of the "highest and best use," which is currently how land is valued for taxation purposes. 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 2013).

In 2005, the state legislature placed a complex cap on the increase in a residential property tax bill 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 2014, the Tax Foundation conducted an evaluation of Nevada's tax system, including the property tax. The study recommended three changes to the property tax system: changing the assessment system from replacement cost to market value, adjusting and reforming the property tax caps, and reinstituting a property tax circuit breaker for low-income homeowners (Malm et al 2014).

In recent years, the levy caps imposed by the legislature have placed severe constraints on growth in property tax revenue. For example, because growth in assessed value and in consumer prices has been very low, two Nevada property tax experts predicted that the levy cap for Clark County (the most populous county in Nevada) will limit property tax bills "to an increase of no more than 0.2 percent from the tax paid in the prior year" (Bancroft and McKean 2016). Because of the property tax revenue foregone and its effects on local government budgets, some city and county officials have pushed for reform of the state's property tax caps (Monzon 2016). The Nevada legislature considered property tax reform in its 2017 session, including A.B. 43, which would have established a 3 percent floor for the caps on both residential and commercial property tax increases. However, the legislature adjourned without enacting significant property tax reform (Jones 2017).

Resources

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