

NEVADA COMMISSION ON SCHOOL FUNDING

Property Tax

July 19, 2024



FUNDING

Target Update

PROPERTY TAX

Revenue Model

FUNDING

Target Update

PROPERTY TAX

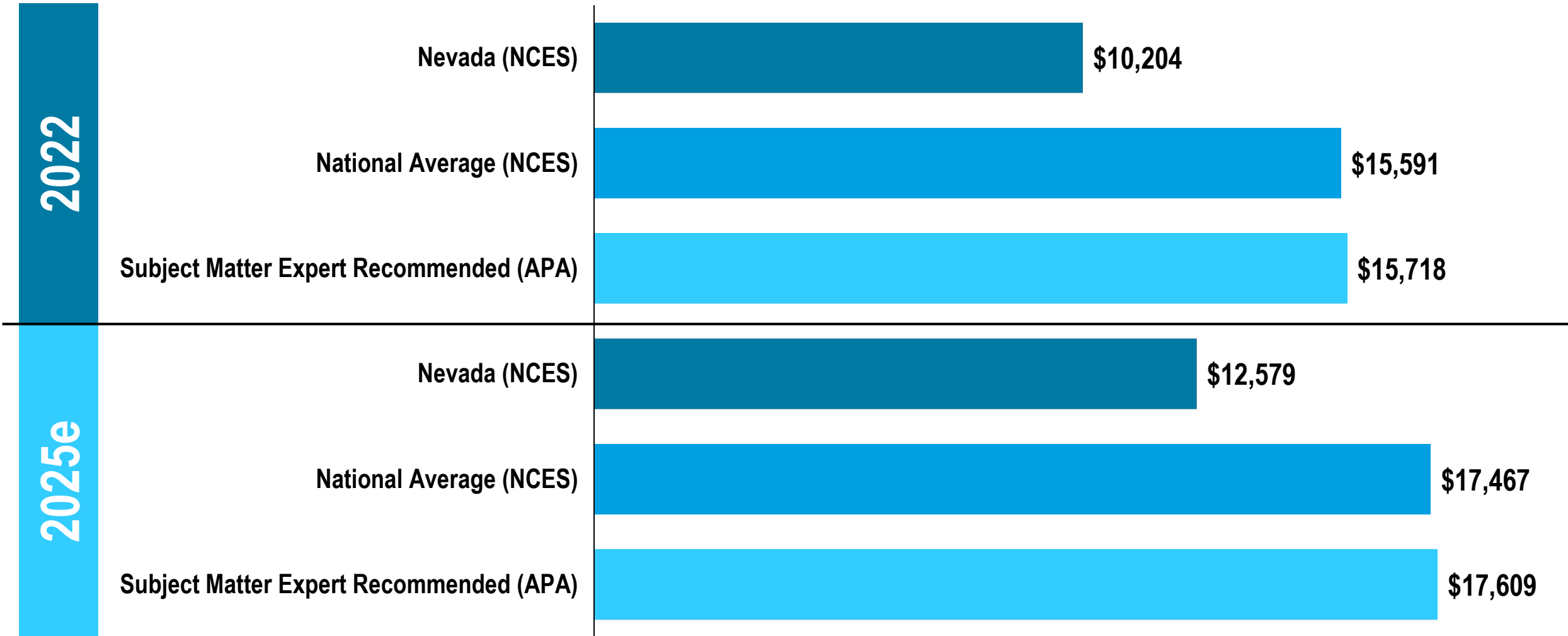
Revenue Model

Per Pupil Funding Comparison



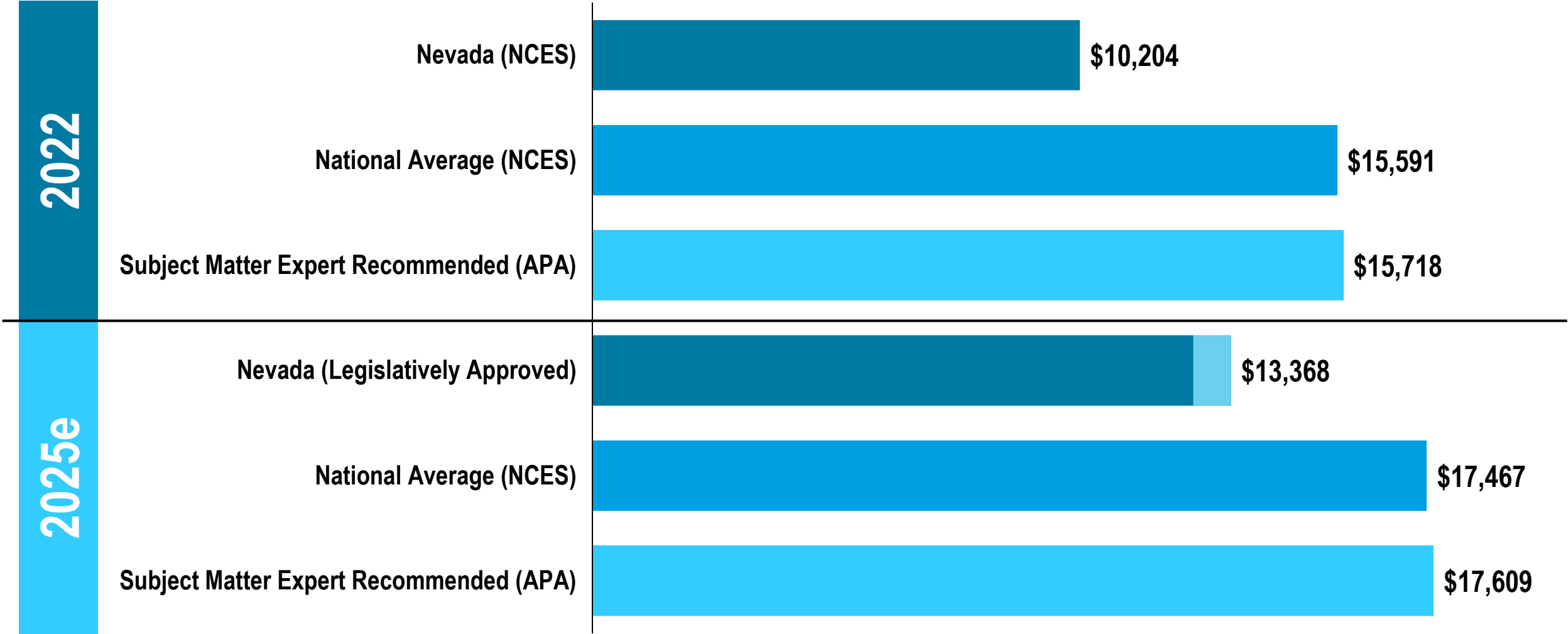
Note: Aggregate funding and per pupil funding figures are preliminary estimates and subject to change.

Per Pupil Funding Comparison



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Per Pupil Funding Comparison

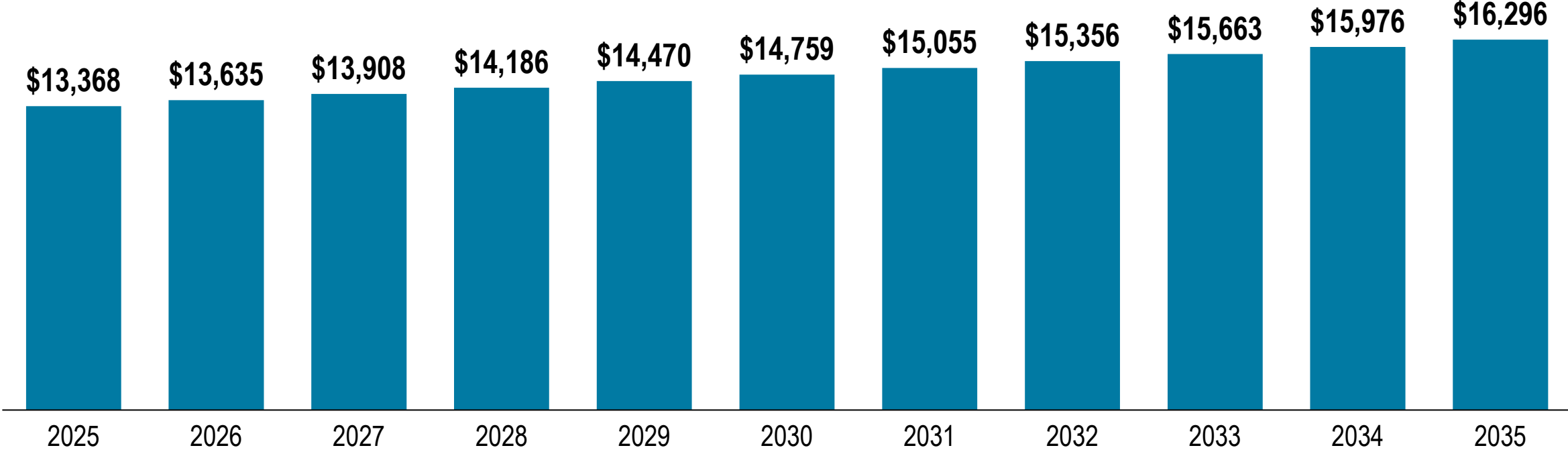


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National Average Per Pupil Funding

10-Year Phase In

Nevada Status Quo

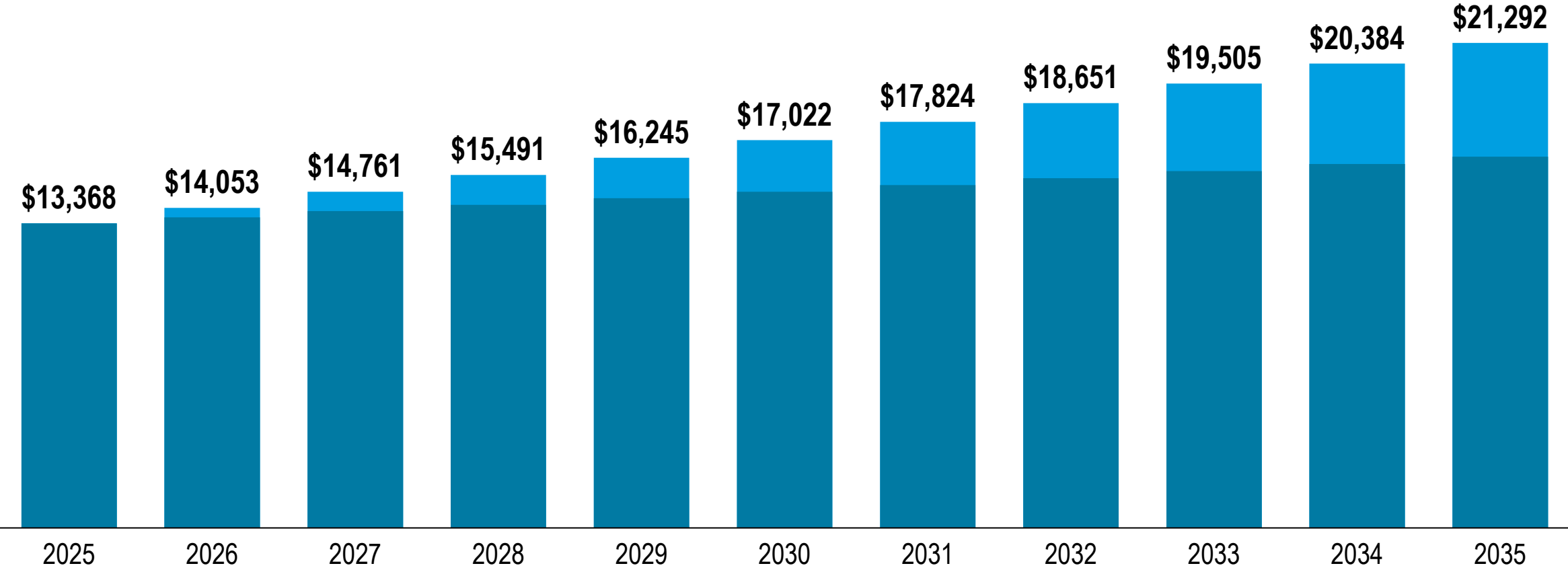


Note: Aggregate funding and per pupil funding figures are preliminary estimates and subject to change.

National Average Per Pupil Funding

10-Year Phase In

Per Pupil Funding to Reach National Average

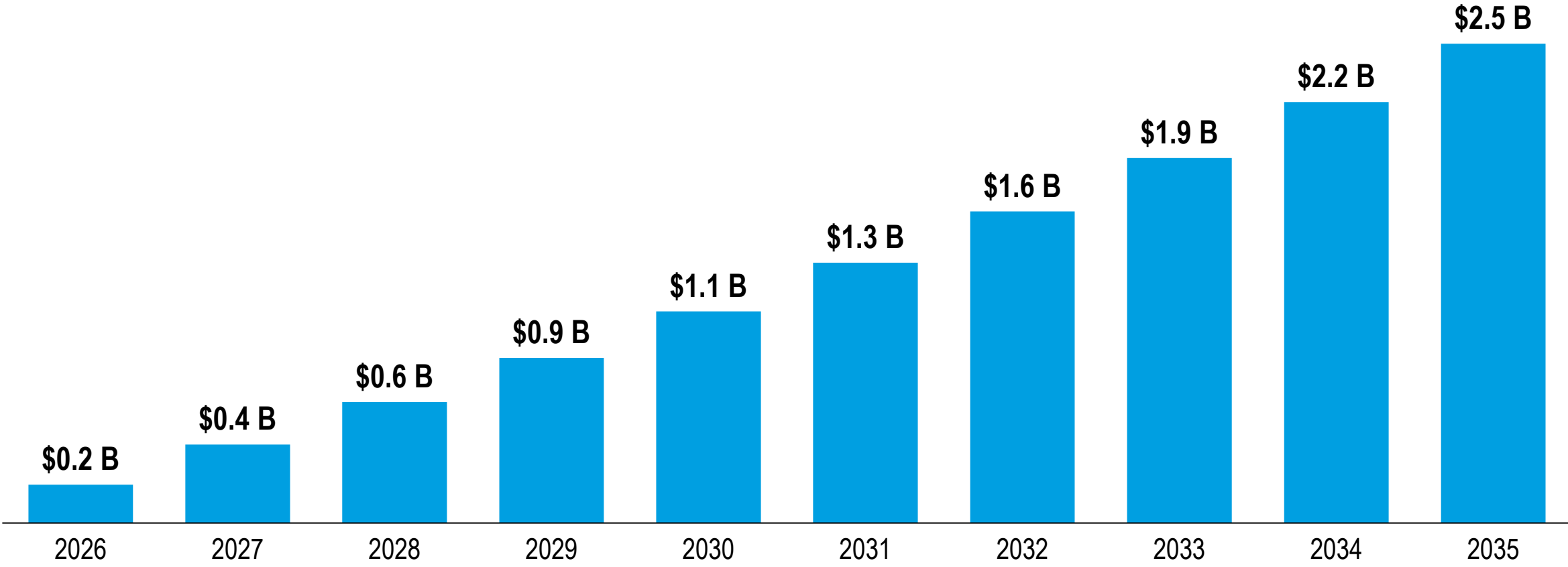


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National Average Funding Level

10-Year Phase In

Aggregate Shortfall

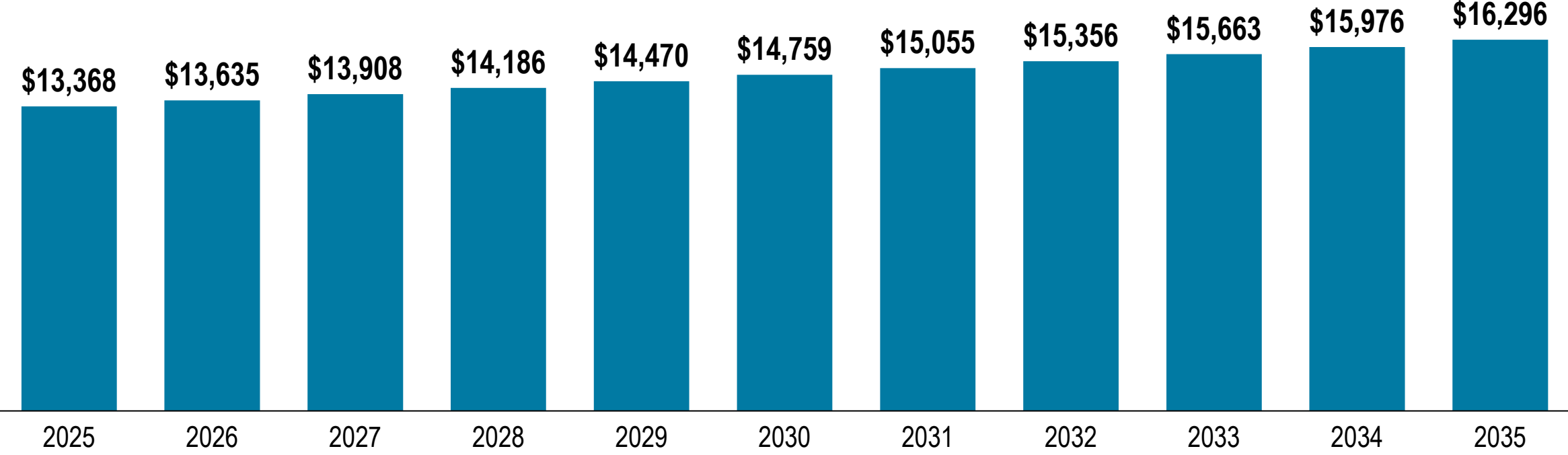


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APA Per Pupil Funding

10-Year Phase In

Nevada Status Quo

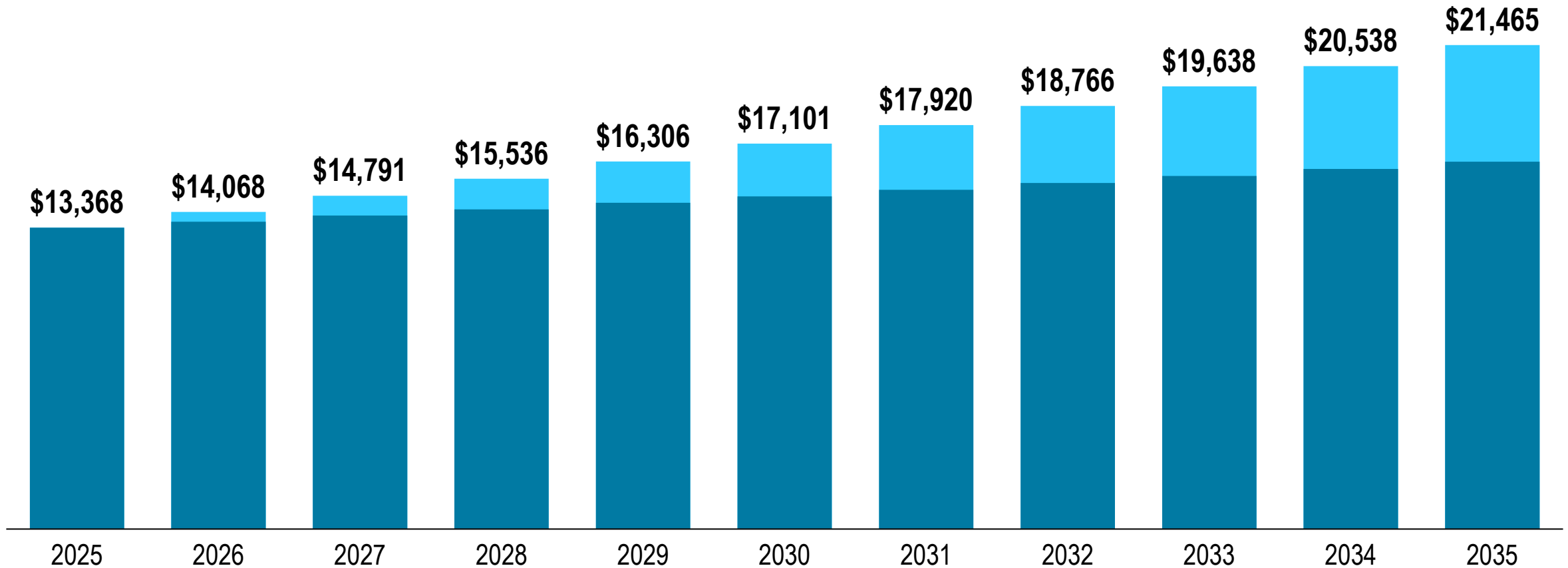


Note: Aggregate funding and per pupil funding figures are preliminary estimates and subject to change.

APA Per Pupil Funding

10-Year Phase In

Per Pupil Funding to Reach APA Funding

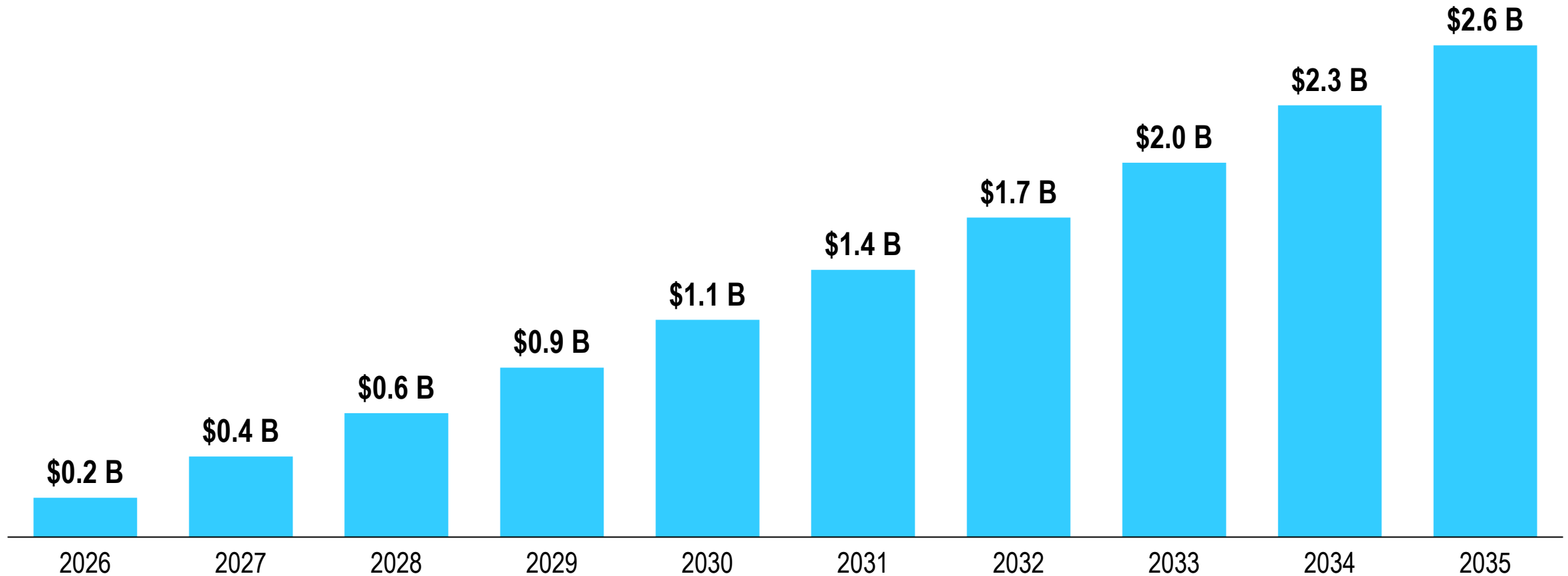


Note: Aggregate funding and per pupil funding figures are preliminary estimates and subject to change.

APA Funding Level

10-Year Phase In

Aggregate Shortfall



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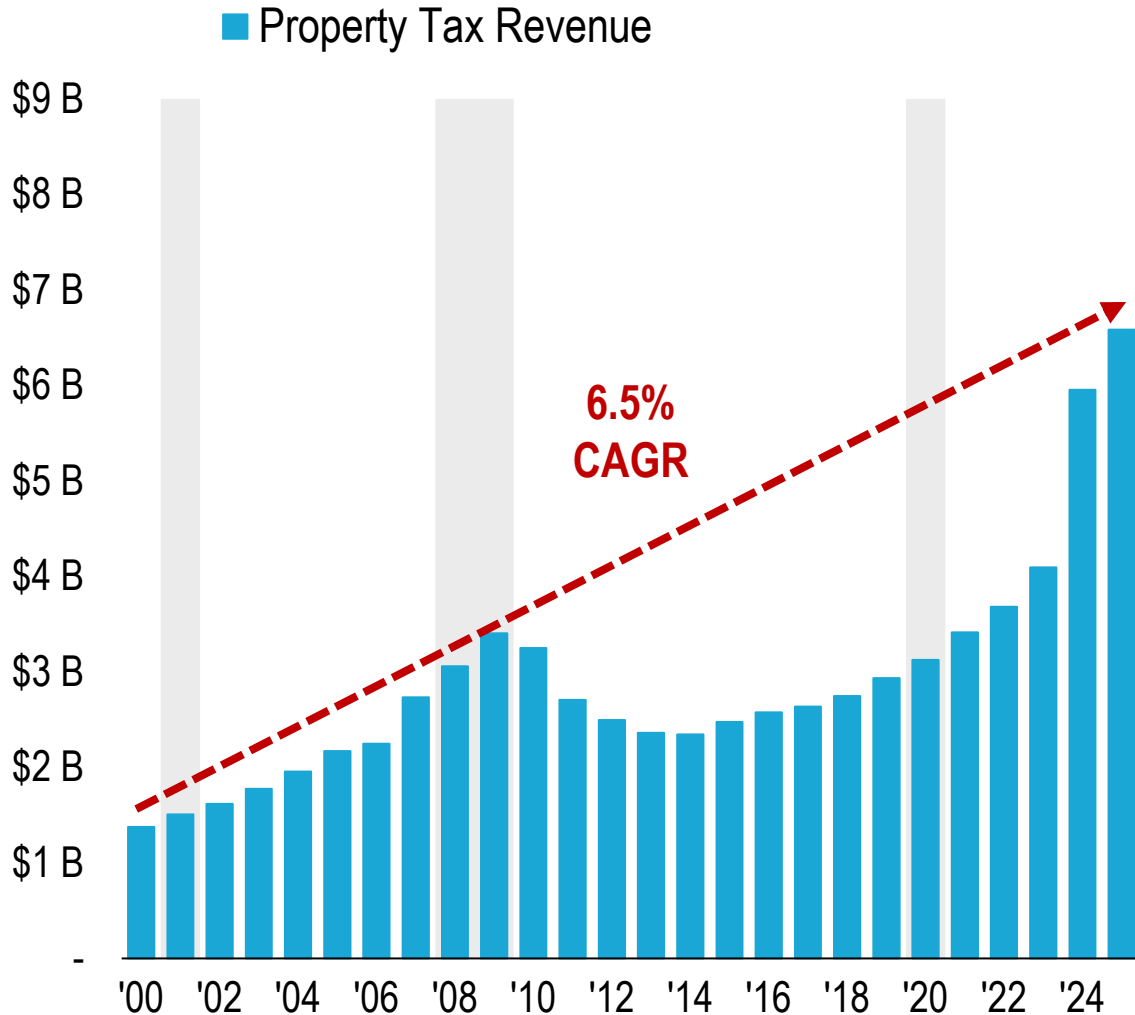
FUNDING

Target Update

PROPERTY TAX

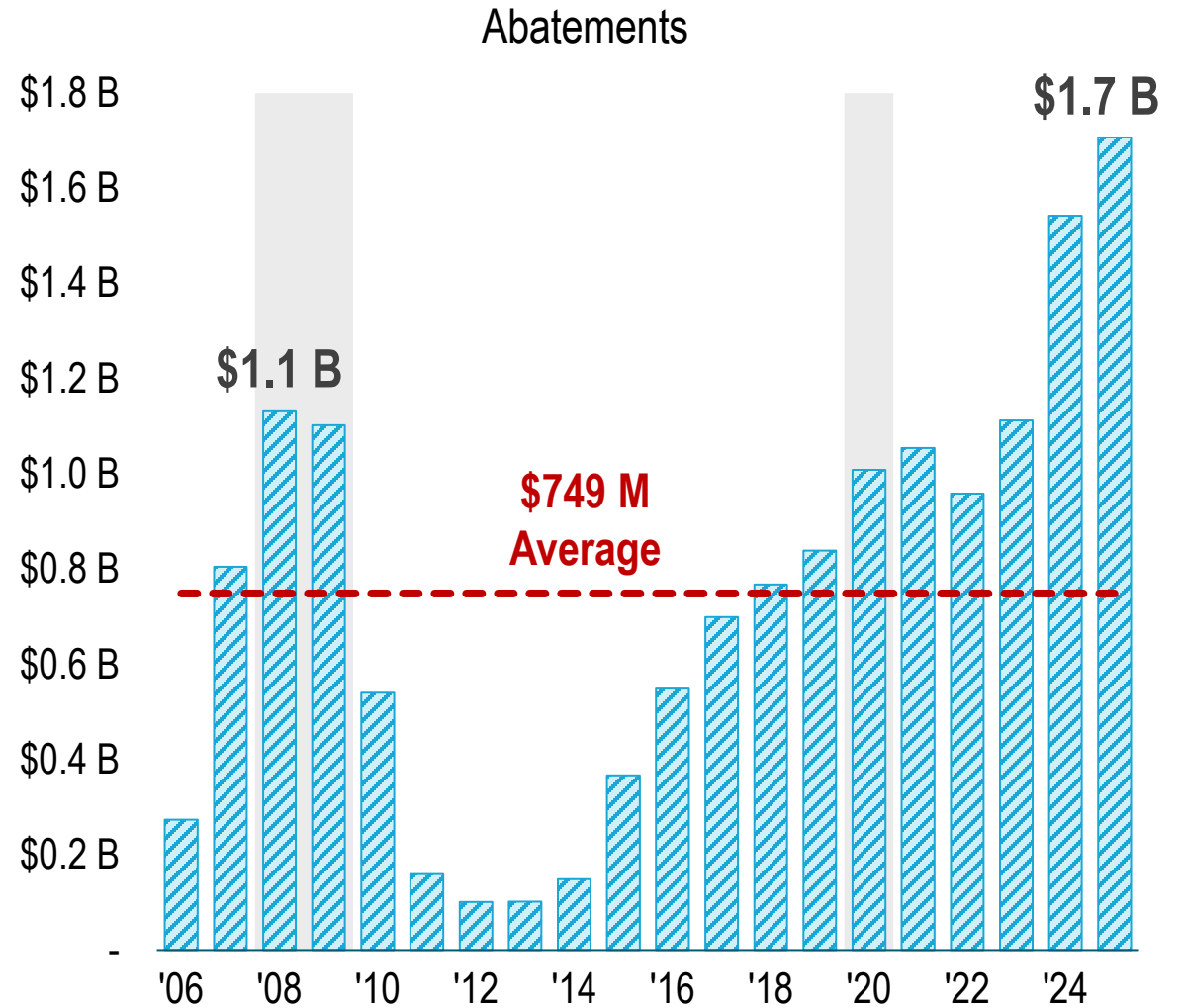
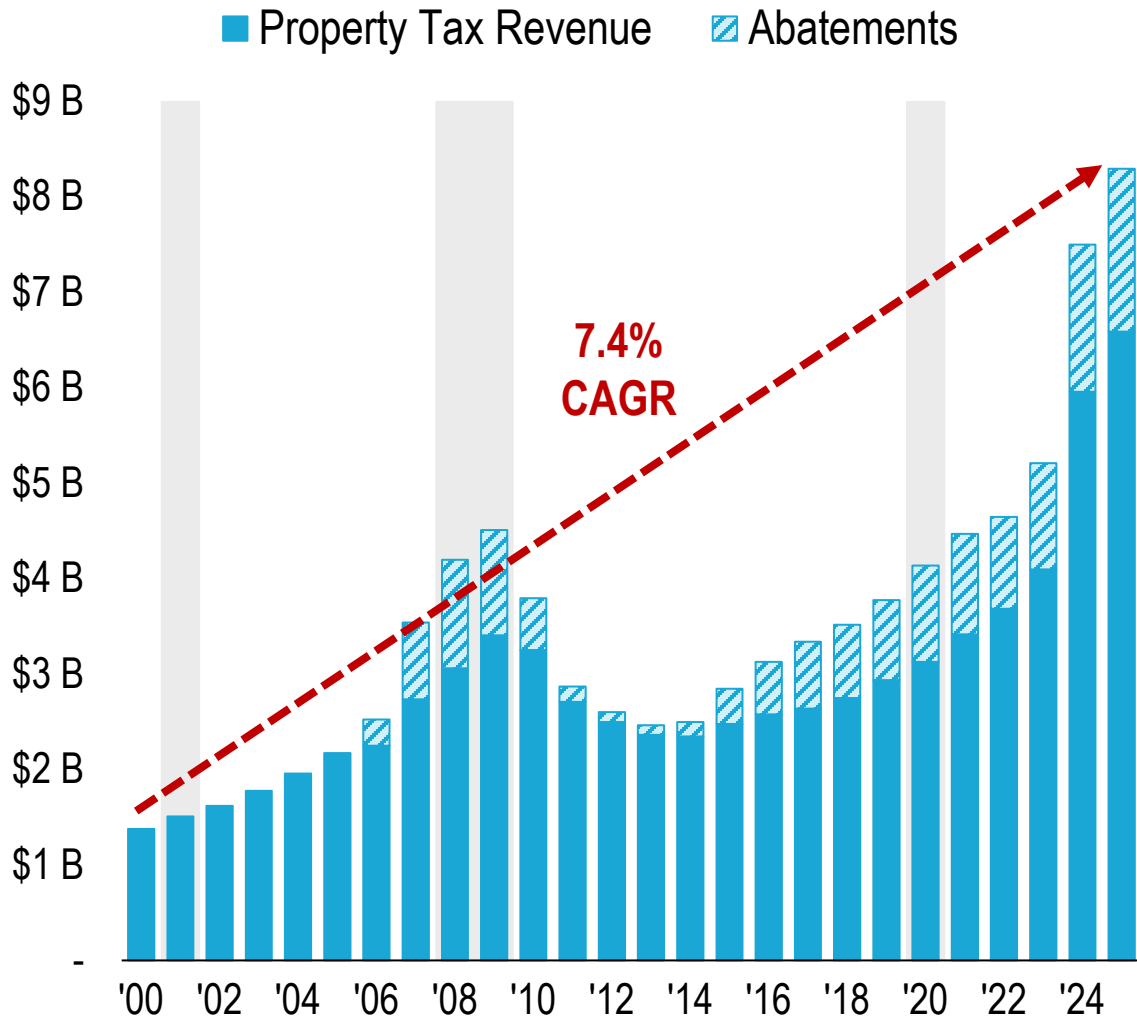
Revenue Model

Property Taxes in Nevada



Source: Nevada Department of Taxation. Note: Abatements not implemented until FY 2006; FY 2006 does not include property tax collections or abatements from the state portion, as the Redbook did not report them for that year.

Property Taxes in Nevada

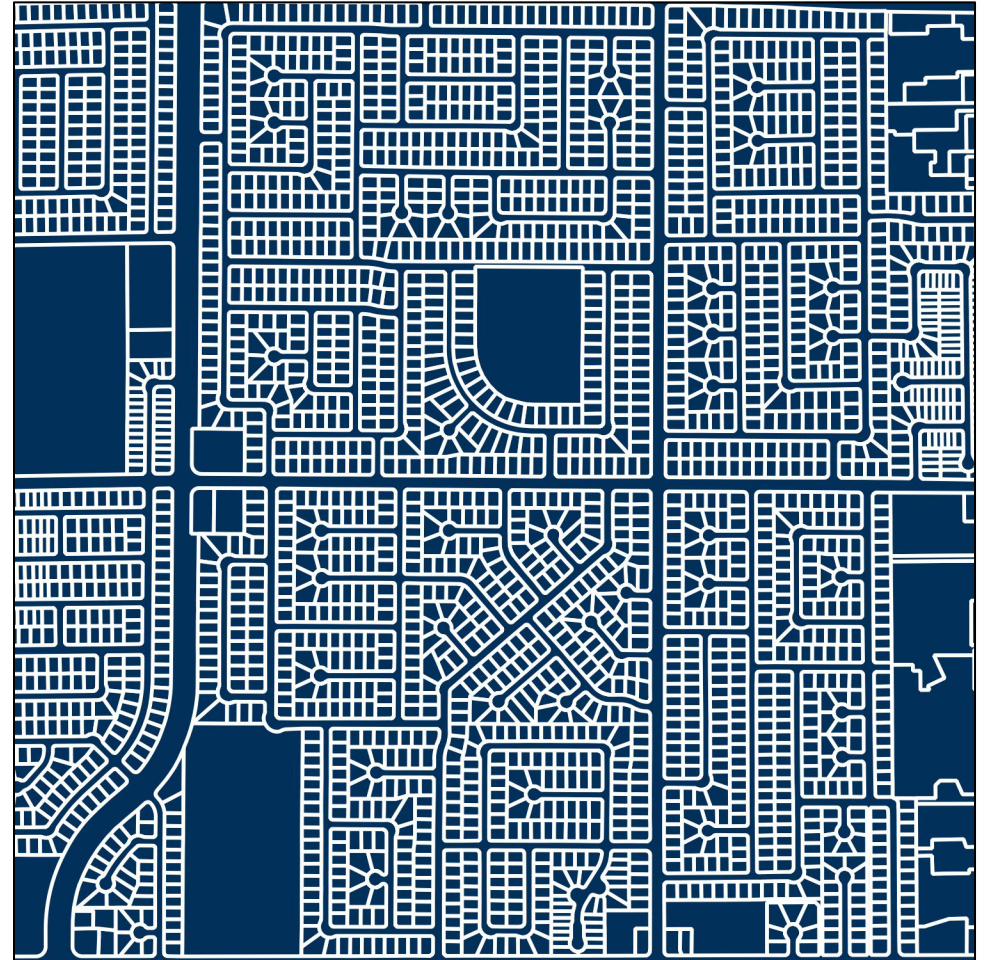


Source: Nevada Department of Taxation. Note: Abatements not implemented until FY 2006; FY 2006 does not include property tax collections or abatements from the state portion, as the Redbook did not report them for that year.

Property Taxes in Nevada

Property Tax Revenue Projection Model

- Based on data from more than 1 million parcels in Nevada
- Depreciation factor is determined by the construction year of improvements at the parcel level
- Tax abatements are determined by the taxes paid during the previous year at the parcel level
- The model mirrors ad valorem tax calculation methodologies used by county treasurers throughout the state to calculate property tax bills every year
- The model evaluates a variety of scenarios involving abatements, depreciation and other factors to project statewide property tax revenues through Fiscal Year 2035



PRIMARY PROPERTY TAX OBJECTIVES

1

Determine incremental revenue generation from property tax reform to abatements (e.g., capping, phasing out, eliminating)

2

Determine incremental revenue production related to depreciation (e.g., capping, phasing out, eliminating)

3

Identify the impacts associated with changing assessment methodology from full cash value (land) and depreciated cost to a market-based valuation method

4

Determine revenue impacts associated with raising property tax rates alone

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Property Taxes in Nevada

Tax Abatements

- In 2005, the Nevada State Legislature enacted property tax caps that potentially abate property taxes paid by property owners
- Tax cap factors are calculated for each county based on the higher of:
 - 10-year average of annual assessed value growth by county
 - Consumer Price Index growth multiplied by two
- The maximum tax cap factor is limited by property type and ownership:
 - 3 percent cap for owner-occupied residential properties and qualifying rental properties
 - 8 percent cap for all other property types
 - Cannot be less than zero



Property Taxes in Nevada

Tax Abatement Impact

Tax abatement illustration for an owner-occupied single-family residence with 3 percent tax cap

	Year 1	Year 10	Year 20	Year 30
TAXES AS ASSESSED	\$1,000	\$1,423	\$2,107	\$3,119
TAX ABATEMENT	\$0	\$118	\$353	\$762
TAXES DUE	\$1,000	\$1,305	\$1,754	\$2,357
EFFECTIVE TAX RATE ON ASSESSED VALUE	\$3.14 per \$100 of AV	\$2.88 per \$100 of AV	\$2.61 per \$100 of AV	\$2.37 per \$100 of AV
EFFECTIVE TAX RATE ON TAXABLE VALUE	1.1% of TV	1.0% of TV	0.9% of TV	0.8% of TV

Note: Assumes 4 percent annual growth in assessed taxes and 3 percent tax cap.



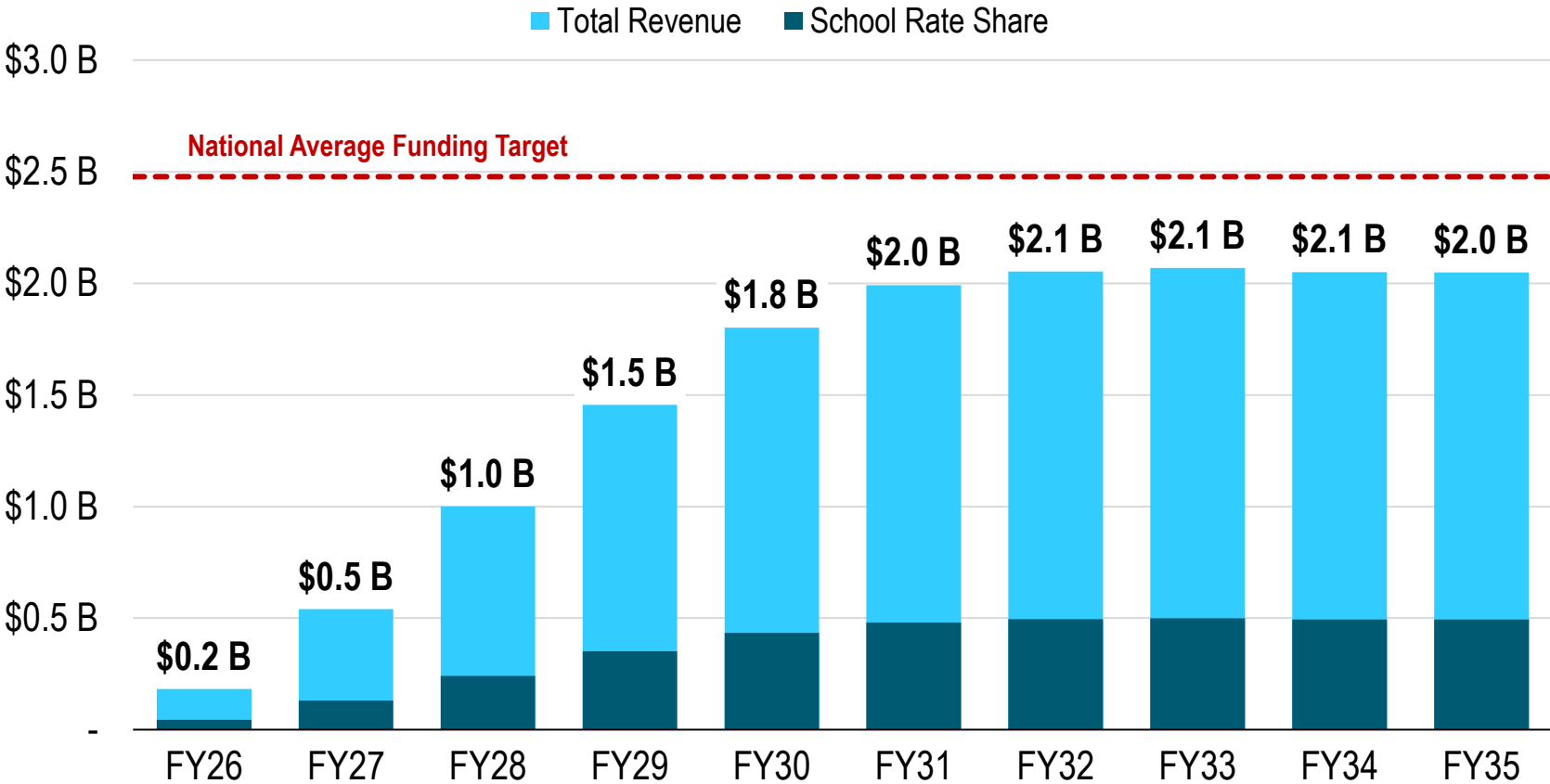
Property Tax Modeling Scenarios - Abatements

Property Tax Model Scenarios

Phase Out Tax Abatements

Scenario
Phase Out Abatements Between FY26 and FY35
No Change to Depreciation

Incremental Property Tax Revenue



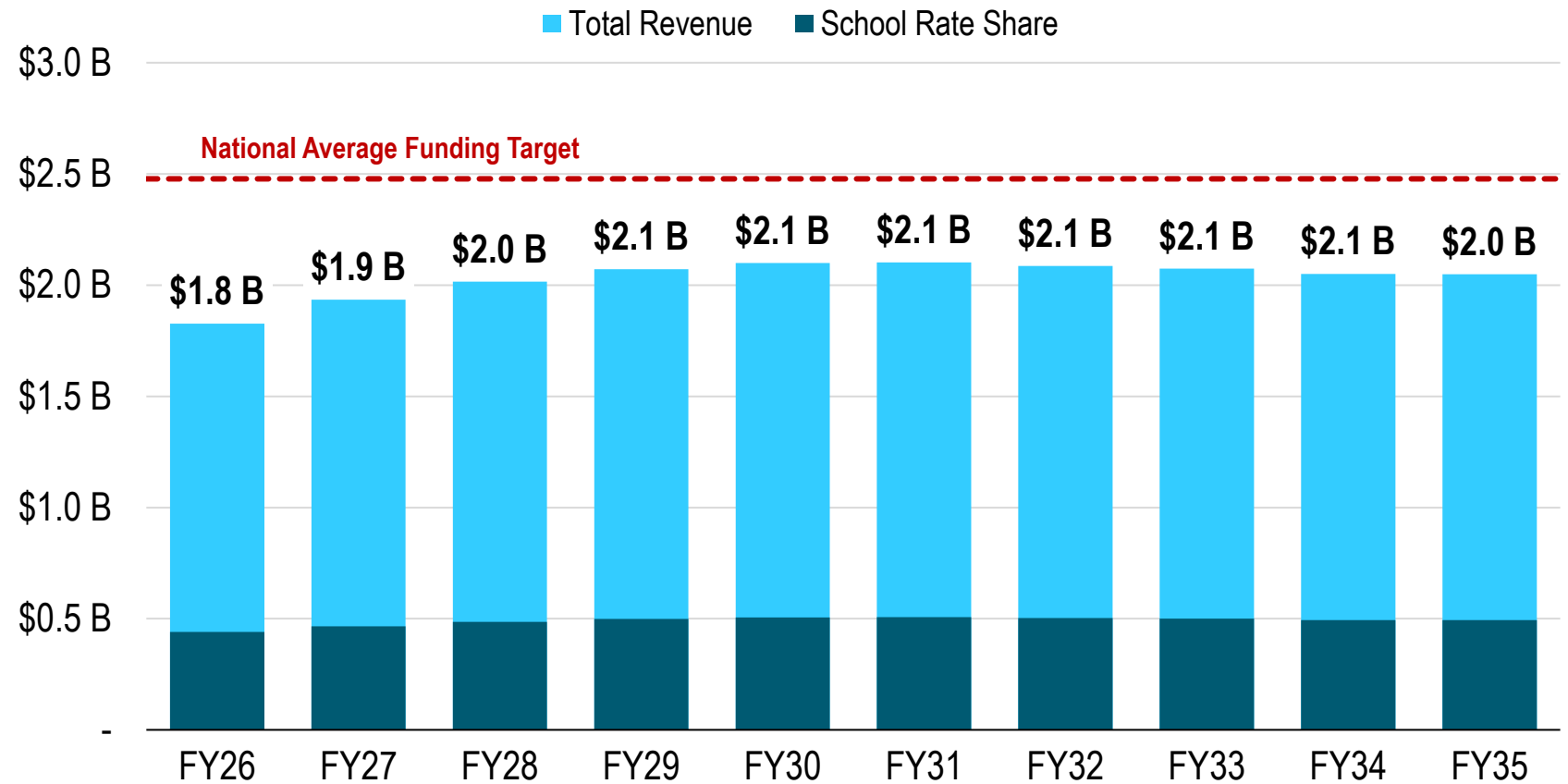
Note: Property tax revenue projections are preliminary estimates and subject to change.

Property Tax Model Scenarios

Eliminate Tax Abatements

Scenario
Eliminate Abatements in FY26
No Change to Depreciation

Incremental Property Tax Revenue



Note: Property tax revenue projections are preliminary estimates and subject to change.

PRIMARY PROPERTY TAX OBJECTIVES

1

Determine incremental revenue generation from property tax reform to abatements (e.g., capping, phasing out, eliminating)

2

Determine incremental revenue production related to depreciation (e.g., capping, phasing out, eliminating)

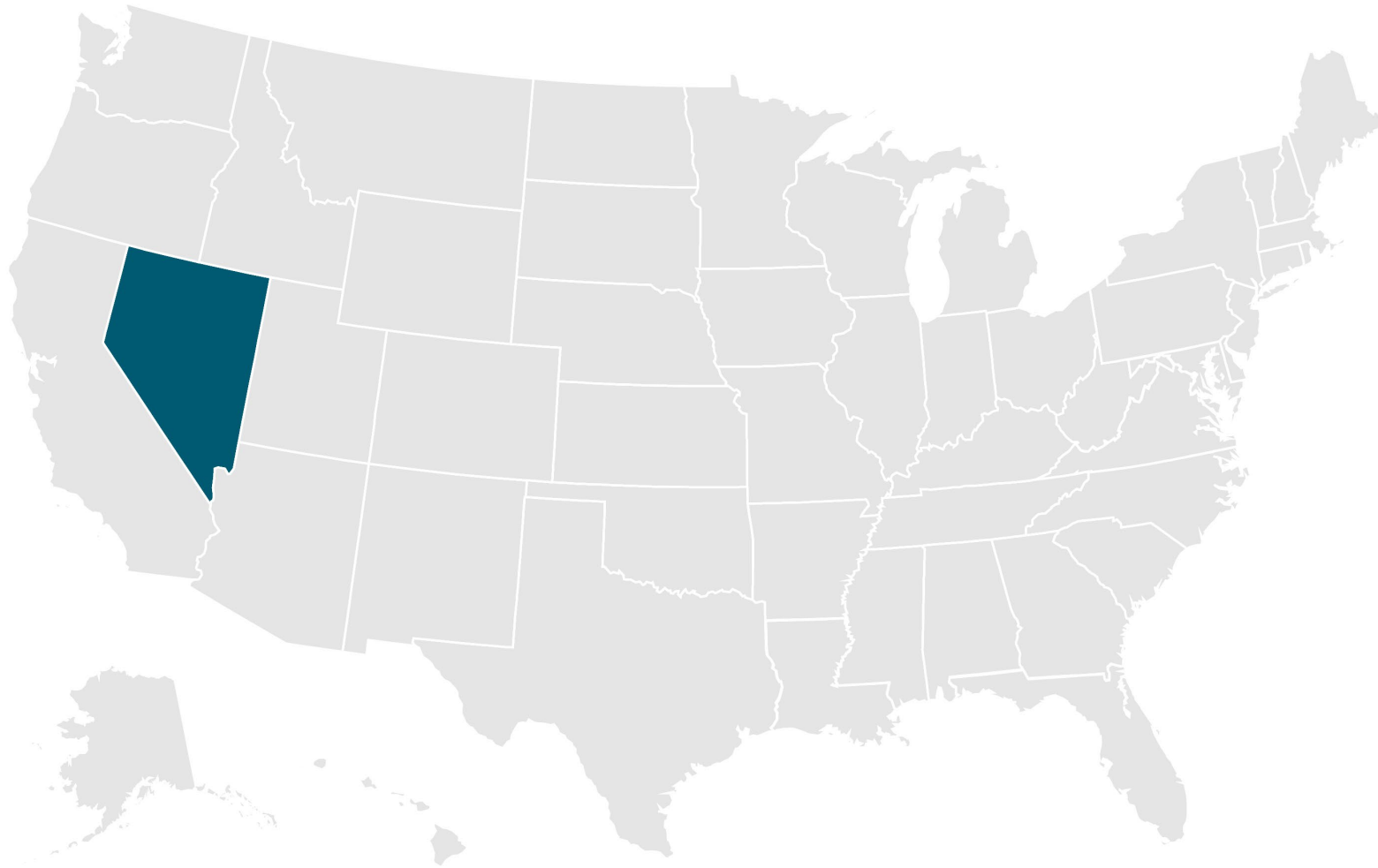
3

Identify the impacts associated with changing assessment methodology from full cash value (land) and depreciated cost to a market-based valuation method

4

Determine revenue impacts associated with raising property tax rates alone

Property Taxes in Nevada



NEVADA

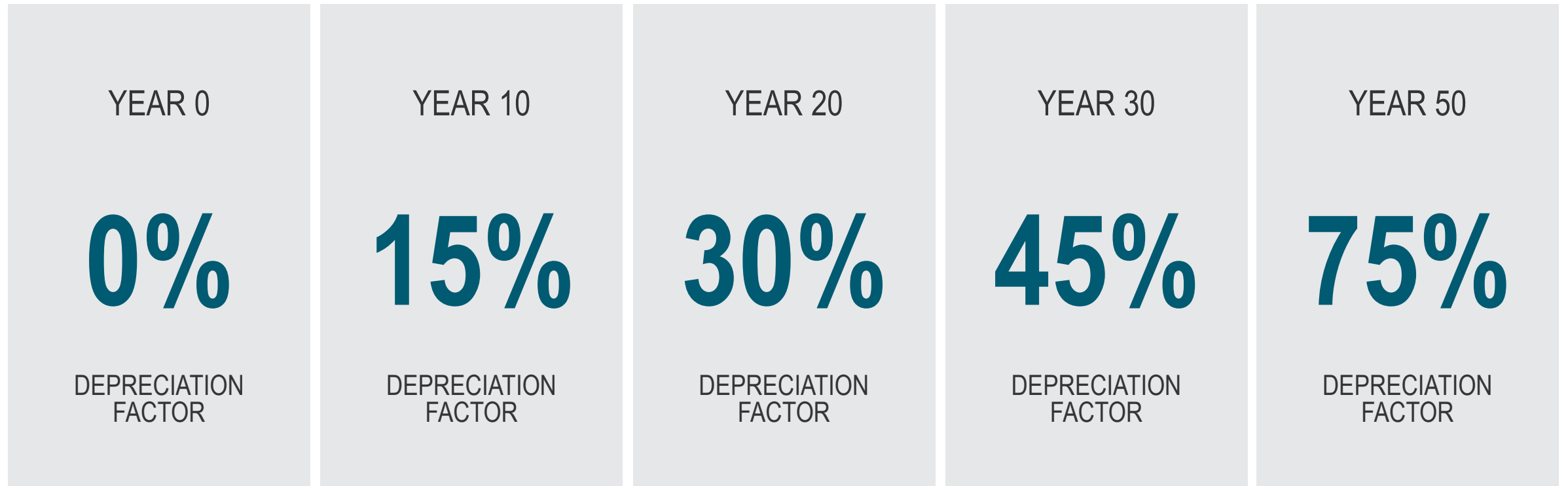
1 OF 50

STATES THAT APPLIES A
DEPRECIATION FACTOR TO
IMPROVEMENTS

Property Taxes in Nevada

Depreciation

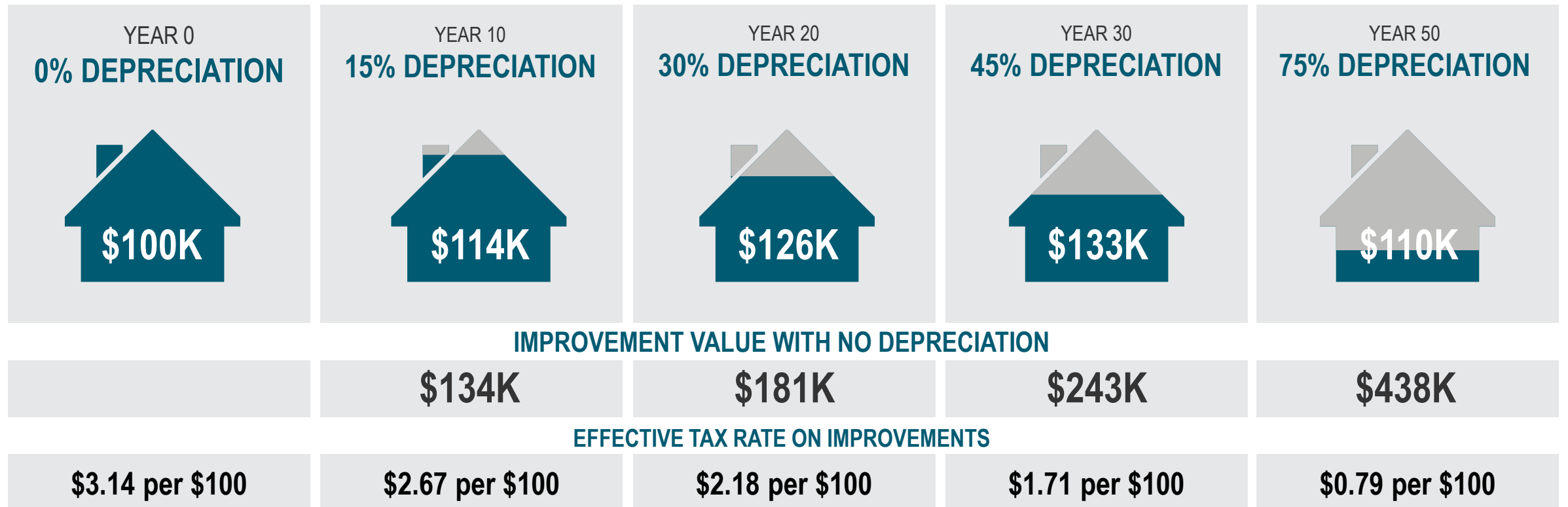
In Nevada, the assessed value of improvements includes a statutory depreciation factor of 1.5 percent for every year after construction for up to 50 years.



Property Taxes in Nevada

Depreciation

For a property with improvements valued at \$100,000 in replacement costs, the depreciation factor reduces the assessed improvement value significantly over the life of the property.

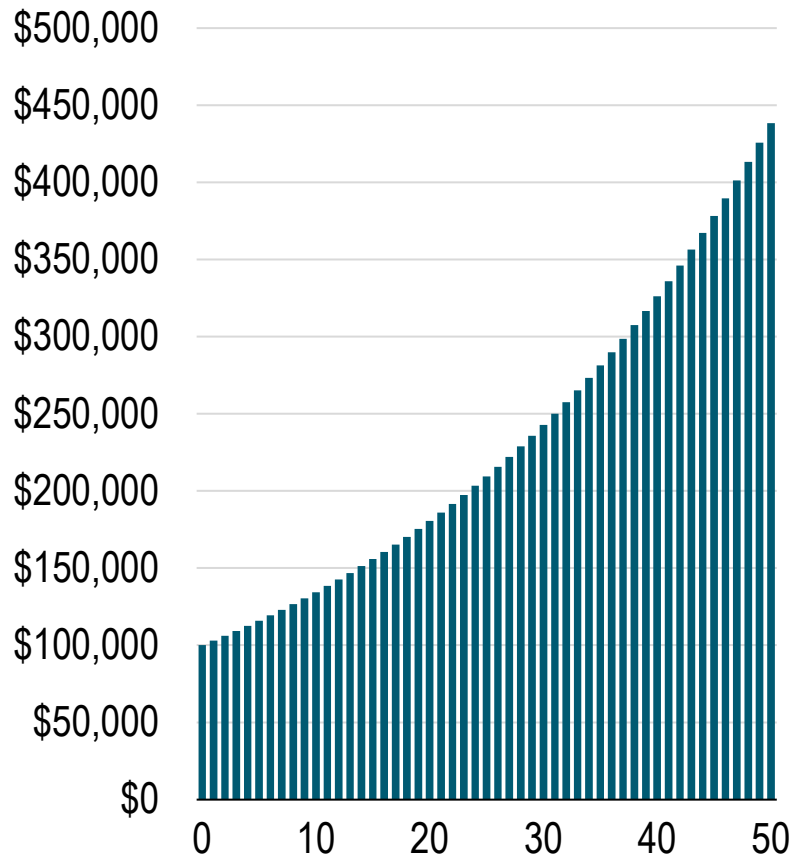


Note: Assumes 3 percent annual replacement cost appreciation.

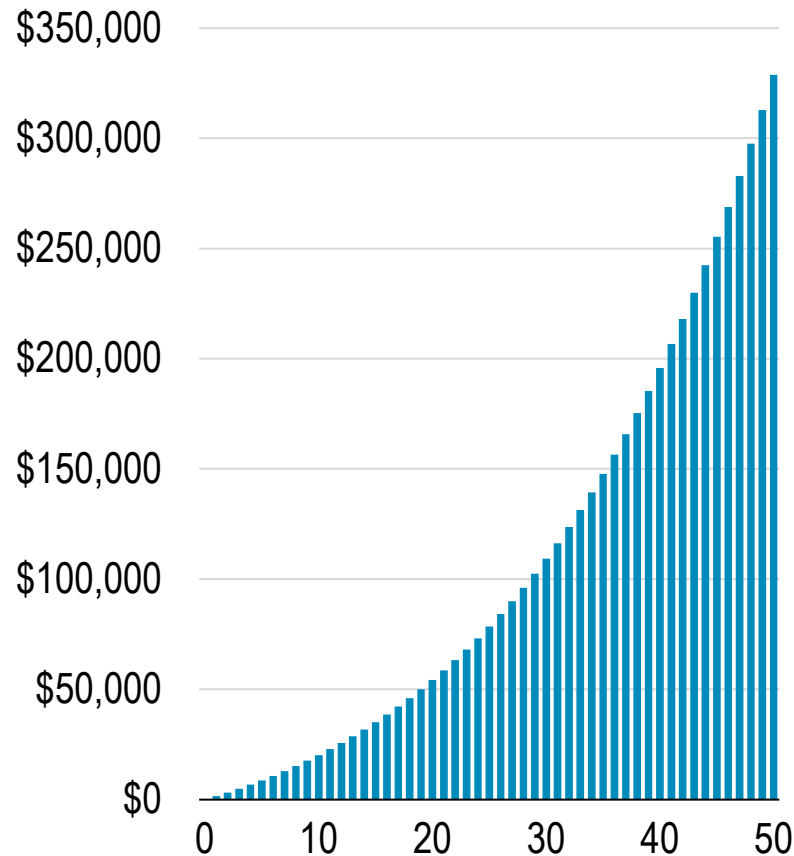
Property Taxes in Nevada

Depreciation

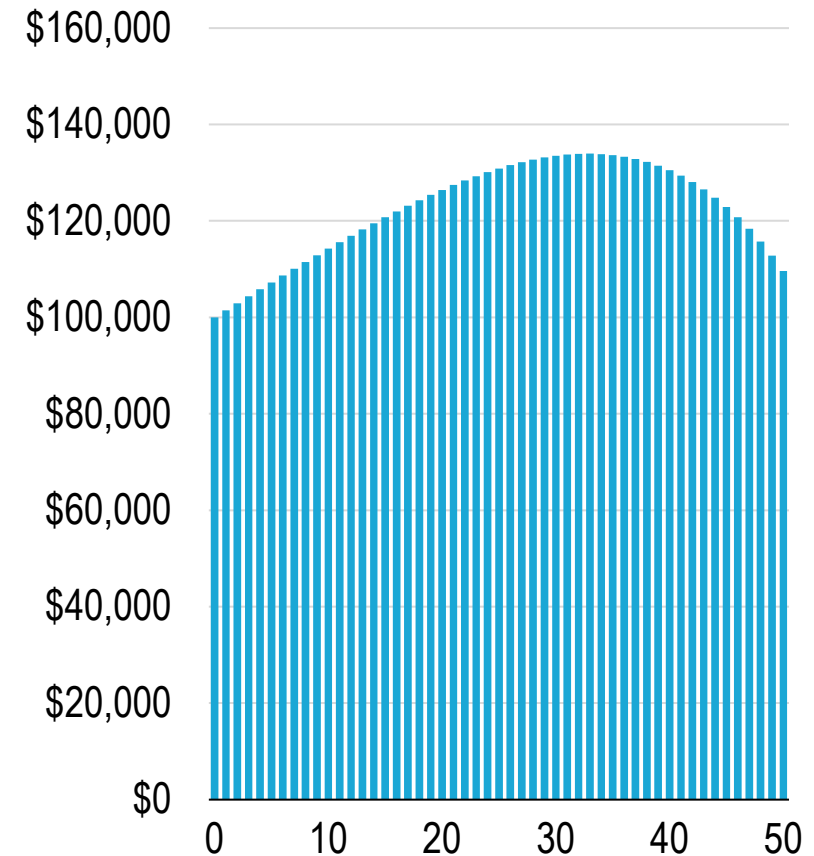
Replacement Cost (Gross)



Accumulated Depreciation



Net Value (Less Depreciation)



Note: Assumes 3 percent annual replacement cost appreciation.



Property Tax Modeling Scenarios

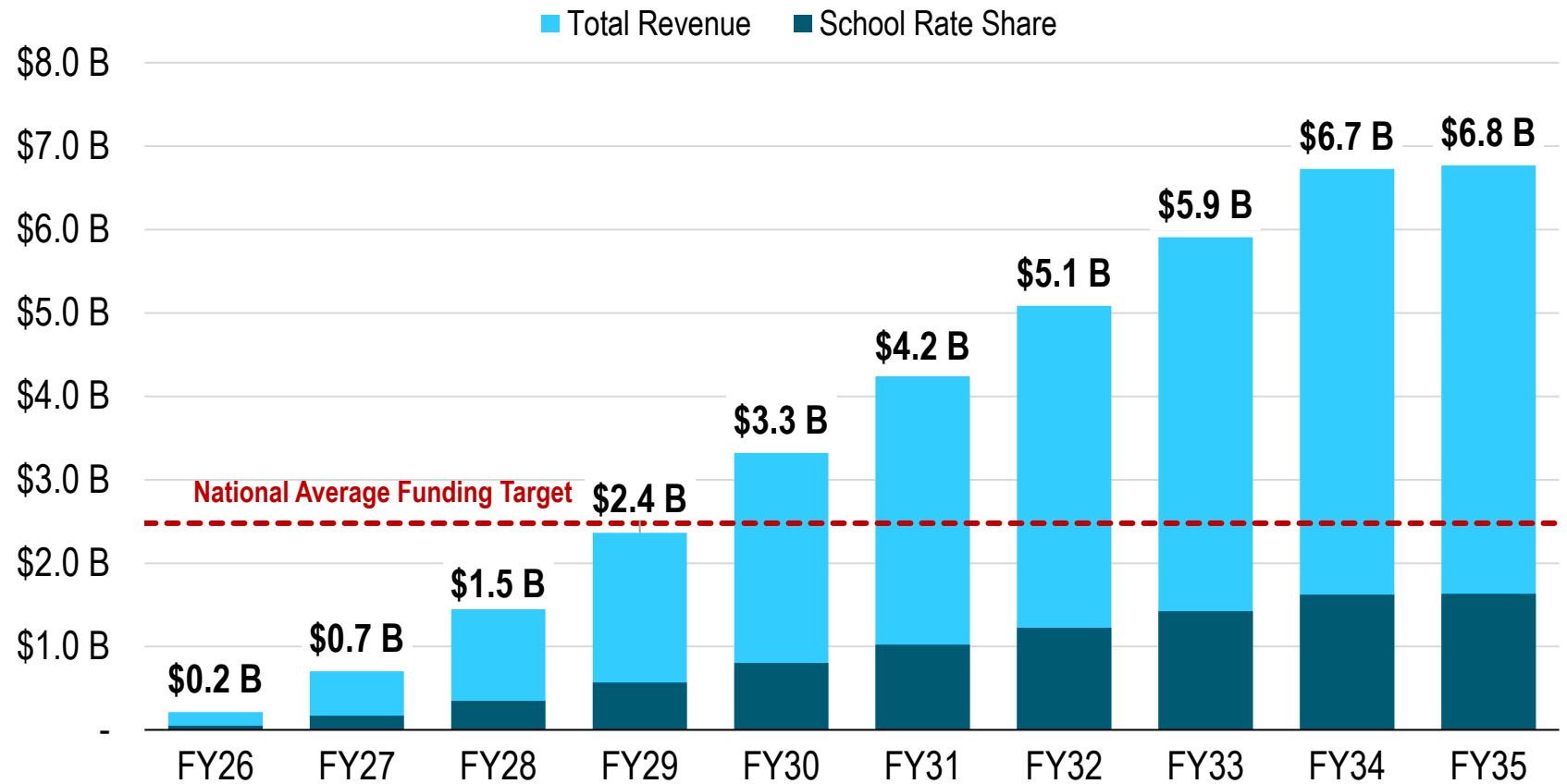
- **Abatements**
- **Depreciation**

Property Tax Model Scenarios

Depreciation and Tax Abatements

Scenario
Phase Out Abatements Between FY26 and FY35
Phase Out Depreciation Between FY26 and FY35

Incremental Property Tax Revenue



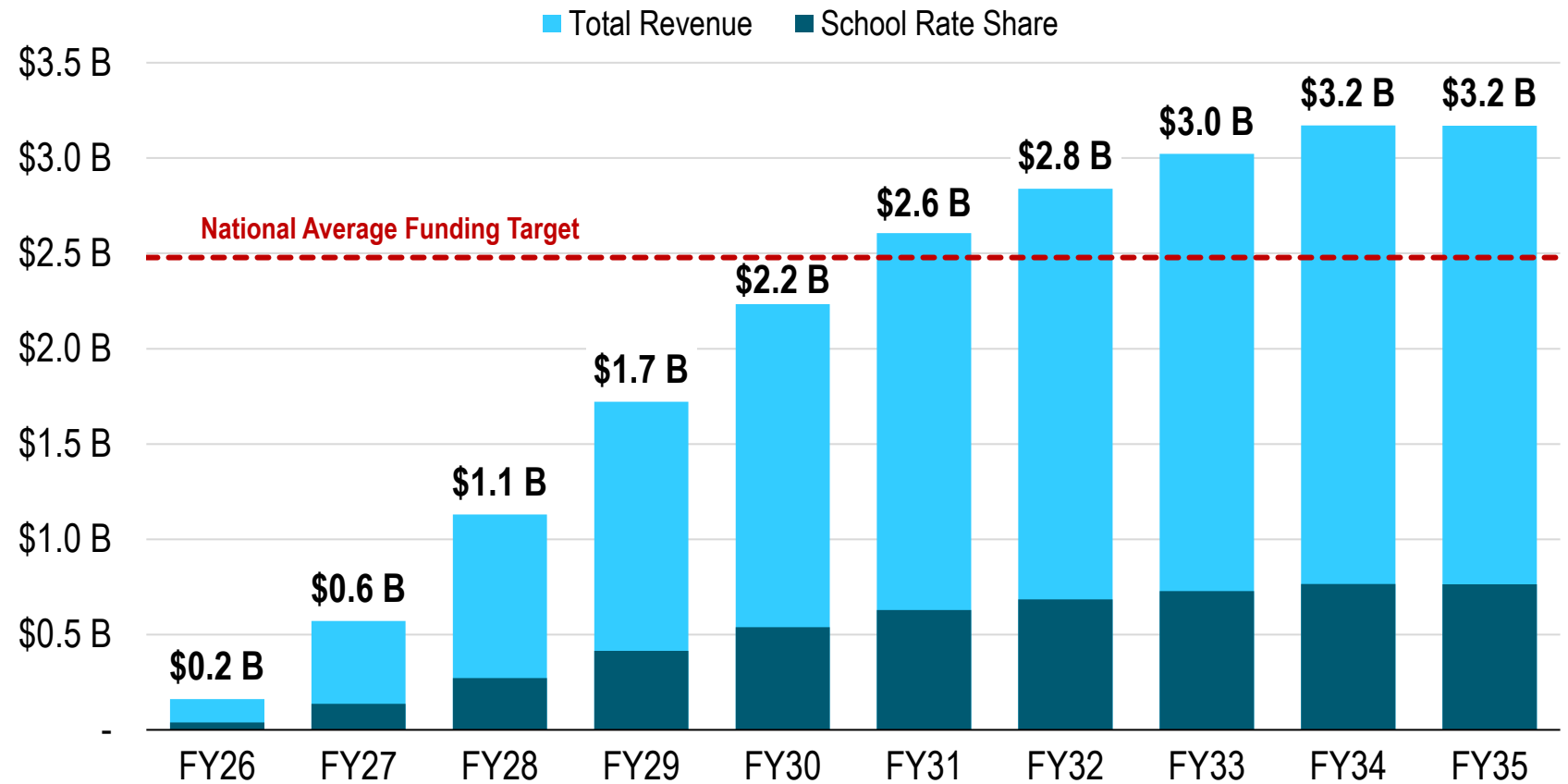
Note: Property tax revenue projections are preliminary estimates and subject to change.

Property Tax Model Scenarios

Depreciation and Tax Abatements

Scenario
Phase Out Abatements Between FY26 and FY35
Freeze Accumulated Depreciation Rate (No Increase)

Incremental Property Tax Revenue



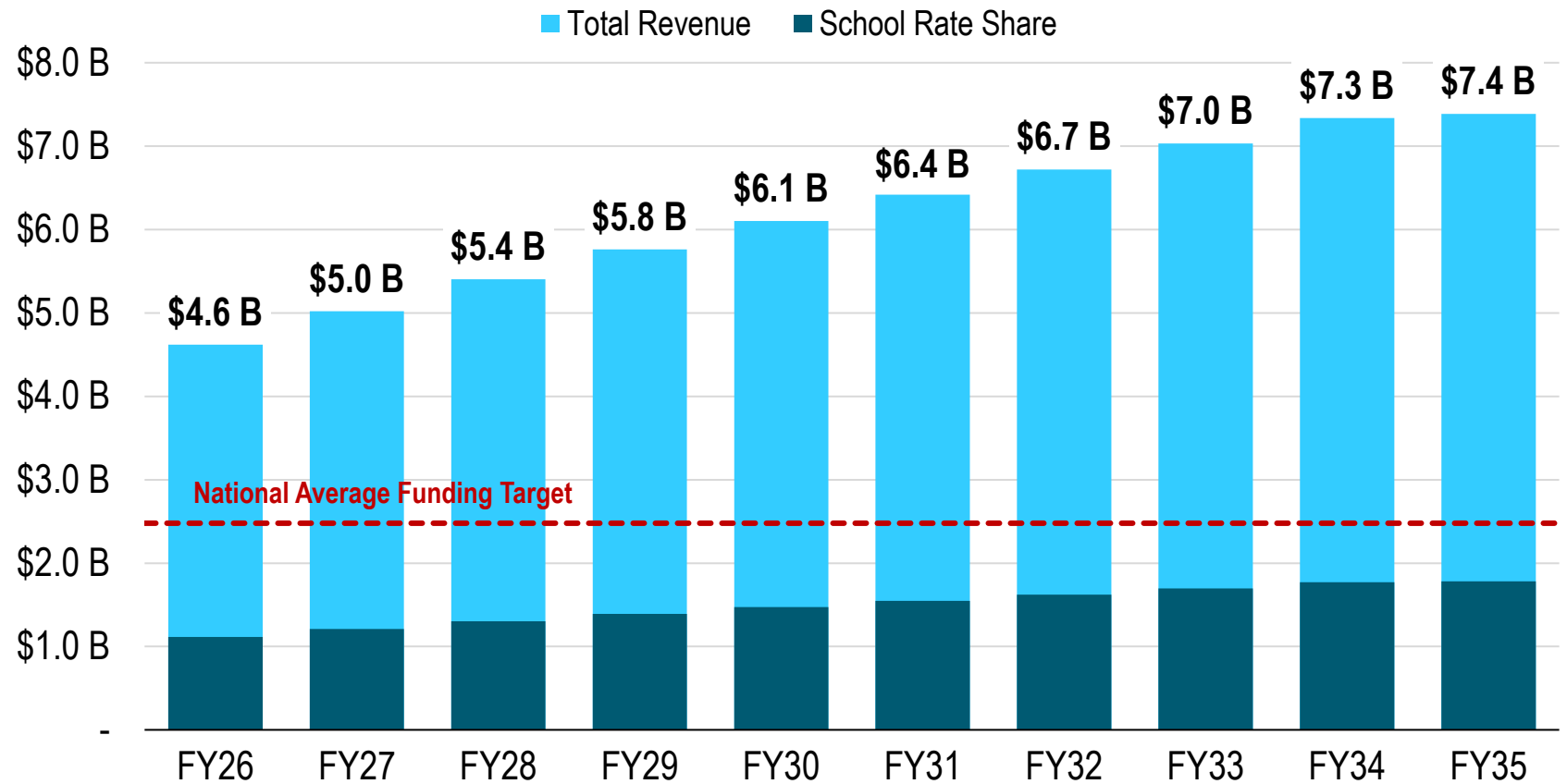
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Property Tax Model Scenarios

Depreciation and Tax Abatements

Scenario
Eliminate Abatements in FY26
Eliminate Depreciation in FY26

Incremental Property Tax Revenue



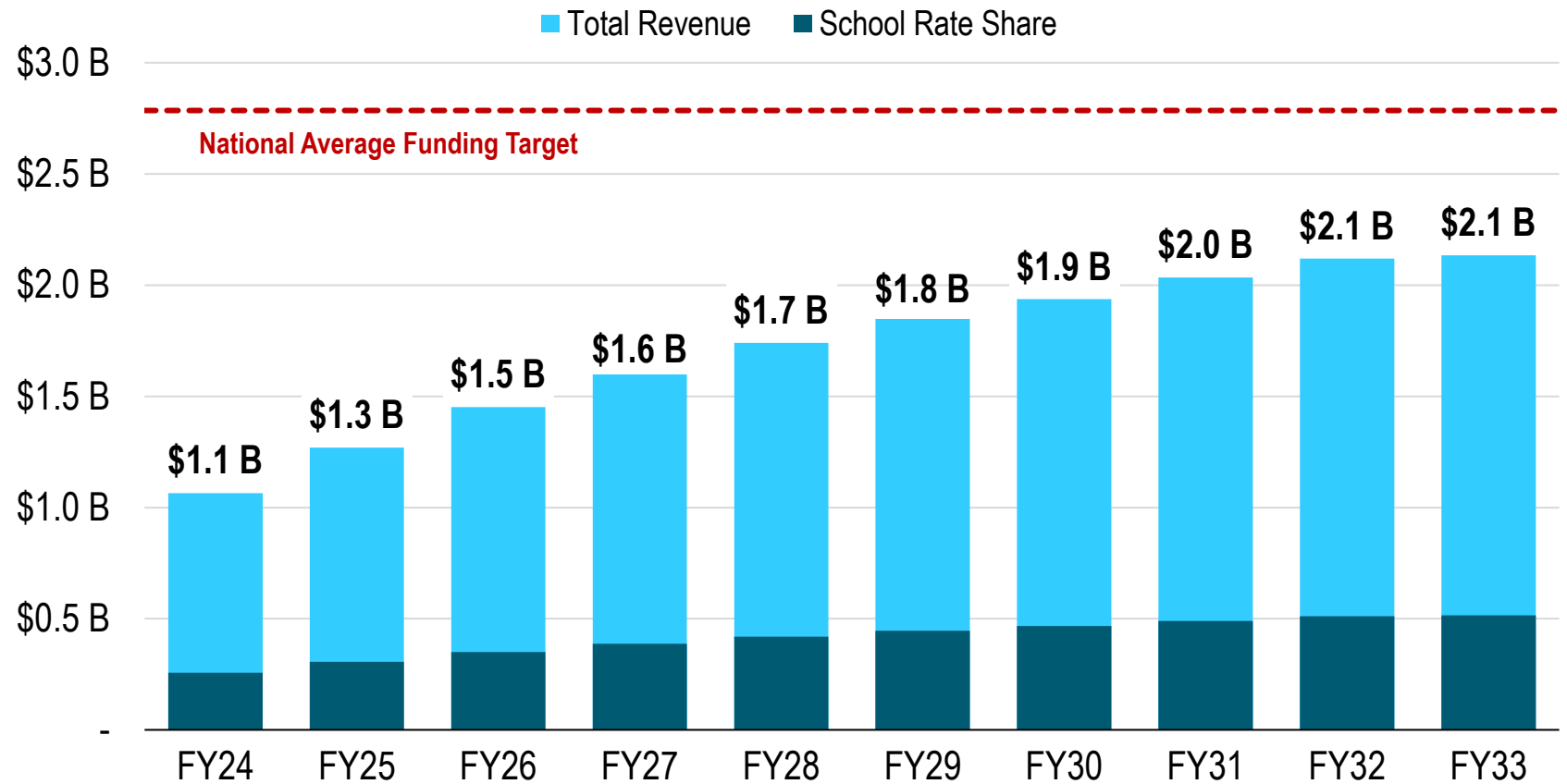
Note: Property tax revenue projections are preliminary estimates and subject to change.

Property Tax Model Scenarios

Depreciation and Tax Abatements

Scenario
Cap Abatements at FY25 Level
Modify Future Depreciation Rate from 1.5% to 1.0%

Incremental Property Tax Revenue



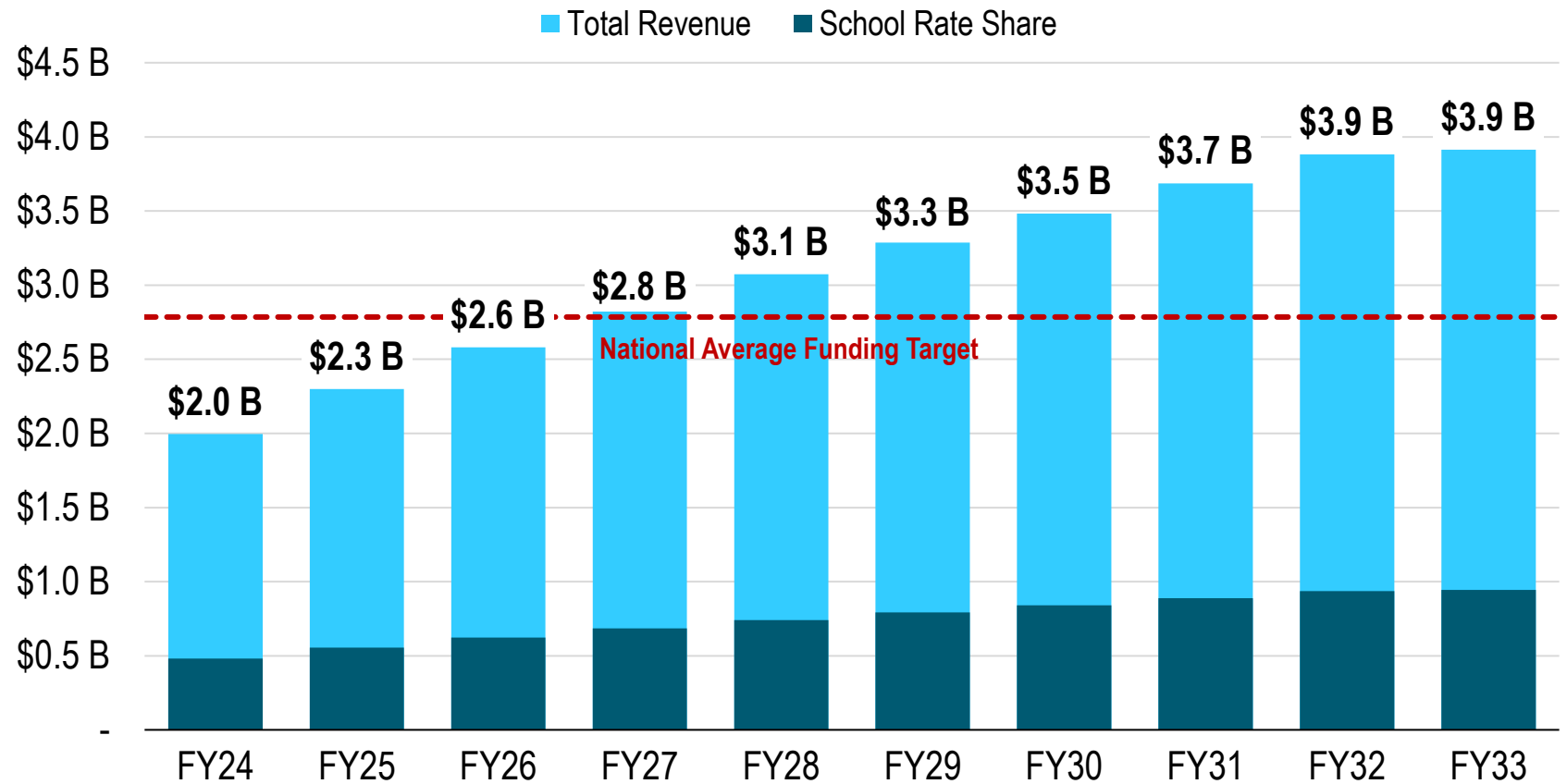
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Property Tax Model Scenarios

Depreciation and Tax Abatements

Scenario
Cap Abatements at FY25 Level
Modify Future Depreciation Rate from 1.5% to 0.5%

Incremental Property Tax Revenue



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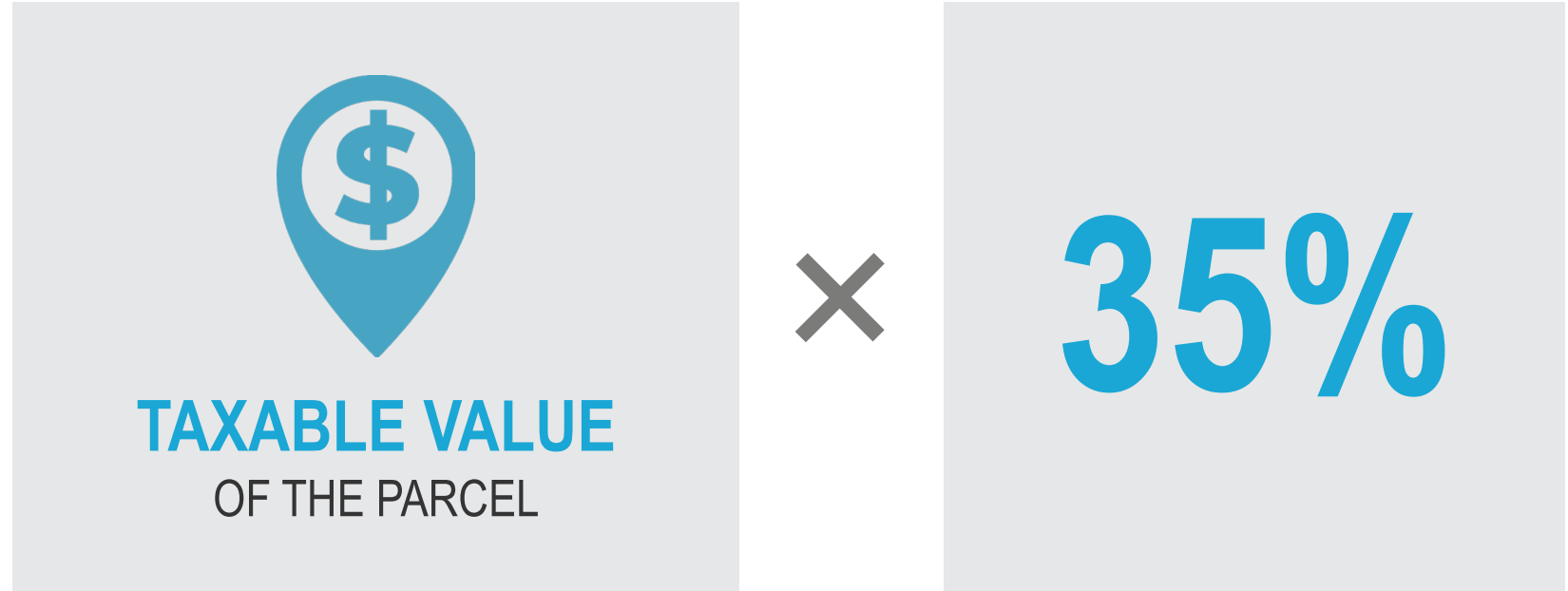
Property Tax Modeling Scenarios

- **Abatements**
- **Depreciation**
- **Assessment Rate**

Property Taxes in Nevada

Assessment Rate

- Property taxes are calculated based on the assessed value of a property
- To determine a property's assessed value, its taxable value is multiplied by the statewide assessment rate
- The assessment rate in Nevada is 35 percent



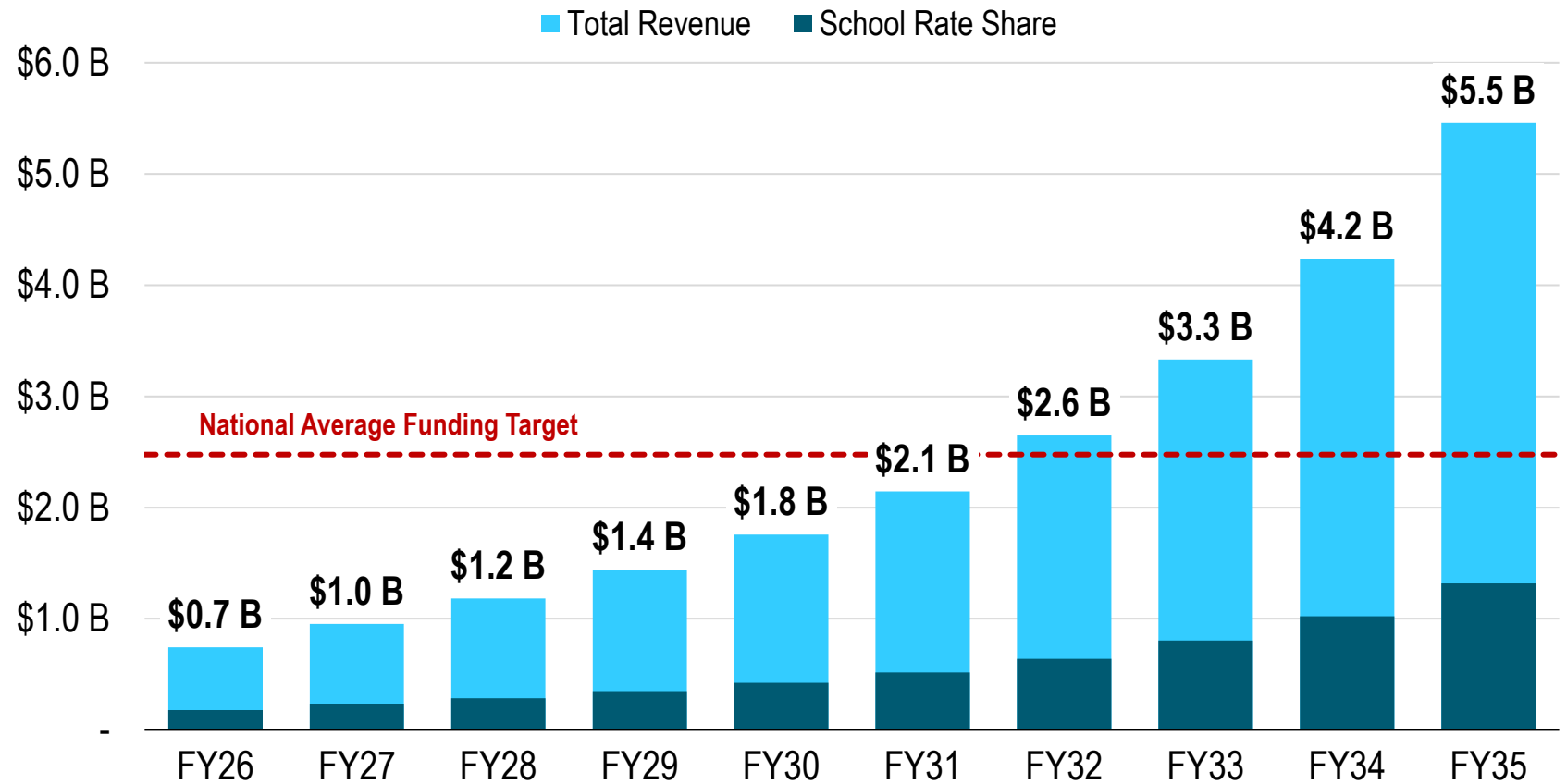
ASSESSED VALUE OF THE PARCEL

Property Tax Model Scenarios

Increase Assessment Rate

Scenario
Increase Assessment Rate to 40 Percent
Cap Abatements at FY25 Level
No Change to Depreciation

Incremental Property Tax Revenue



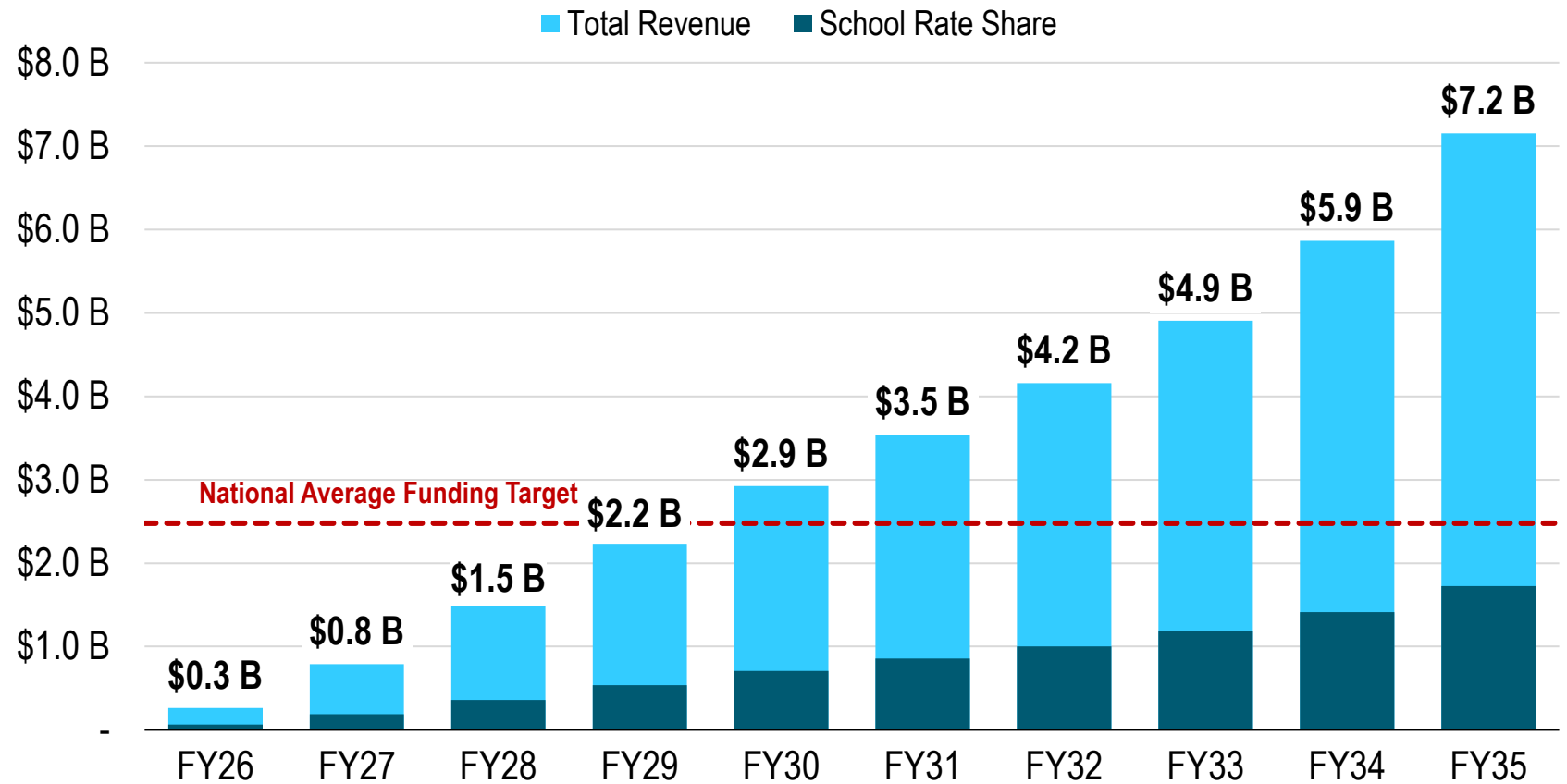
Note: Property tax revenue projections are preliminary estimates and subject to change.

Property Tax Model Scenarios

Increase Assessment Rate

Scenario
Increase Assessment Rate to 40 Percent
Phase Out Abatements Between FY26 and FY35
No Change to Depreciation

Incremental Property Tax Revenue



Note: Property tax revenue projections are preliminary estimates and subject to change.

Property Tax Model Scenarios

Summary

Scenario Summaries				
ABATEMENT ADJUSTMENTS	Phase Out Abatements Between FY26 and FY35	Eliminate Abatements in FY26	Cap Abatements at FY25 Level	Phase Out Abatements Between FY26 and FY35
DEPRECIATION ADJUSTMENTS	No Change	No Change	Modify Future Depreciation Rate from 1.5% to 1.0%	Freeze Accumulated Depreciation Rate (No Increase)
ASSESSMENT RATE ADJUSTMENTS	No Change	No Change	No Change	No Change
INCREMENTAL REVENUE IN YEAR 10	\$2.0 Billion	\$2.0 Billion	\$2.1 Billion	\$3.2 Billion
SCHOOL OPER. RATE REVENUE IN YEAR 10	\$494 Million	\$494 Million	\$515 Million	\$765 Million

Note: Property tax revenue projections are preliminary estimates and subject to change.

Property Tax Model Scenarios

Summary

Scenario Summaries				
ABATEMENT ADJUSTMENTS	Cap Abatements at FY25 Level	Cap Abatements at FY25 Level	Phase Out Abatements Between FY26 and FY35	Eliminate Abatements in FY26
DEPRECIATION ADJUSTMENTS	Modify Future Depreciation Rate from 1.5% to 0.5%	Increase Assessment Rate to 40 Percent	Phase Out Depreciation Between FY26 and FY35	Eliminate Depreciation in FY26
ASSESSMENT RATE ADJUSTMENTS	No Change	No Change	No Change	No Change
INCREMENTAL REVENUE IN YEAR 10	\$3.9 Billion	\$5.5 Billion	\$6.8 Billion	\$7.4 Billion
SCHOOL OPER. RATE REVENUE IN YEAR 10	\$944 Million	\$1.3 Billion	\$1.6 Billion	\$1.8 Billion

Note: Property tax revenue projections are preliminary estimates and subject to change.

PRIMARY PROPERTY TAX OBJECTIVES

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Determine incremental revenue generation from property tax reform to abatements (e.g., capping, phasing out, eliminating)

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Determine incremental revenue production related to depreciation (e.g., capping, phasing out, eliminating)

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Determine revenue impacts associated with raising property tax rates alone

Market-Based vs. Taxable Value

The table below illustrates the property tax revenue potential of the aggregated value of property based on a range of taxable-to-market value ratios.

Market-Based Valuation Revenue Scenarios						
TAXABLE-TO-MARKET VALUE RATIO	100%	90%	80%	70%	60%	50%
TAXABLE VALUE OF ALL PROPERTY	\$584 Billion	\$584 Billion	\$584 Billion	\$584 Billion	\$584 Billion	\$584 Billion
MARKET VALUE OF ALL PROPERTY	\$584 Billion	\$649 Billion	\$730 Billion	\$834 Billion	\$973 Billion	\$1.2 Trillion
INCREMENTAL PROPERTY TAX REVENUE (COMBINED)	-	\$732 Million	\$1.6 Billion	\$2.8 Billion	\$4.4 Billion	\$6.6 Billion
INCREMENTAL SCHOOL OPERATING TAX REVENUE	-	\$170 Million	\$383 Million	\$657 Million	\$1.0 Billion	\$1.5 Billion

Source: Nevada Department of Taxation, Applied Analysis. Note: Assumes property tax rate of \$3.22 per \$100 of assessed value.

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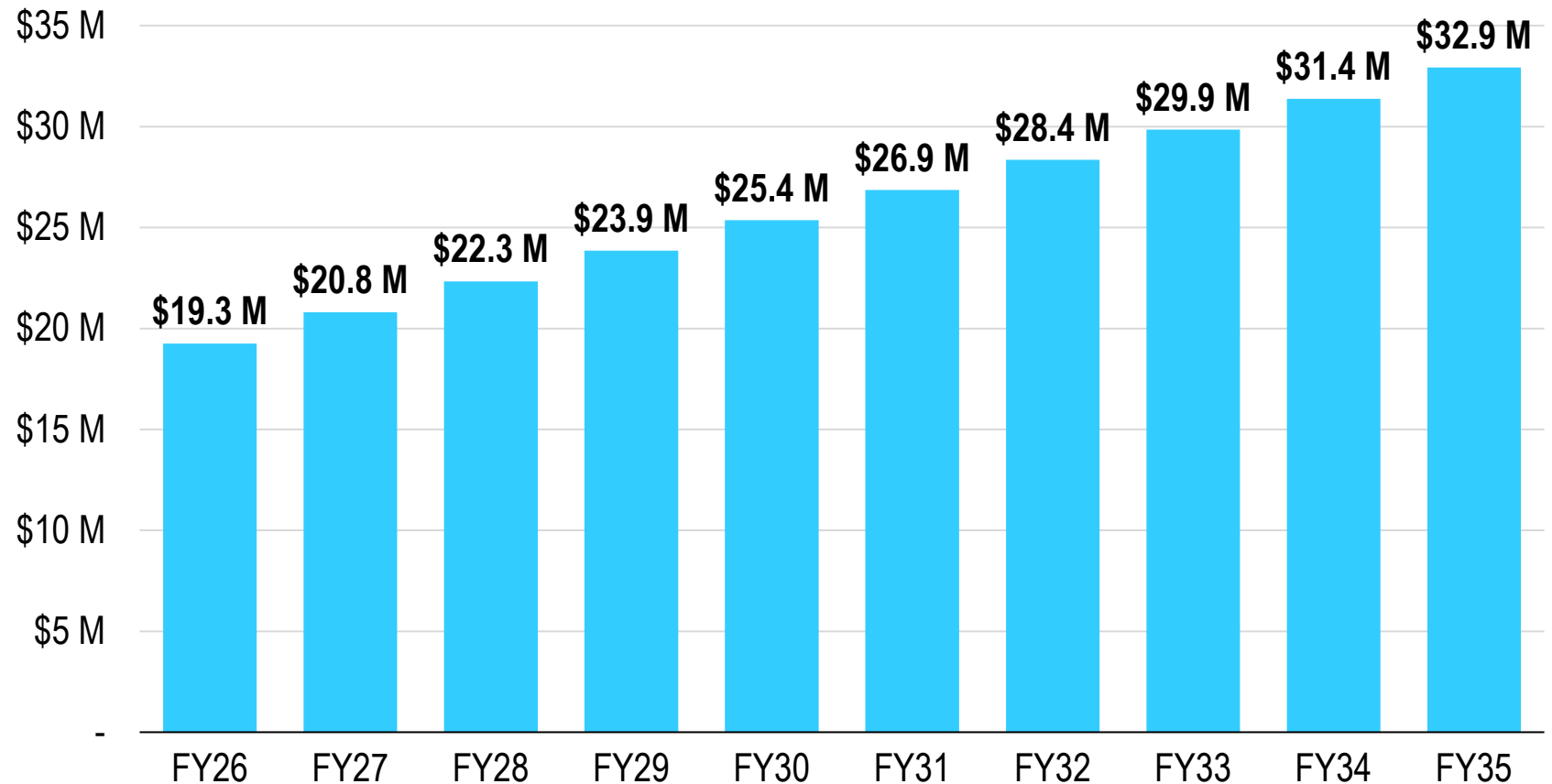
Determine revenue impacts associated with raising property tax rates alone

Increase Property Tax Rate

Raise Property Tax Rate by 1 Cent

- The property tax potential from raising the tax rate by 1 cent is about \$19 million per year statewide
- The revenue potential of raising the property tax rate is limited by existing tax caps

Incremental Property Tax Revenue – Without Tax Abatement



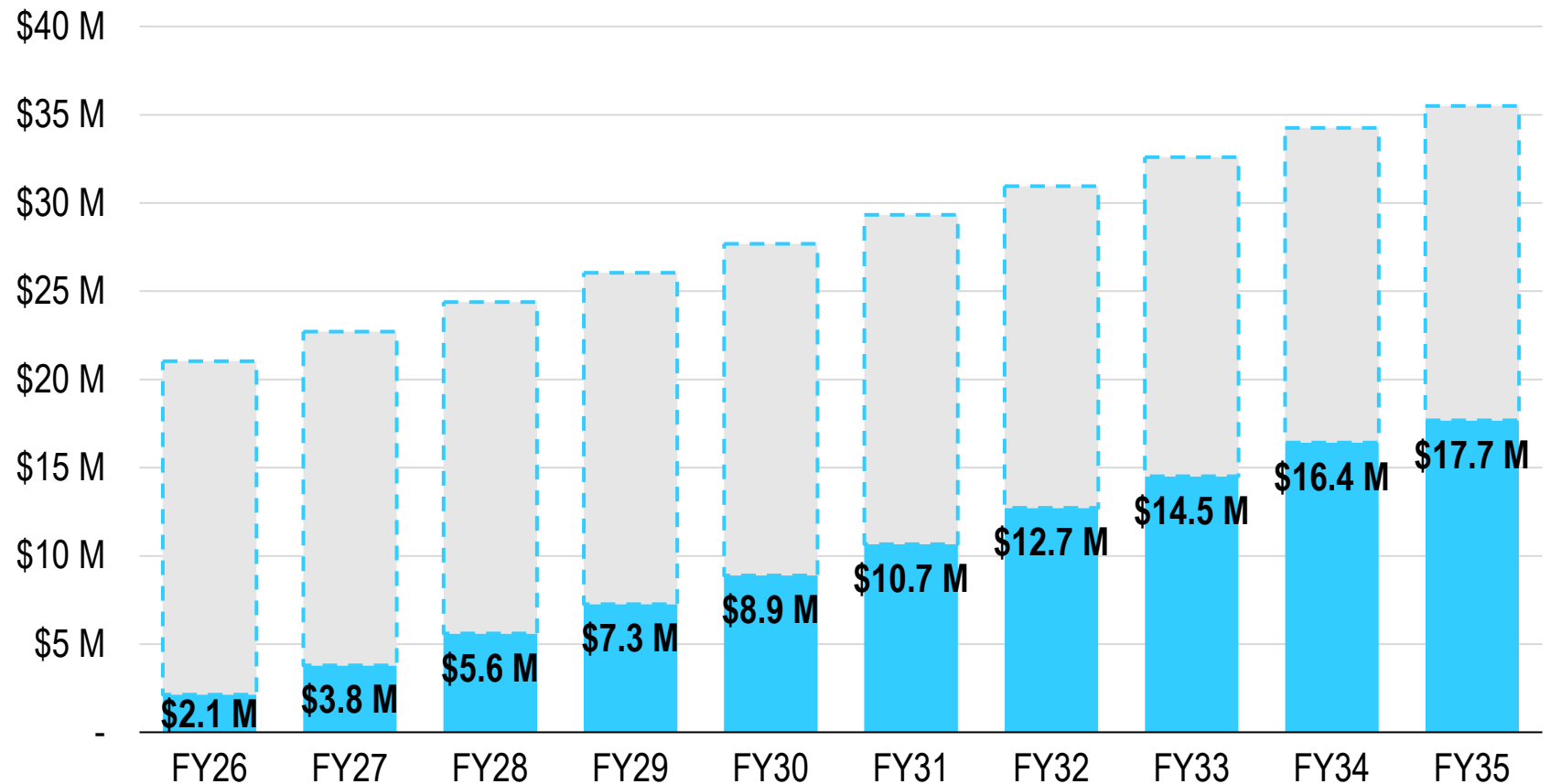
Note: Property tax revenue projections are preliminary estimates and subject to change.

Increase Property Tax Rate

Raise Property Tax Rate by 1 Cent

- The property tax potential from raising the tax rate by 1 cent is about \$19 million per year statewide
- The revenue potential of raising the property tax rate is limited by existing tax caps
- Under existing tax caps, the majority of new revenue from a tax rate increase would be abated

Incremental Property Tax Revenue – With Tax Abatement



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