

# NEVADA COMMISSION ON SCHOOL FUNDING

PROPERTY TAX

*September 2, 2022*



---

# FUNDING

Target Update

---

---

# PROPERTY TAX

Revenue Model

---



---

# FUNDING

Target Update

---

---

# PROPERTY TAX

Revenue Model

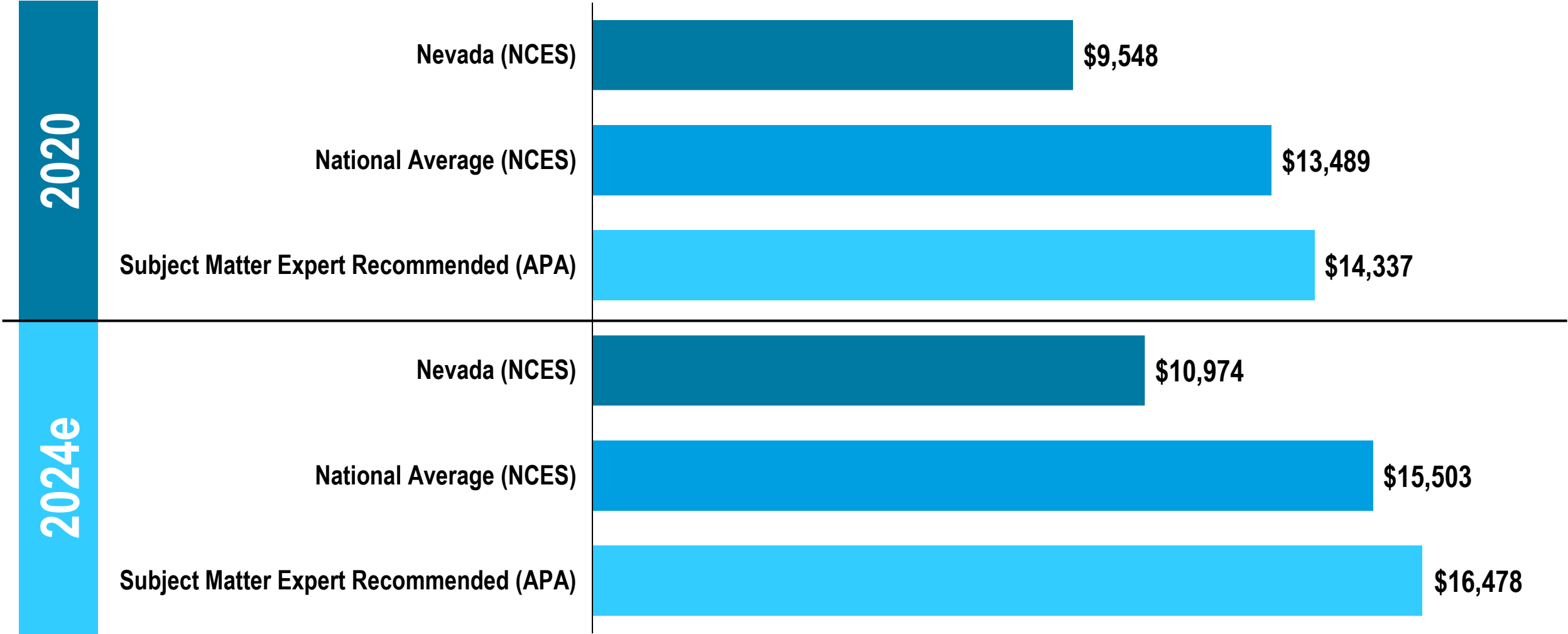
---

# Per Pupil Funding Comparison



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

# Per Pupil Funding Comparison

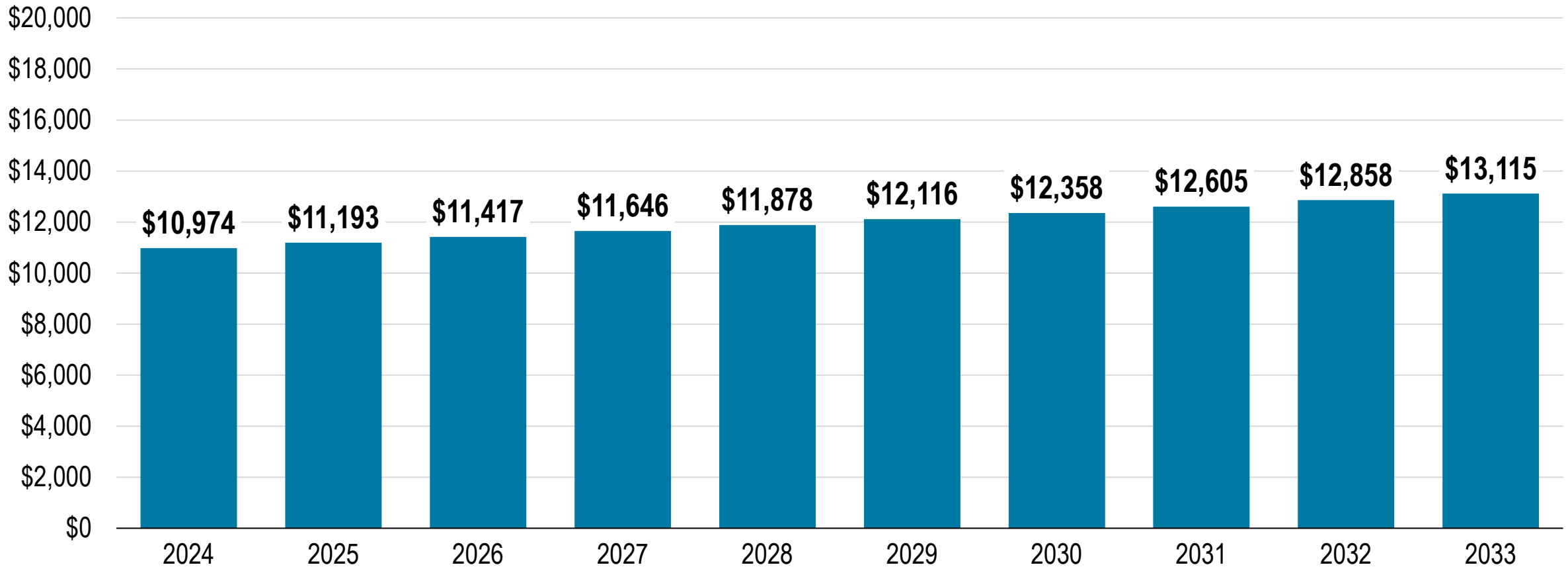


Note: Aggregate funding and per pupil funding figures are preliminary estimates and subject to change.

# National Average Per Pupil Funding

10-Year Phase In

## Nevada Status Quo

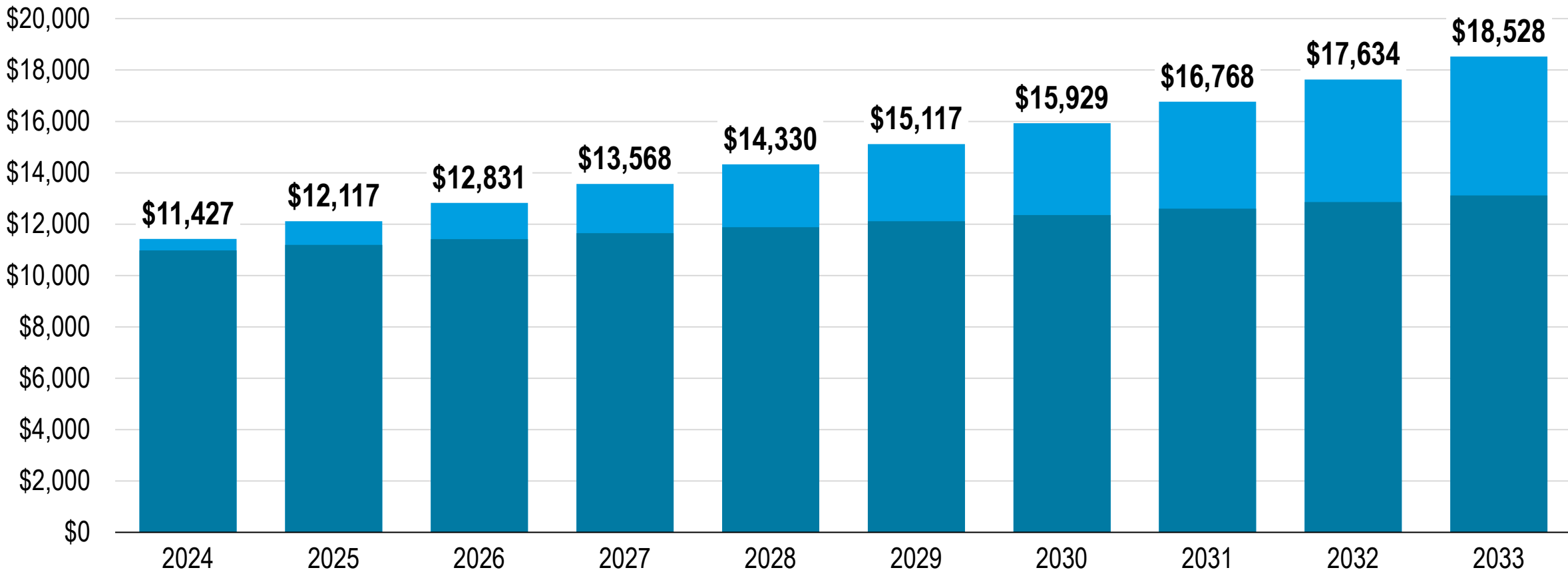


Note: Aggregate funding and per pupil funding figures are preliminary estimates and subject to change.

# National Average Per Pupil Funding

10-Year Phase In

Per Pupil Funding to Reach National Average

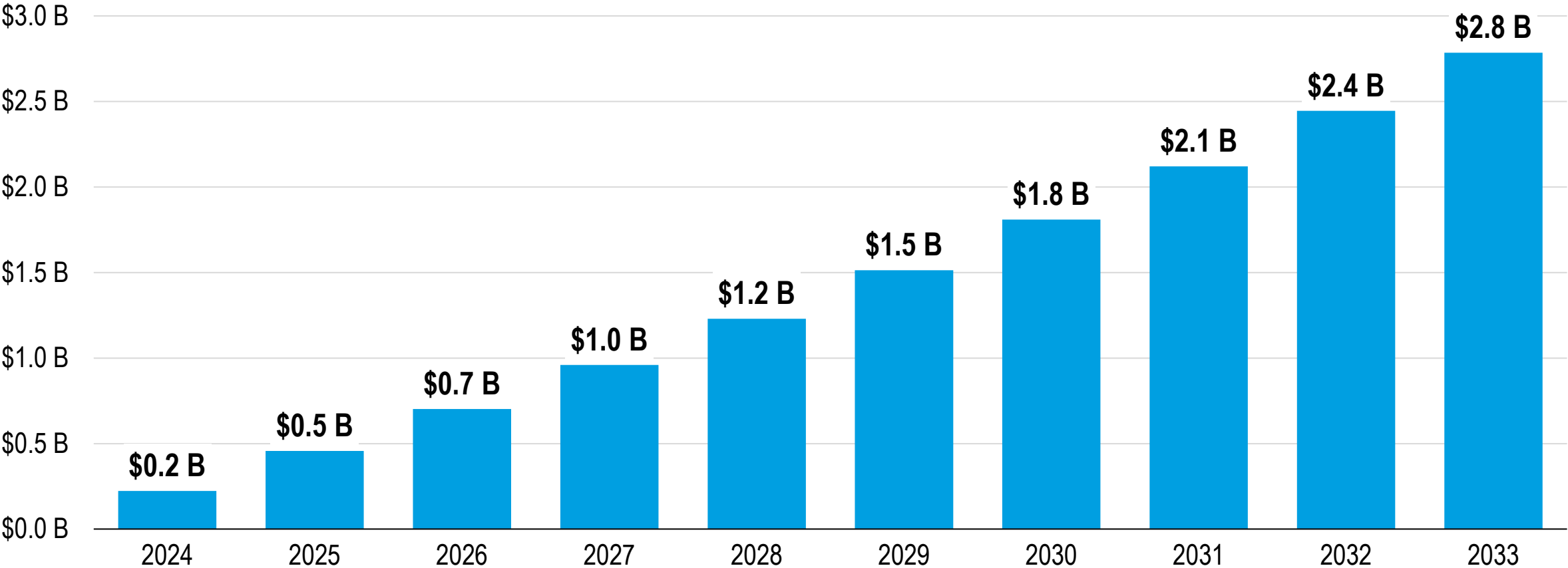


Note: Aggregate funding and per pupil funding figures are preliminary estimates and subject to change.

# National Average Funding Level

10-Year Phase In

## Aggregate Shortfall

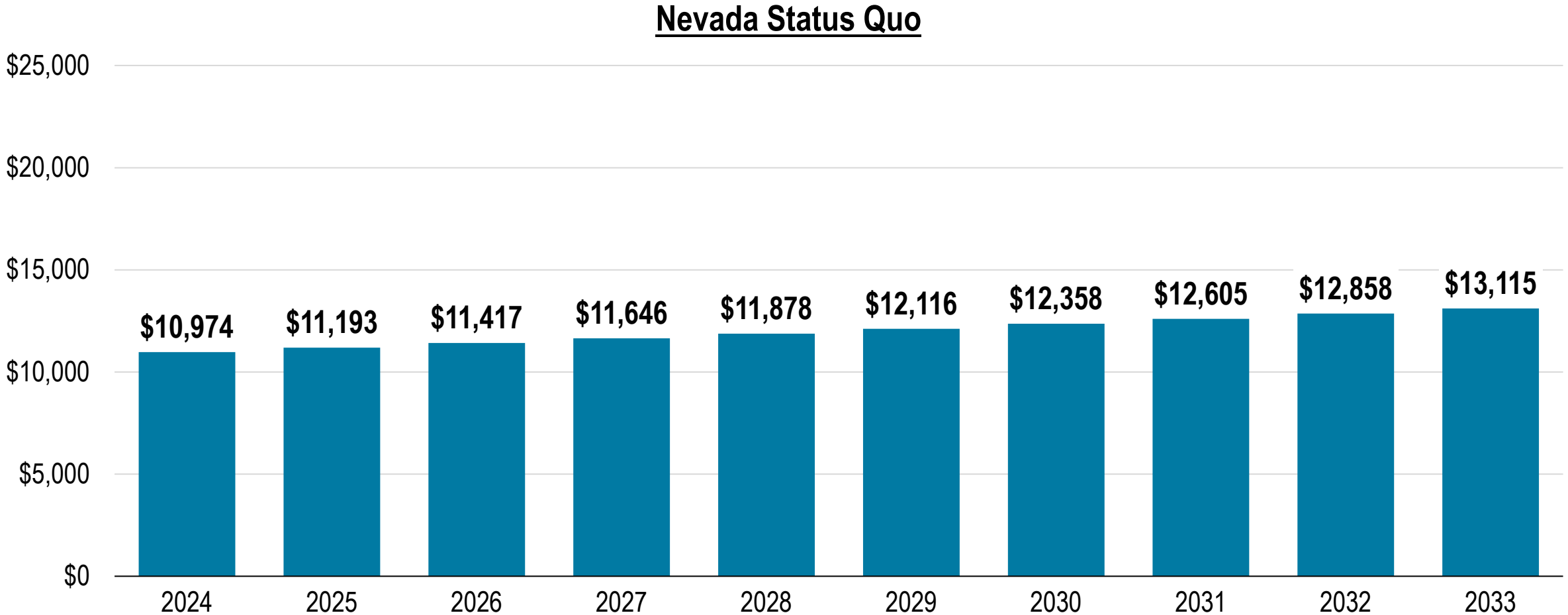


Note: Aggregate funding and per pupil funding figures are preliminary estimates and subject to change.



# APA Per Pupil Funding

10-Year Phase In

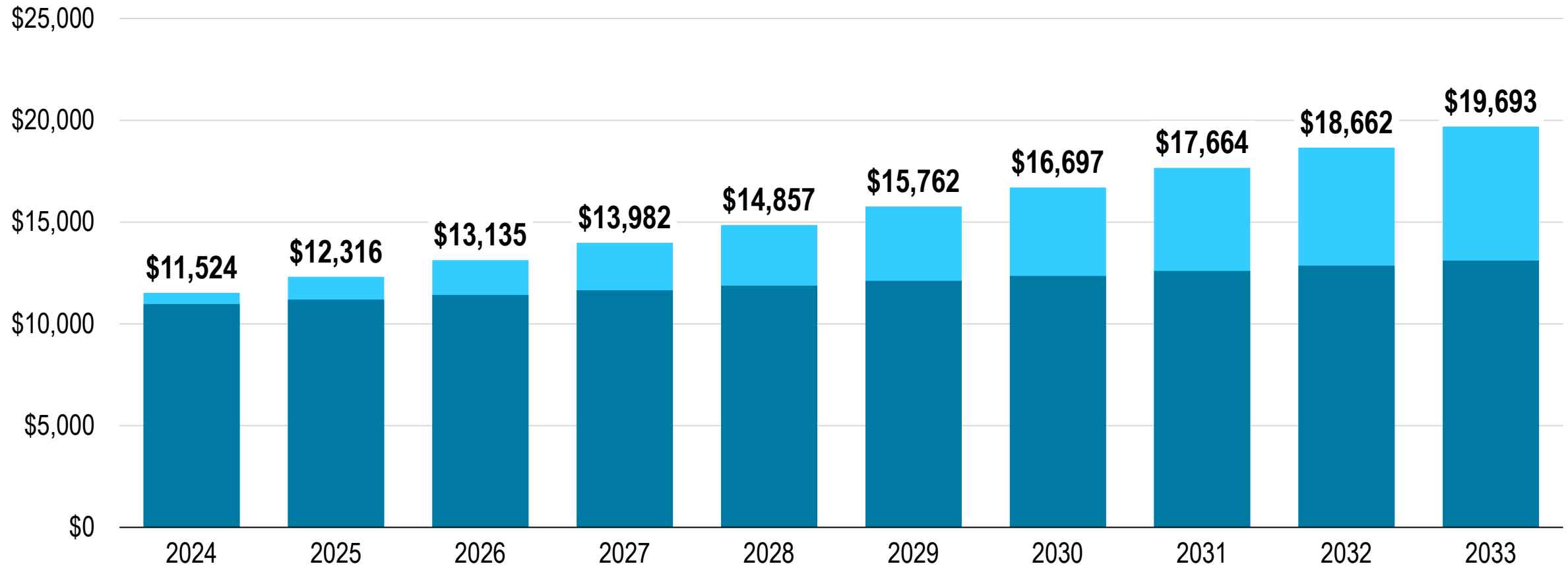


Note: Aggregate funding and per pupil funding figures are preliminary estimates and subject to change.

# APA Per Pupil Funding

10-Year Phase In

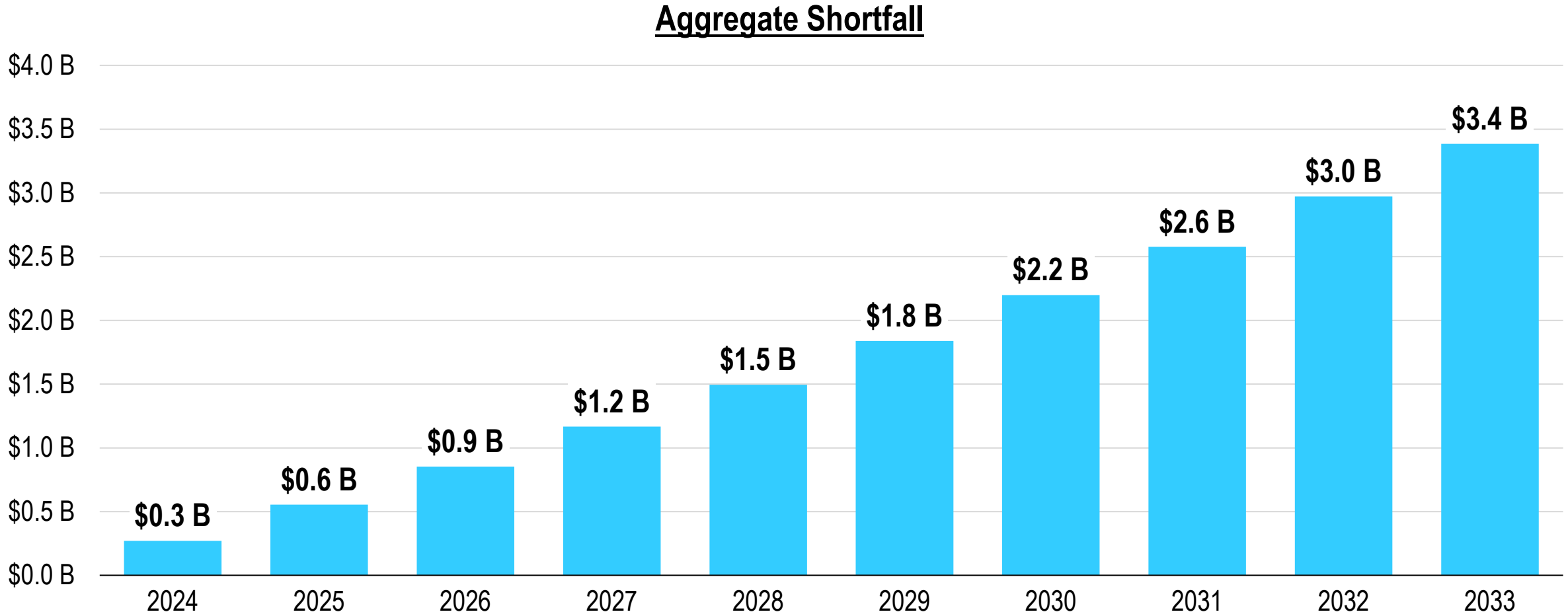
Per Pupil Funding to Reach APA Funding



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

# APA Funding Level

10-Year Phase In



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

---

# FUNDING

Target Update

---

---

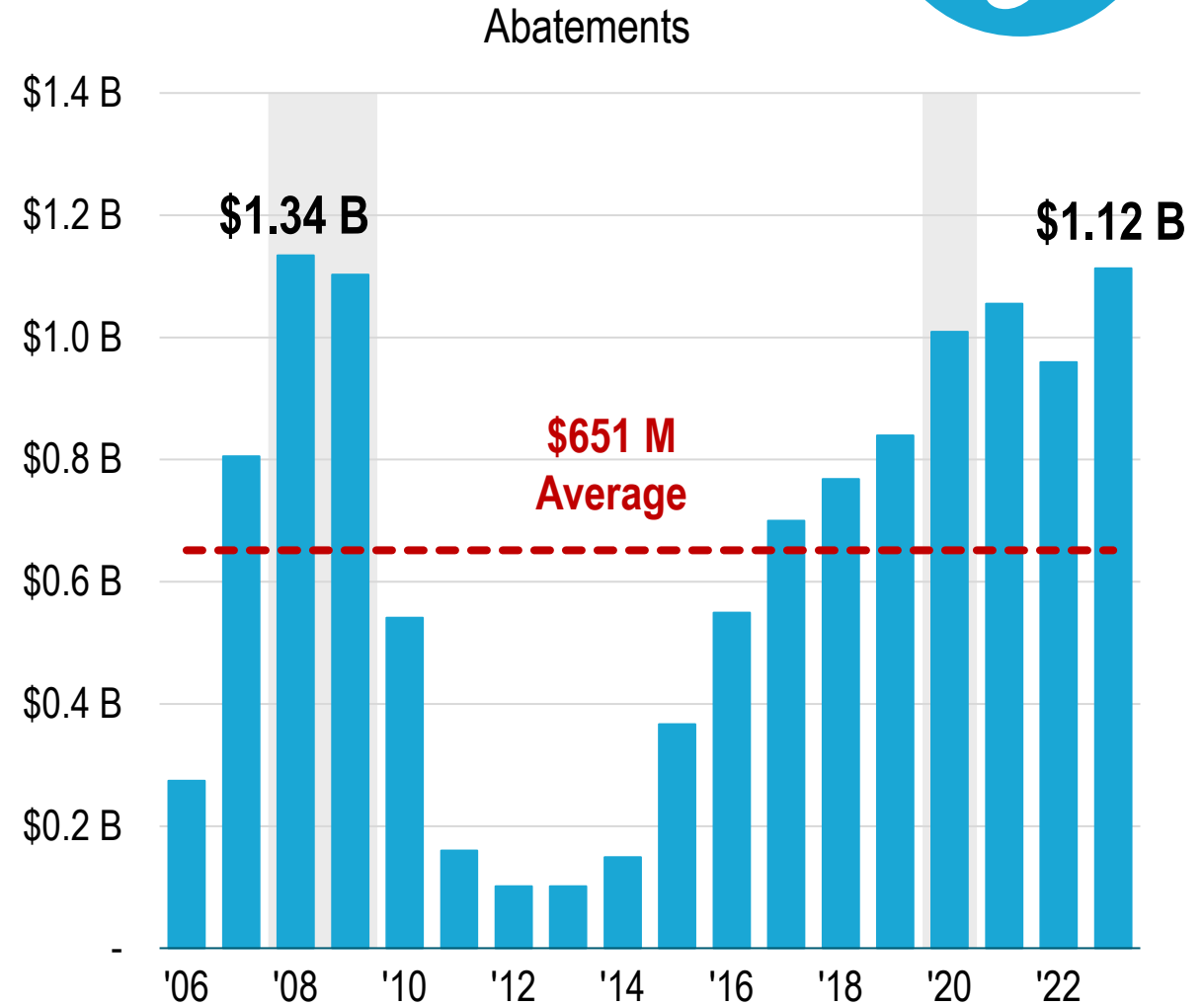
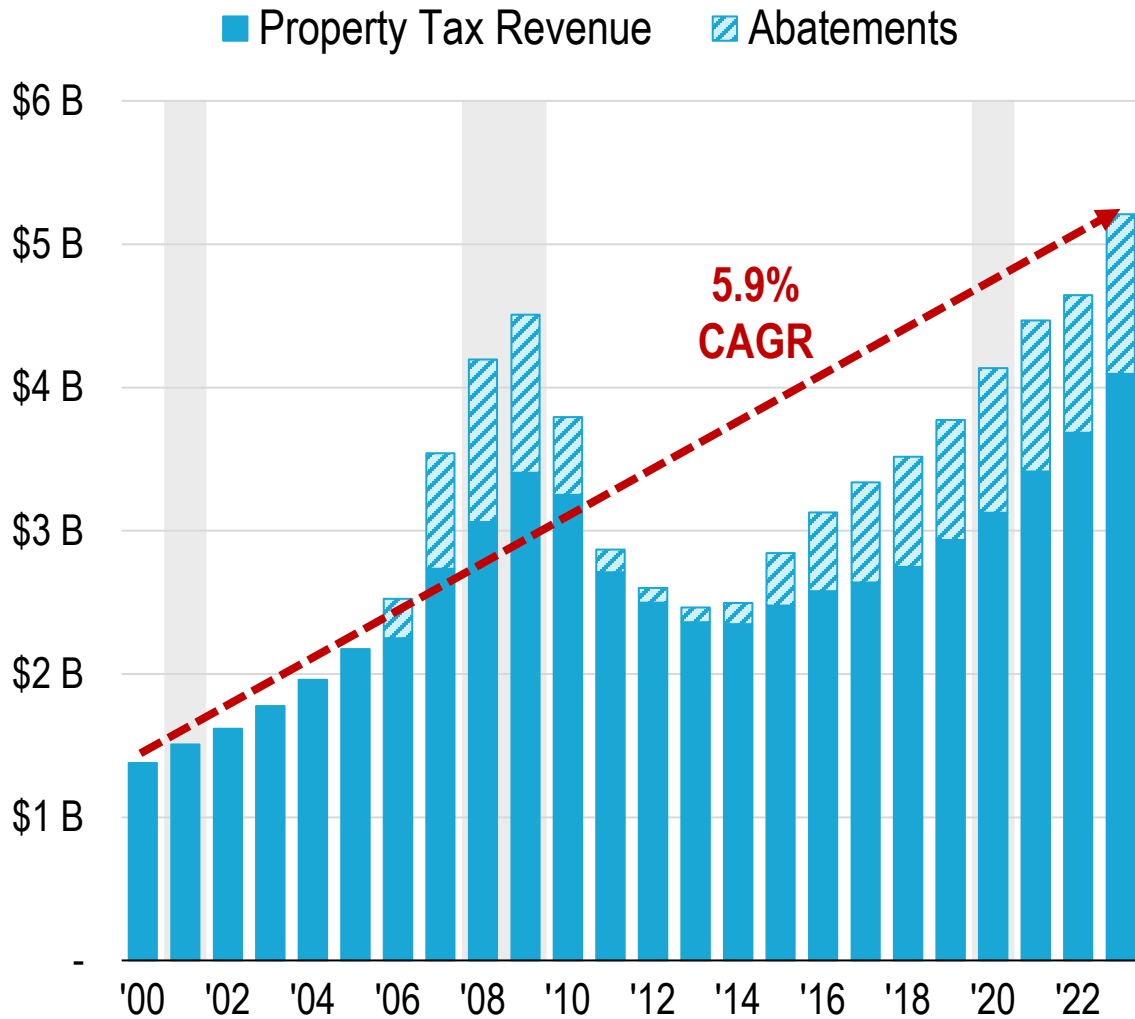
# PROPERTY TAX

Revenue Model

---



# Property Taxes in Nevada

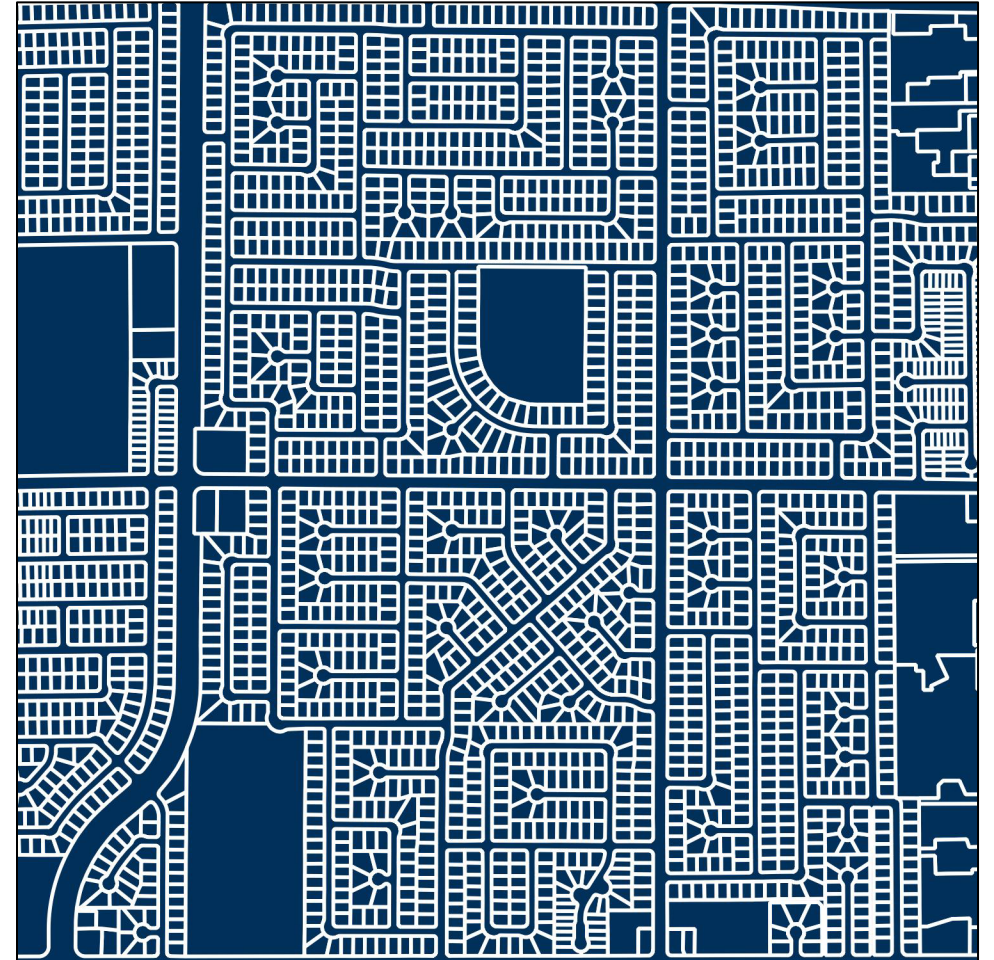


Source: Nevada Department of Taxation. Note: Abatements not implemented until FY 2006; FY 2006 does not include property tax collections or abatements from the state portion, as the Redbook did not report them for that year.

# Property Taxes in Nevada

## Property Tax Revenue Projection Model

- Based on data from more than 1 million parcels in all 17 counties
- 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 2033



# 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

# 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

## 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.



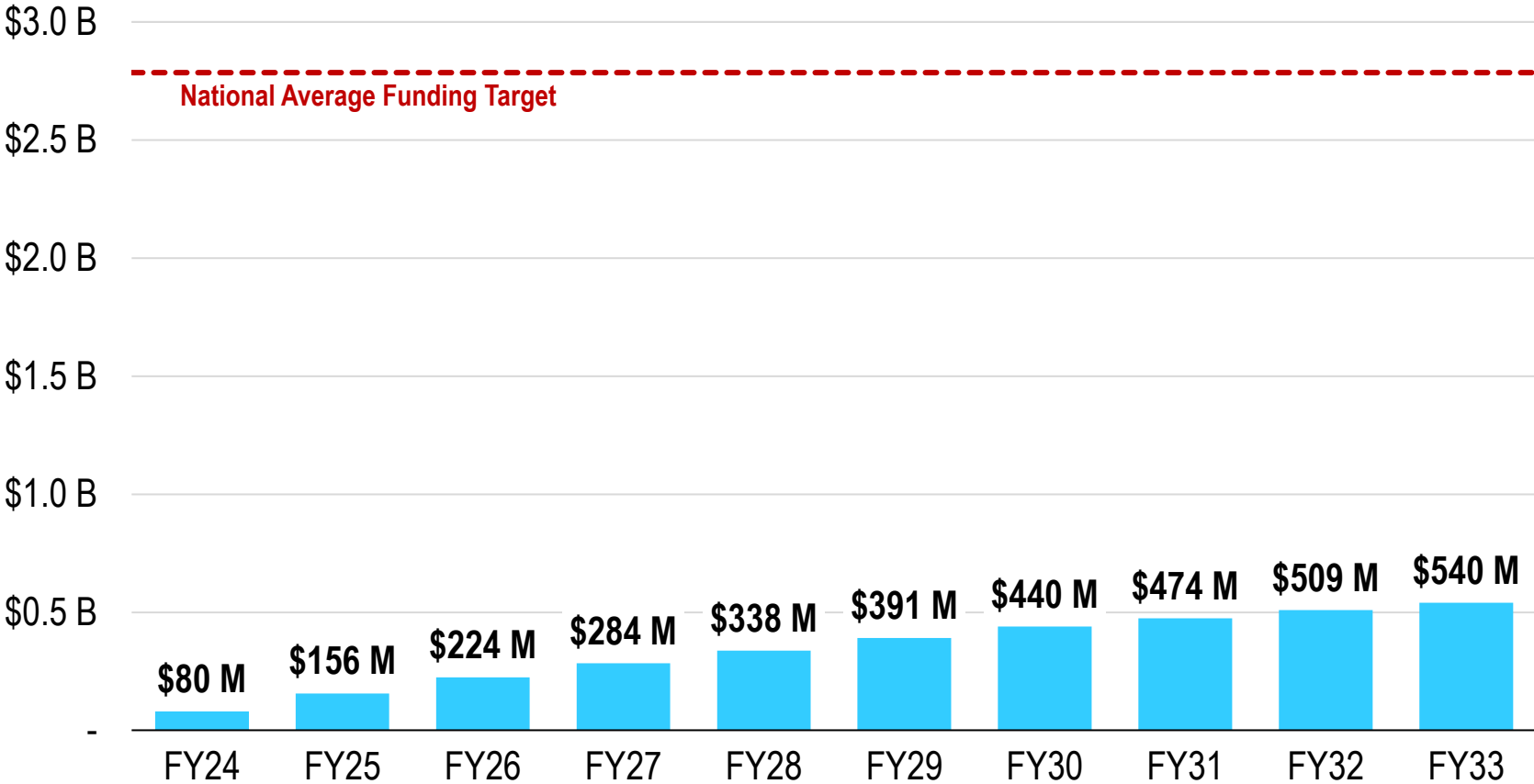
# **Property Tax Abatement Modeling Scenarios**

# Property Tax Model Scenarios

## Cap Tax Abatements

Scenario
Cap Abatements at FY23 Level
No Change to Depreciation

Incremental Property Tax Revenue



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

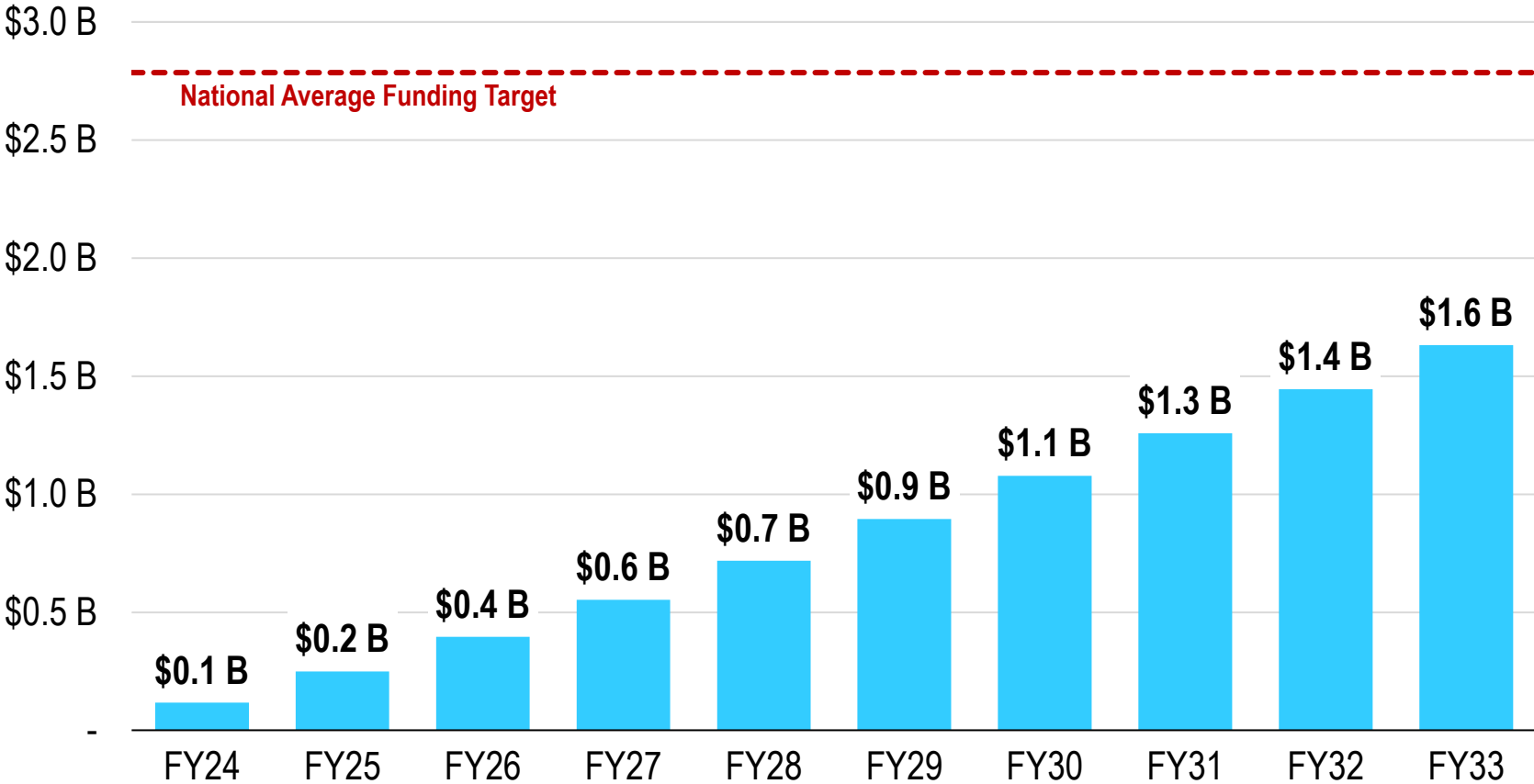


# Property Tax Model Scenarios

## Phase Out Tax Abatements

Scenario
Phase Out Abatements Between FY24 and FY33
No Change to Depreciation

Incremental Property Tax Revenue



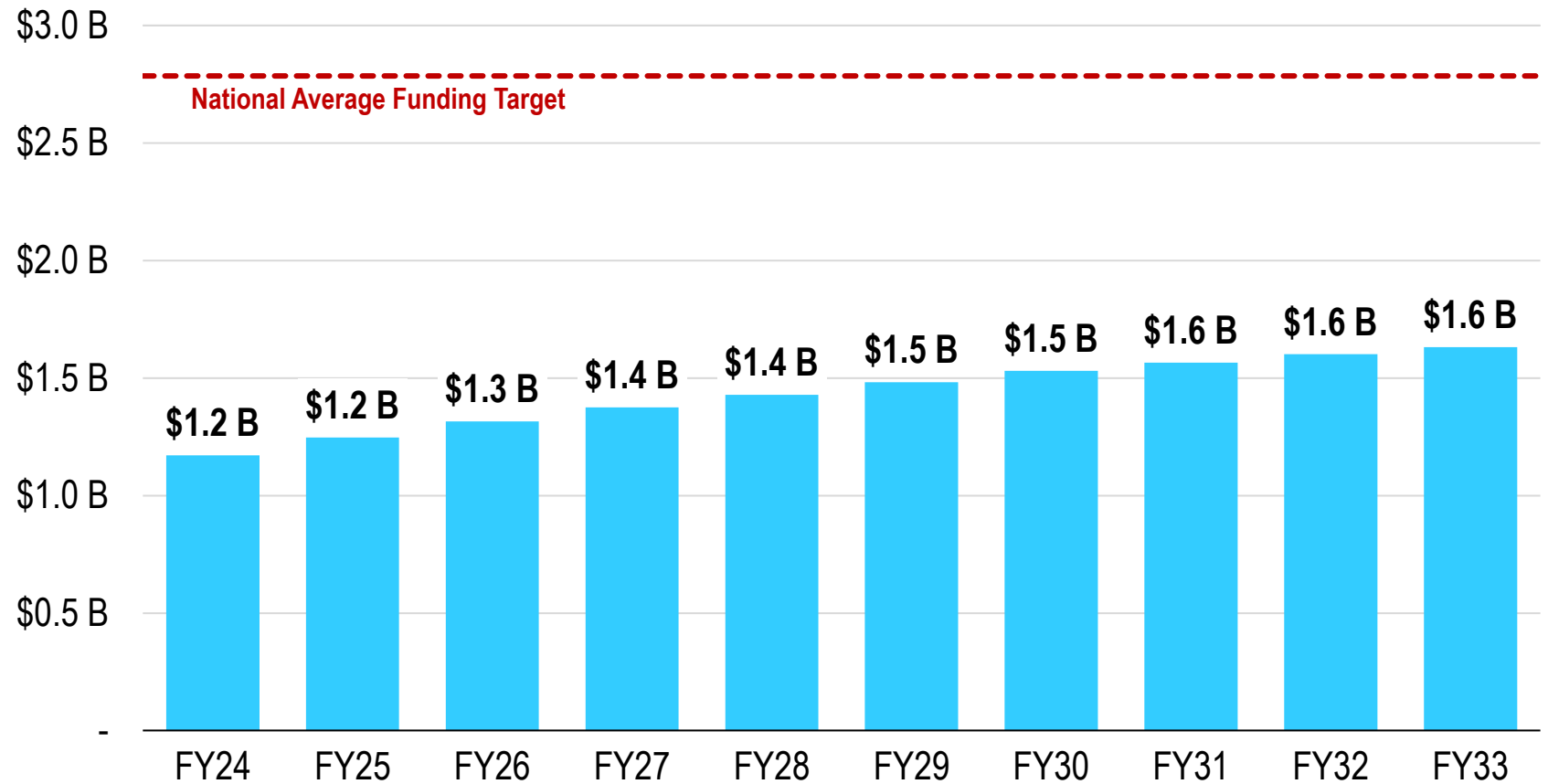
Note: Property tax revenue projections are preliminary estimates and subject to change.

# Property Tax Model Scenarios

## Eliminate Tax Abatements

Scenario
Eliminate Abatements in FY24
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)

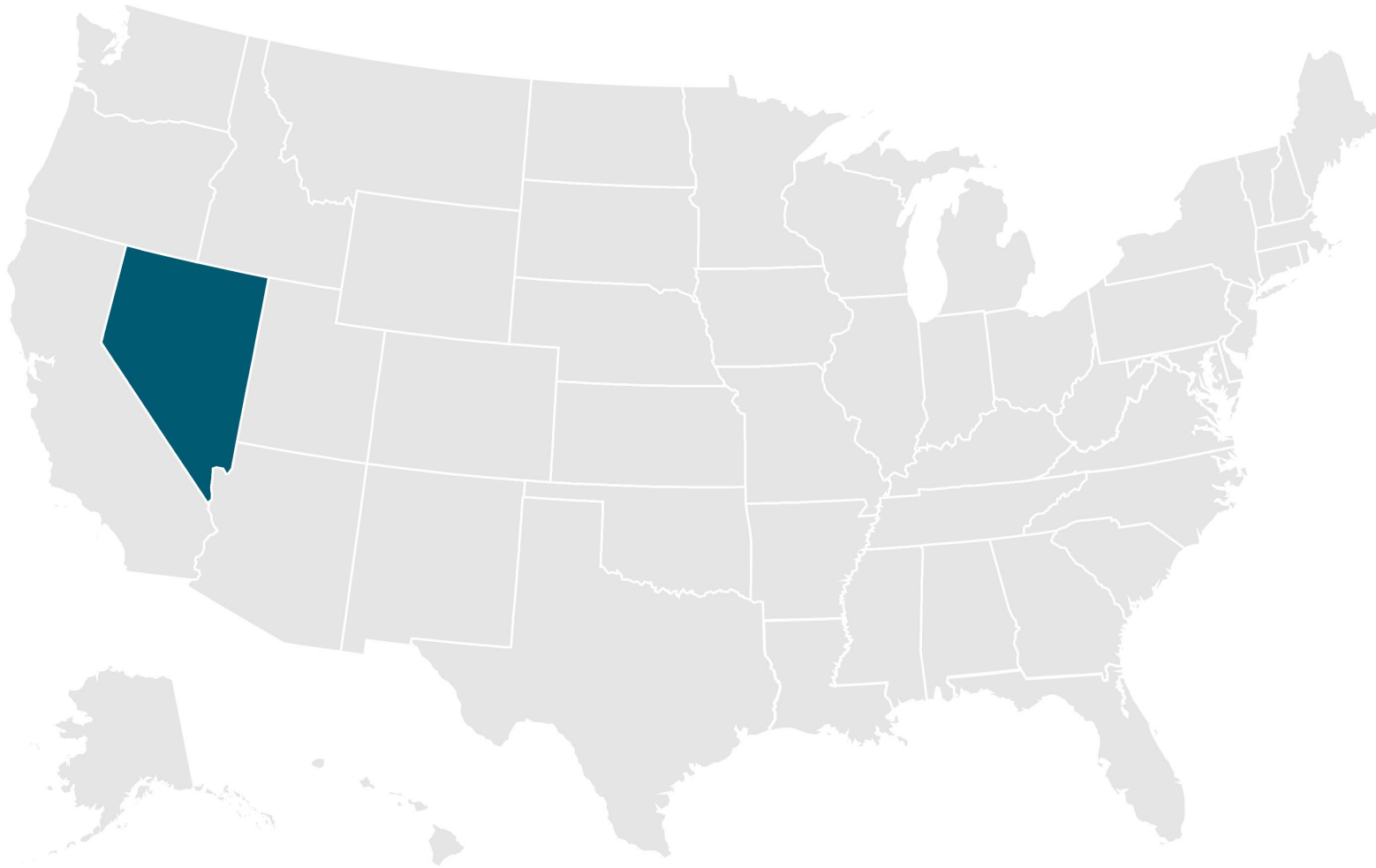
3

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**

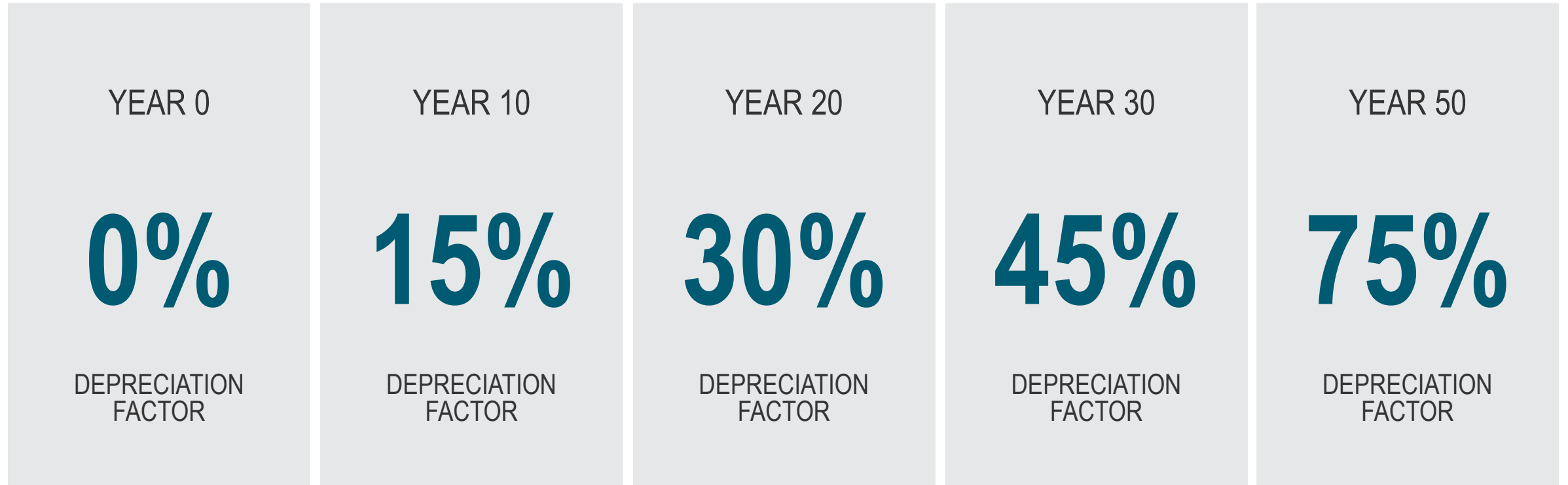
STATES THAT APPLIES A  
DEPRECIATION FACTOR TO  
IMPROVEMENTS



# Property Taxes in Nevada

## Depreciation

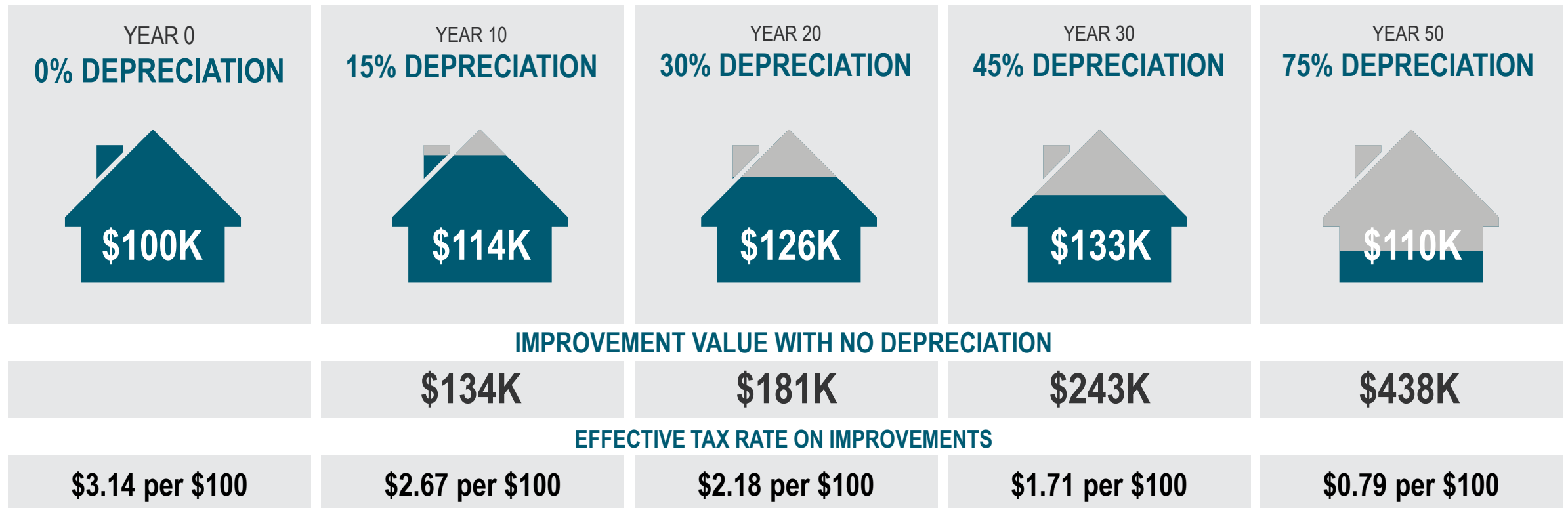
In Nevada, the assessed value of improvements includes a statutory depreciation factor of 1.5 percent for every year after construction for up to 50 years.



# 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.

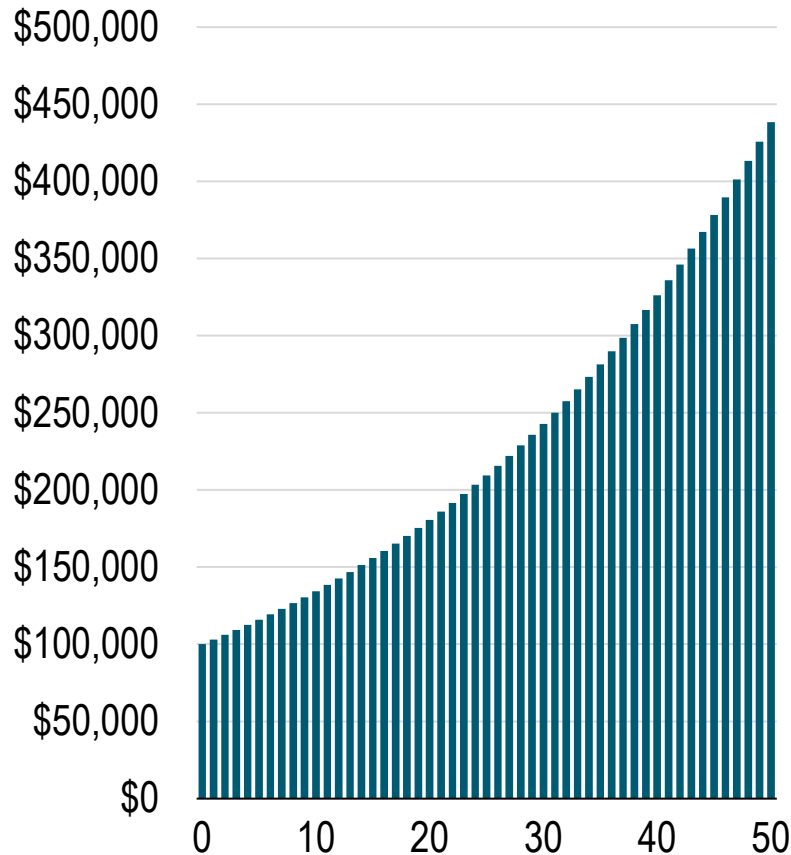


Note: Assumes 3 percent annual replacement cost appreciation.

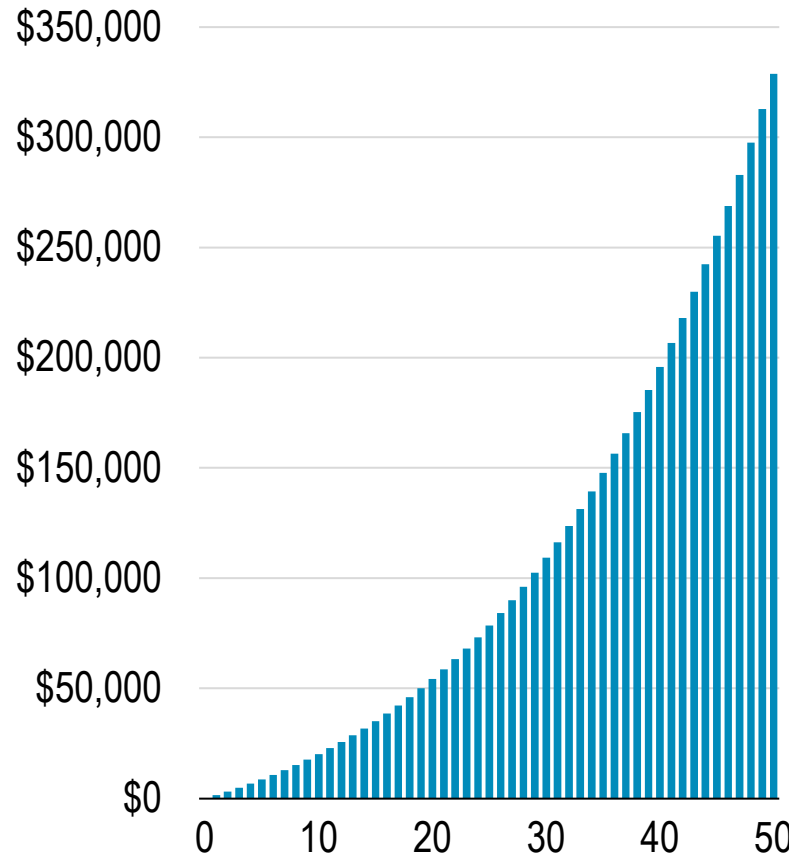
# Property Taxes in Nevada

## Depreciation

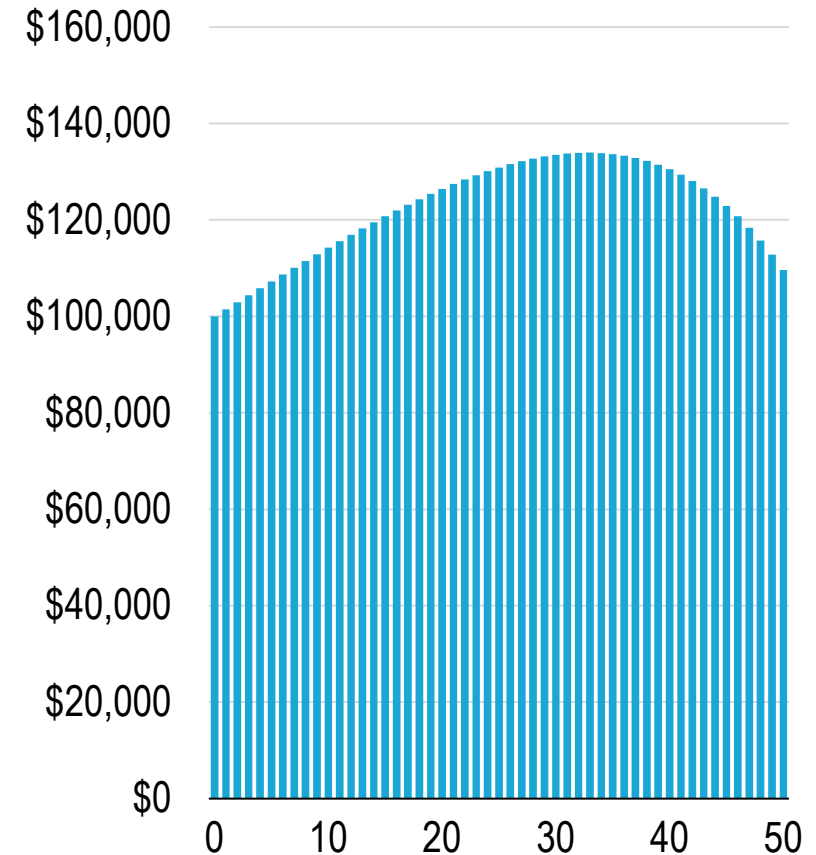
Replacement Cost (Gross)



Accumulated Depreciation



Net Value (Less Depreciation)



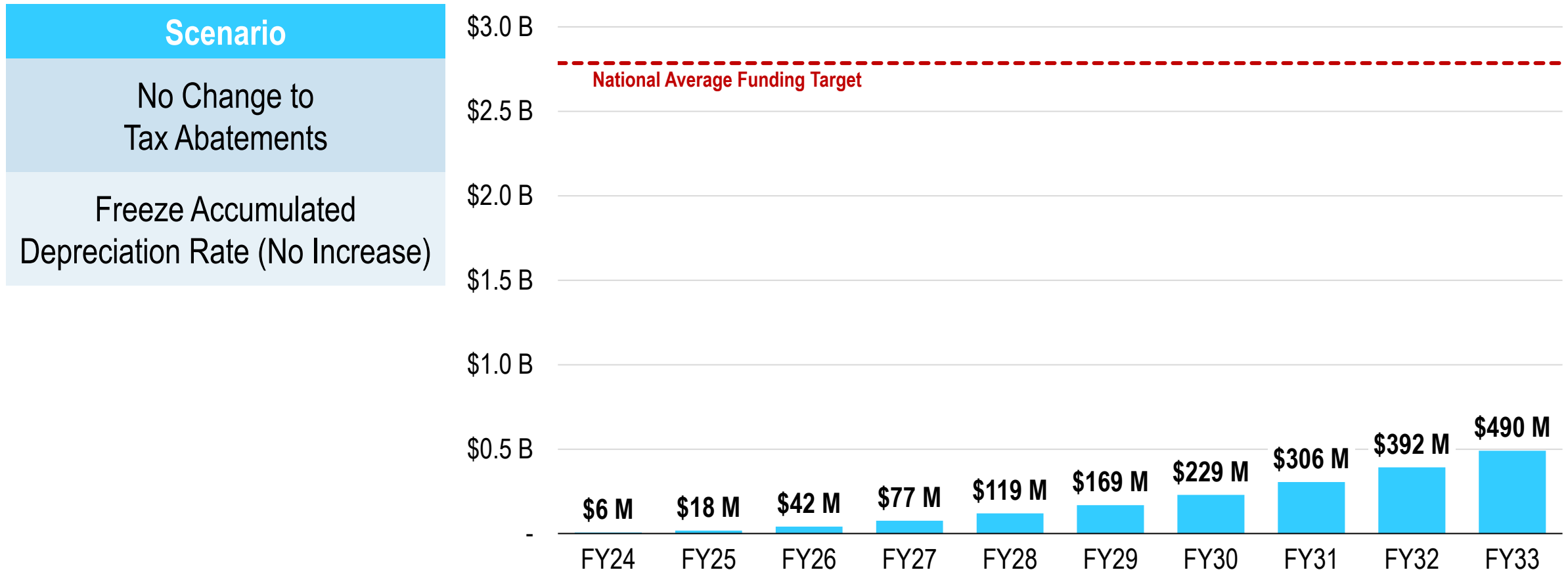
Note: Assumes 3 percent annual replacement cost appreciation.



# **Property Tax Depreciation Modeling Scenarios**

# Property Tax Model Scenarios

## Freeze Accumulated Depreciation Rate



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

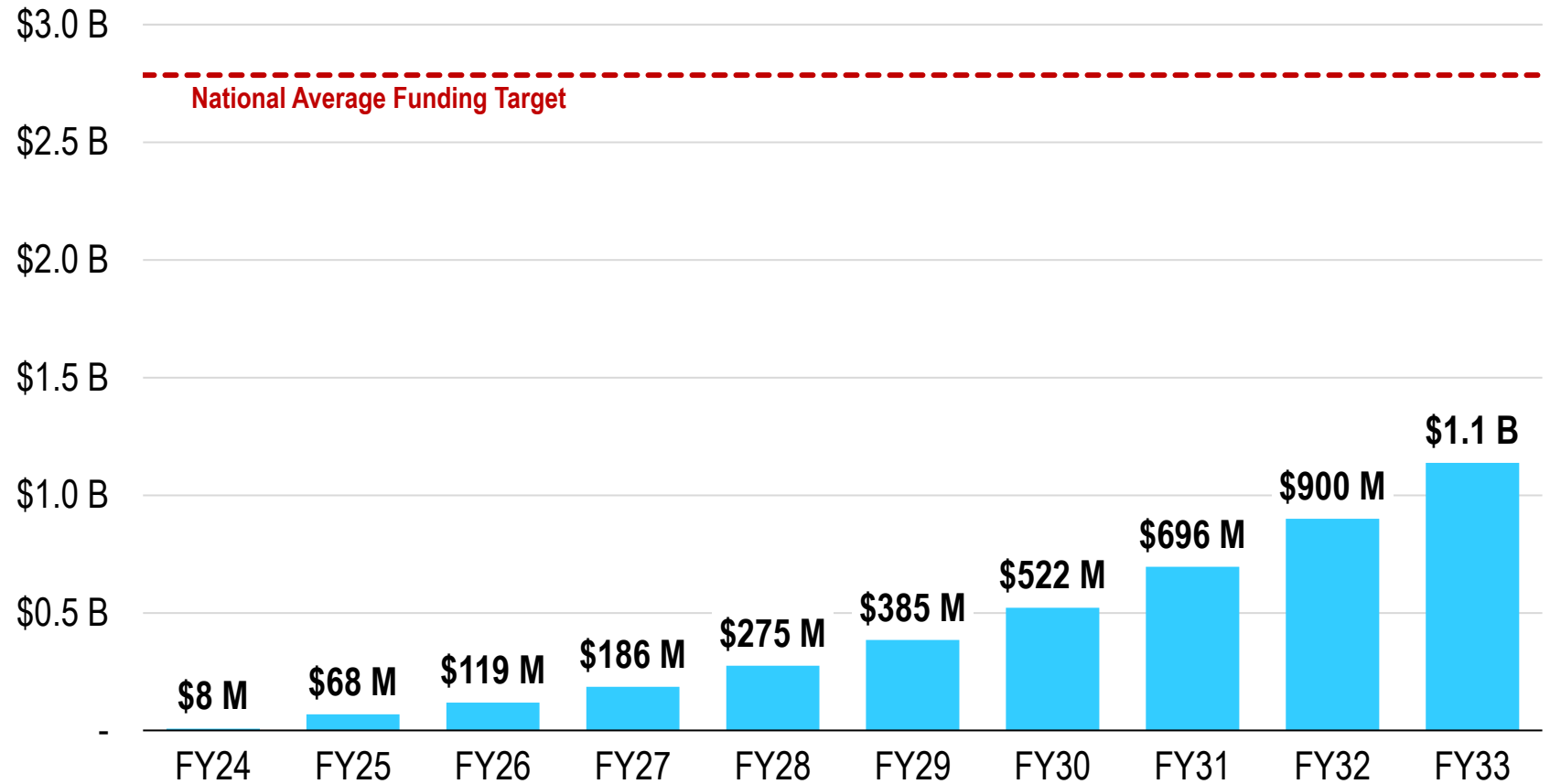


# Property Tax Model Scenarios

## Phase Out Depreciation

Scenario
No Change to Tax Abatements
Phase Out Depreciation Between FY24 and FY33

### Incremental Property Tax Revenue



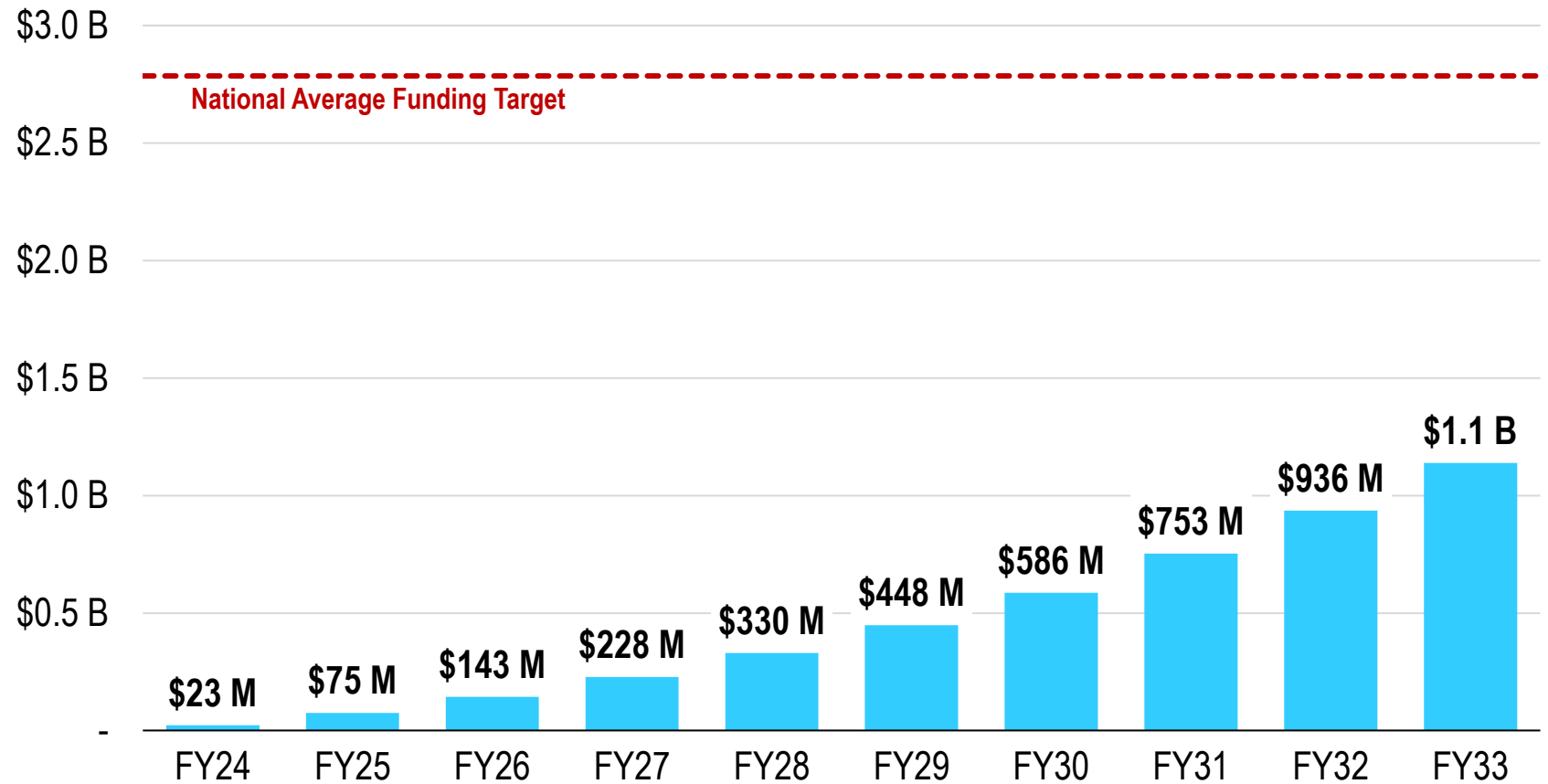
Note: Property tax revenue projections are preliminary estimates and subject to change.

# Property Tax Model Scenarios

## Eliminate Depreciation

Scenario
No Change to Tax Abatements
Eliminate Depreciation in FY24

### Incremental Property Tax Revenue



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



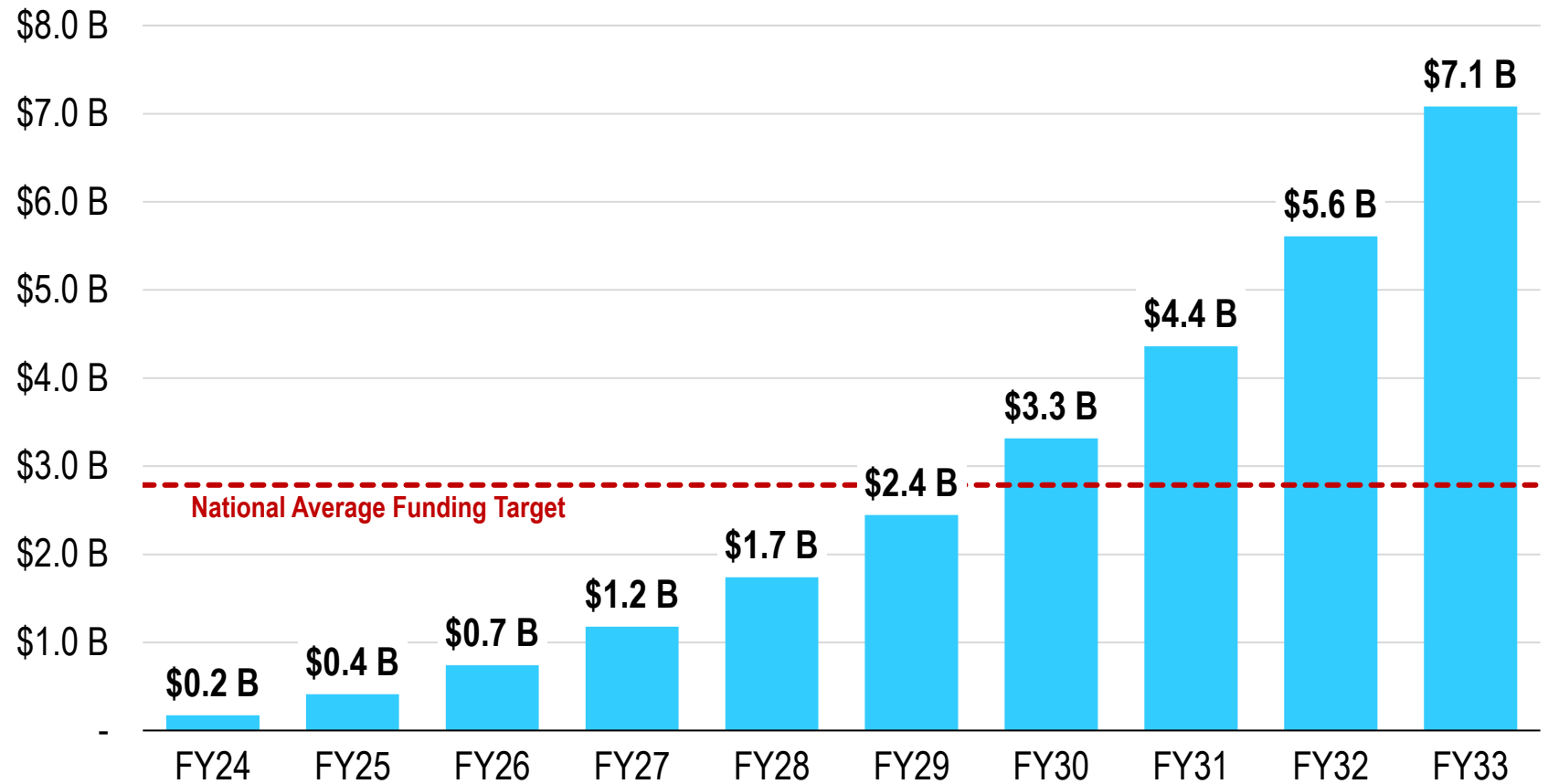
# **Property Tax Abatement and Depreciation Modeling Scenarios**

# Property Tax Model Scenarios

## Depreciation and Tax Abatements

Scenario
Phase Out Abatements Between FY24 and FY33
Phase Out Depreciation Between FY24 and FY33

Incremental Property Tax Revenue



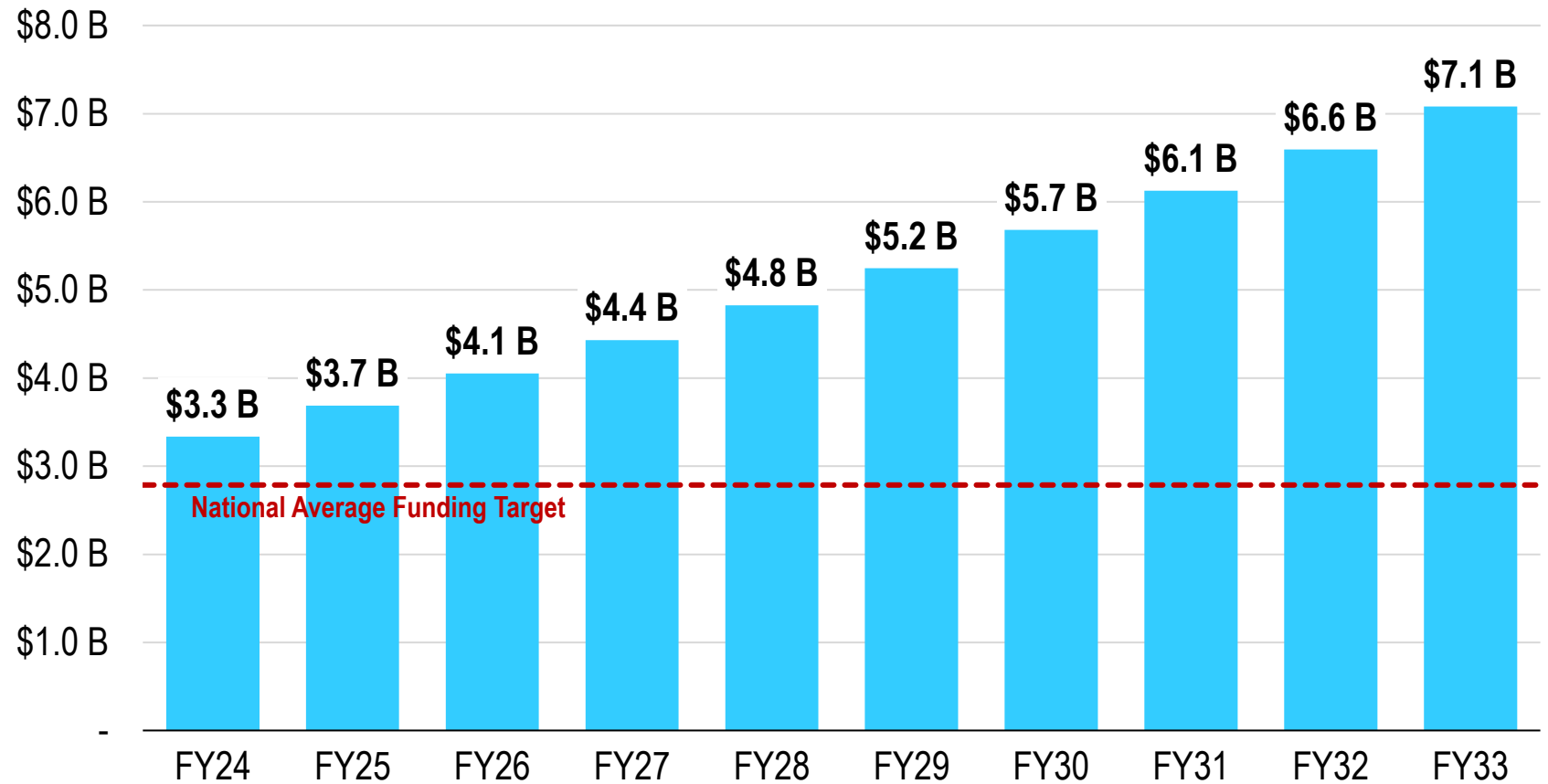
Note: Property tax revenue projections are preliminary estimates and subject to change.

# Property Tax Model Scenarios

## Depreciation and Tax Abatements

Scenario
Eliminate Abatements in FY24
Eliminate Depreciation in FY24

Incremental Property Tax Revenue



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

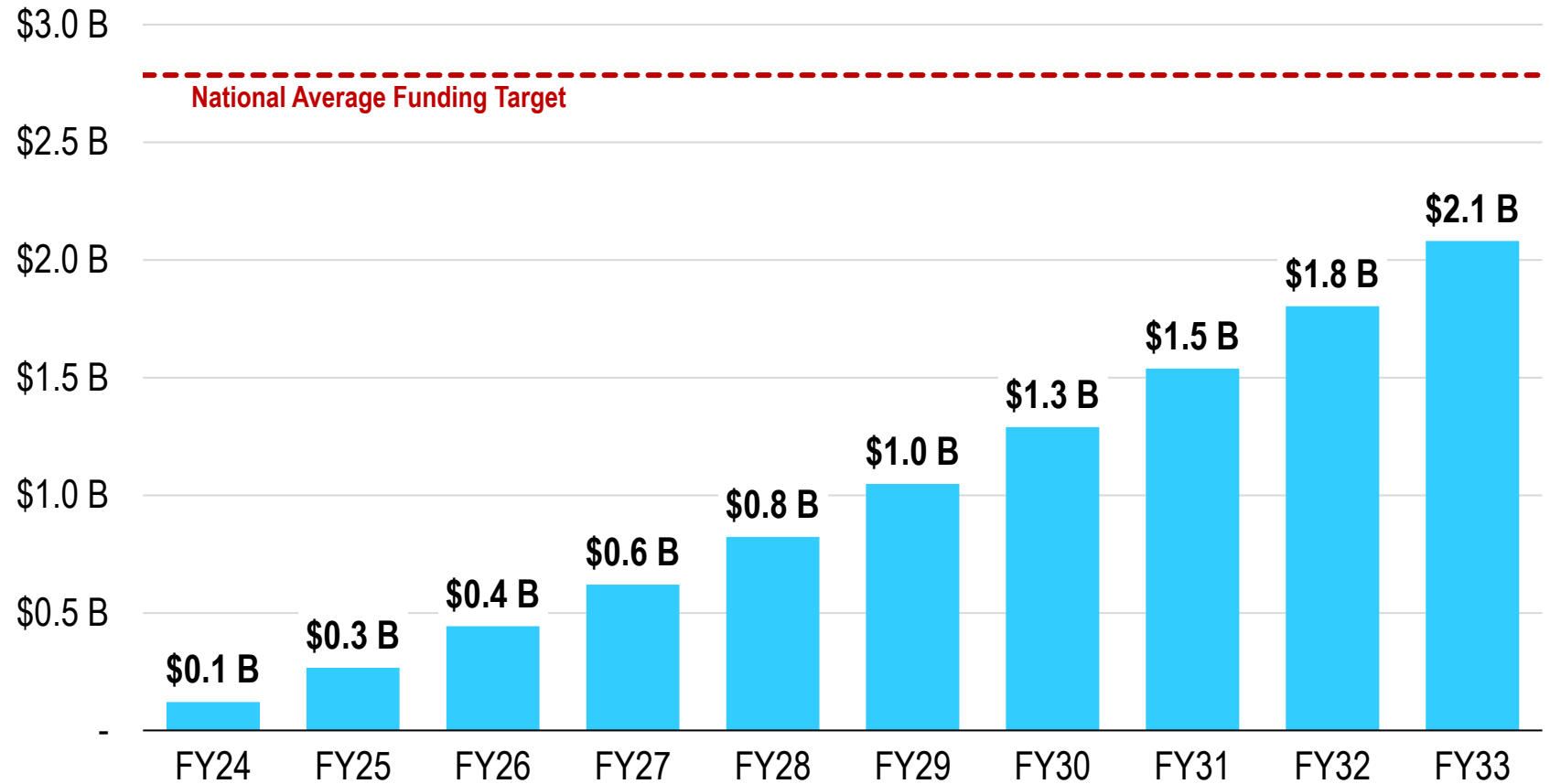


# Property Tax Model Scenarios

## Depreciation and Tax Abatements

Scenario
Phase Out Abatements Between FY24 and FY33
Modify Future Depreciation Rate from 1.5% to 1.0%

### Incremental Property Tax Revenue



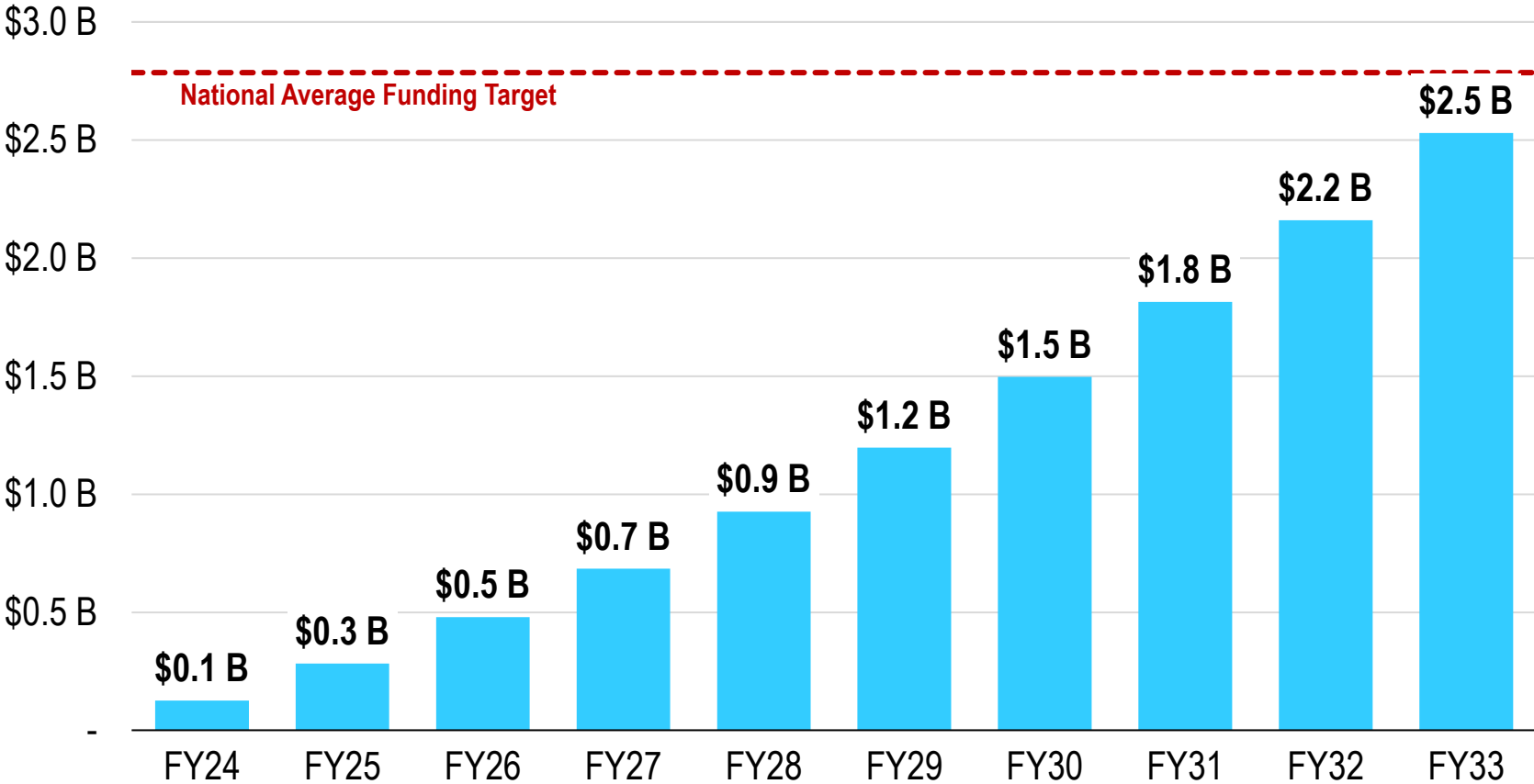
Note: Property tax revenue projections are preliminary estimates and subject to change.

# Property Tax Model Scenarios

## Depreciation and Tax Abatements

Scenario
Phase Out Abatements Between FY24 and FY33
Modify Future Depreciation Rate from 1.5% to 0.5%

Incremental Property Tax Revenue



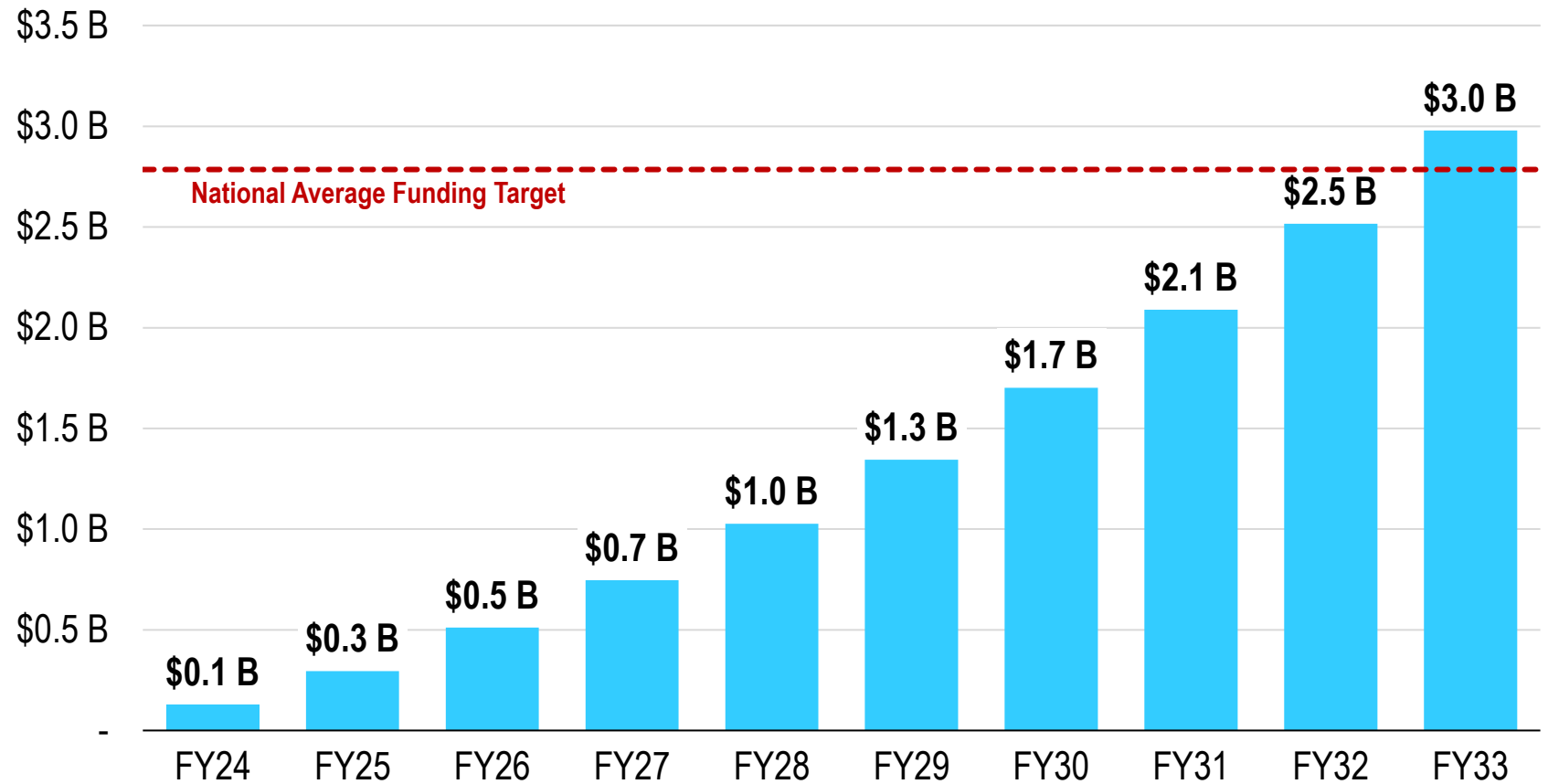
Note: Property tax revenue projections are preliminary estimates and subject to change.

# Property Tax Model Scenarios

## Depreciation and Tax Abatements

Scenario
Phase Out Abatements Between FY24 and FY33
Freeze Accumulated Depreciation Rate (No Increase)

Incremental Property Tax Revenue



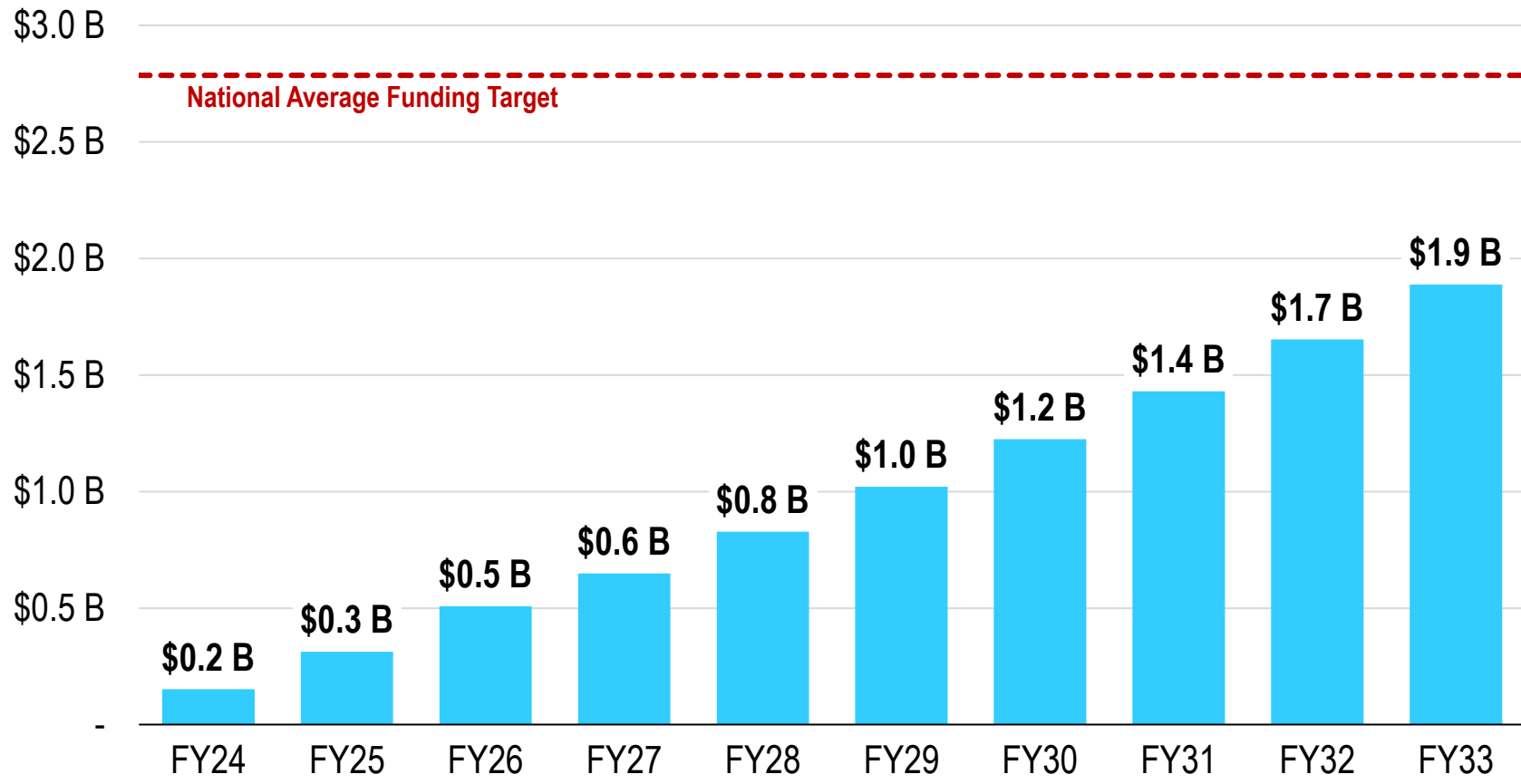
Note: Property tax revenue projections are preliminary estimates and subject to change.

# Property Tax Model Scenarios

## Depreciation and Tax Abatements

Scenario
Cap Abatements at FY23 Level
Freeze Accumulated Depreciation Rate (No Increase)

Incremental Property Tax Revenue



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



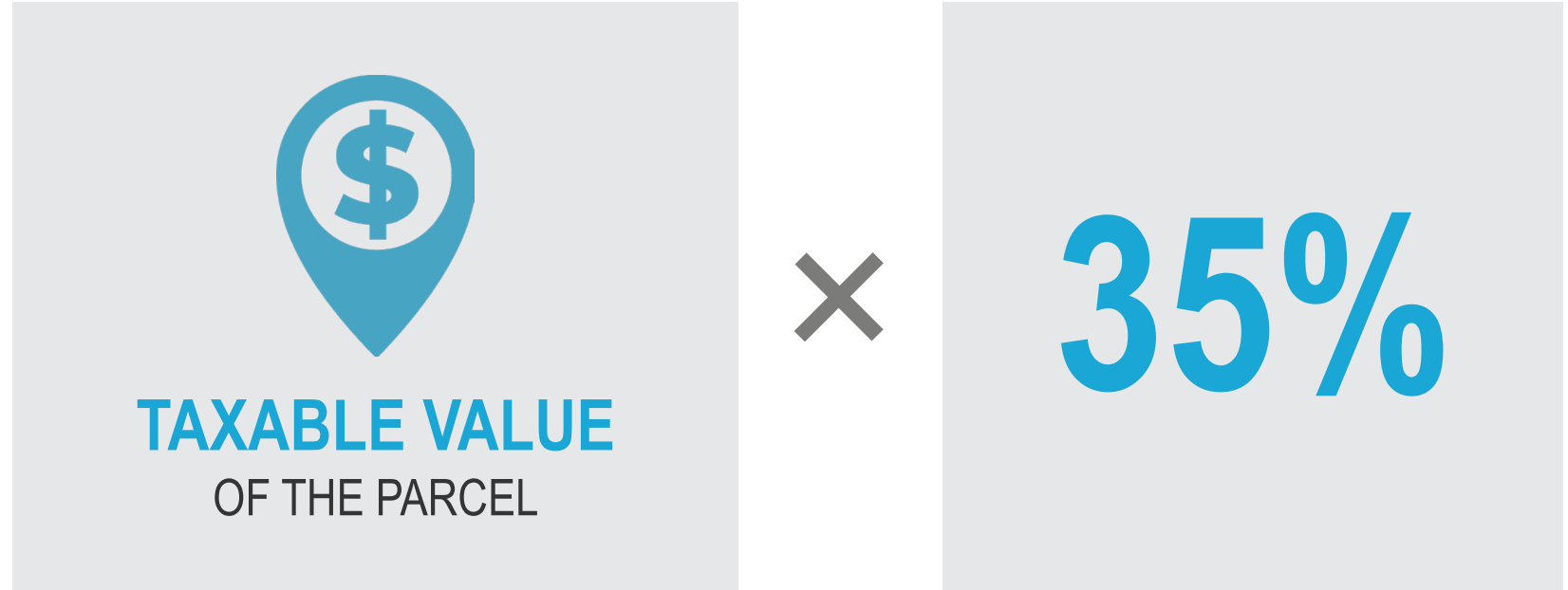
# **Property Tax Assessment Rate Modeling Scenarios**



# Property Taxes in Nevada

## Assessment Rate

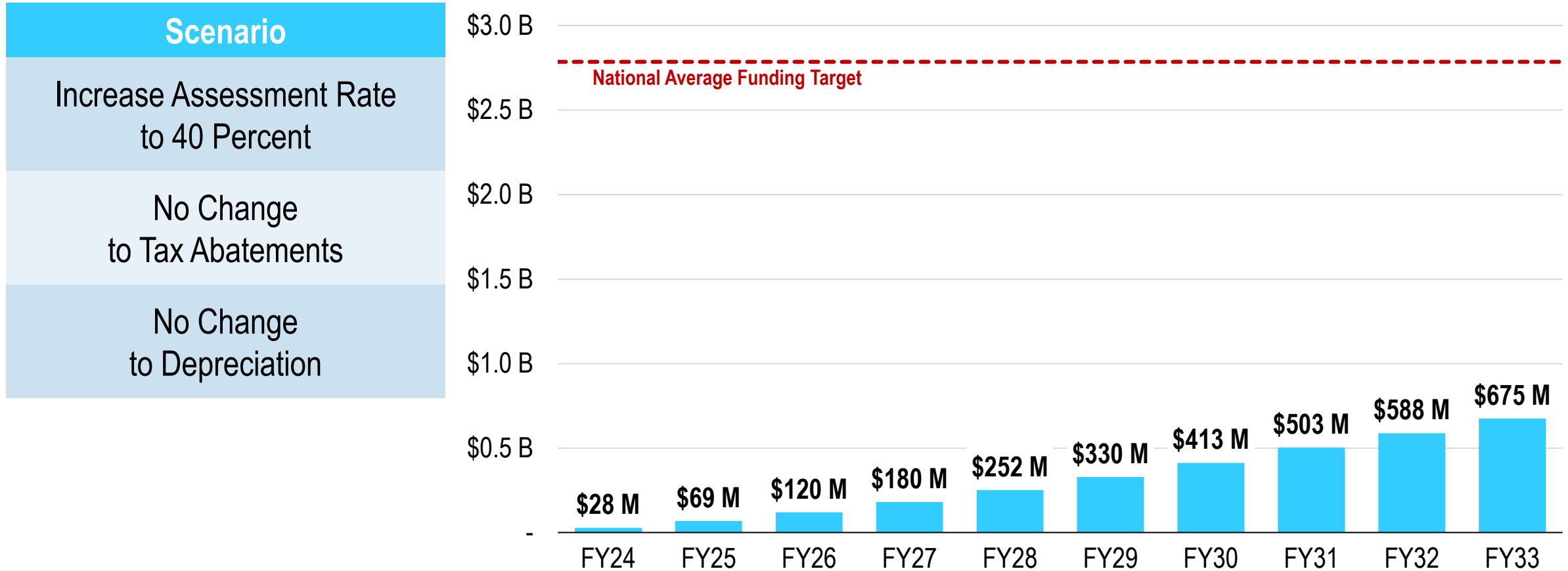
- Property taxes are calculated based on the assessed value of a property
- To determine a property's assessed value, its taxable value is multiplied by the statewide assessment rate
- The assessment rate in Nevada is 35 percent



**ASSESSED VALUE OF THE PARCEL**

# Property Tax Model Scenarios

## Increase Assessment Rate



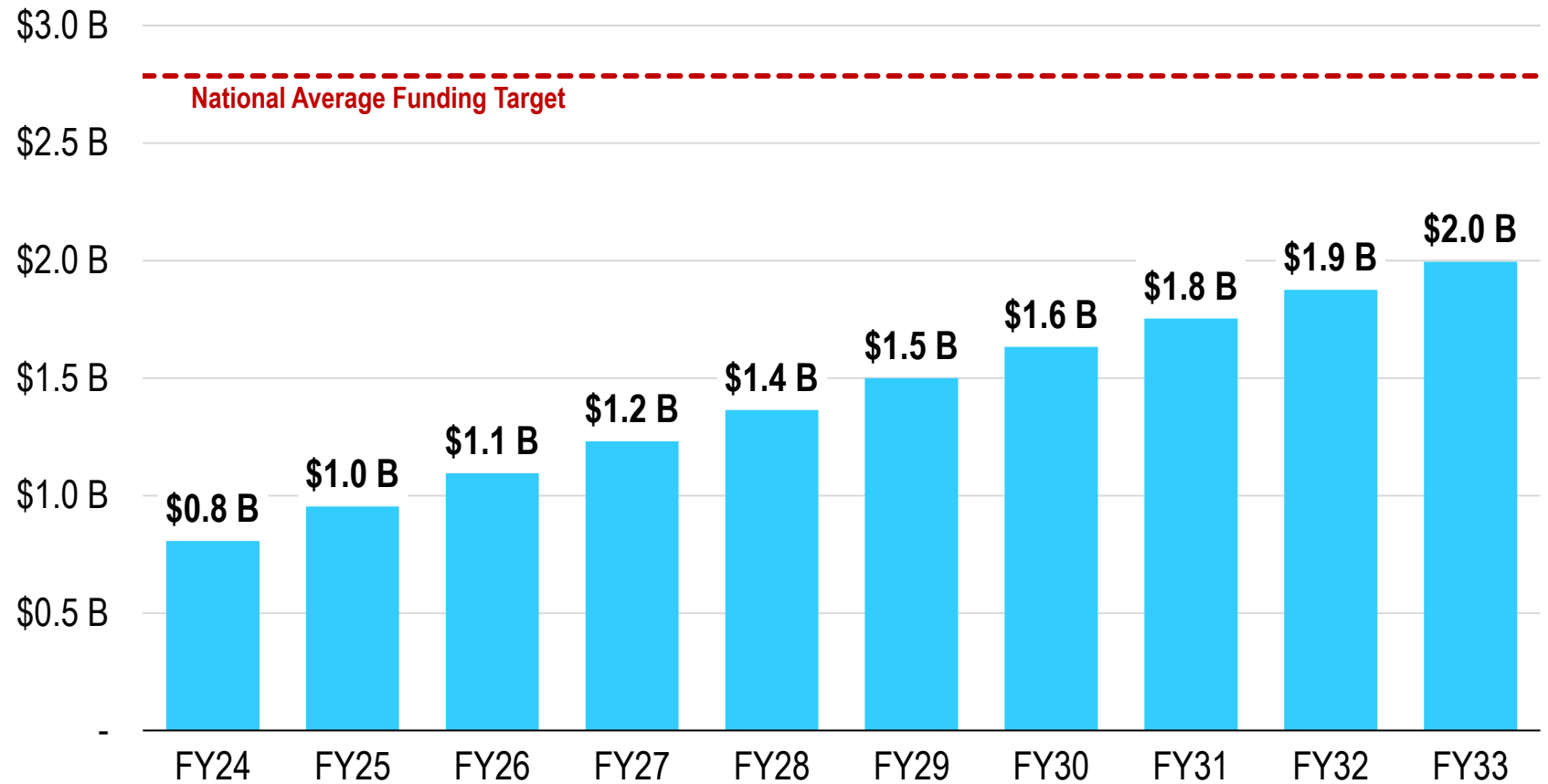
Note: Property tax revenue projections are preliminary estimates and subject to change.

# Property Tax Model Scenarios

## Increase Assessment Rate

Scenario
Increase Assessment Rate to 40 Percent
Cap Abatements at FY23 Level
No Change to Depreciation

### Incremental Property Tax Revenue



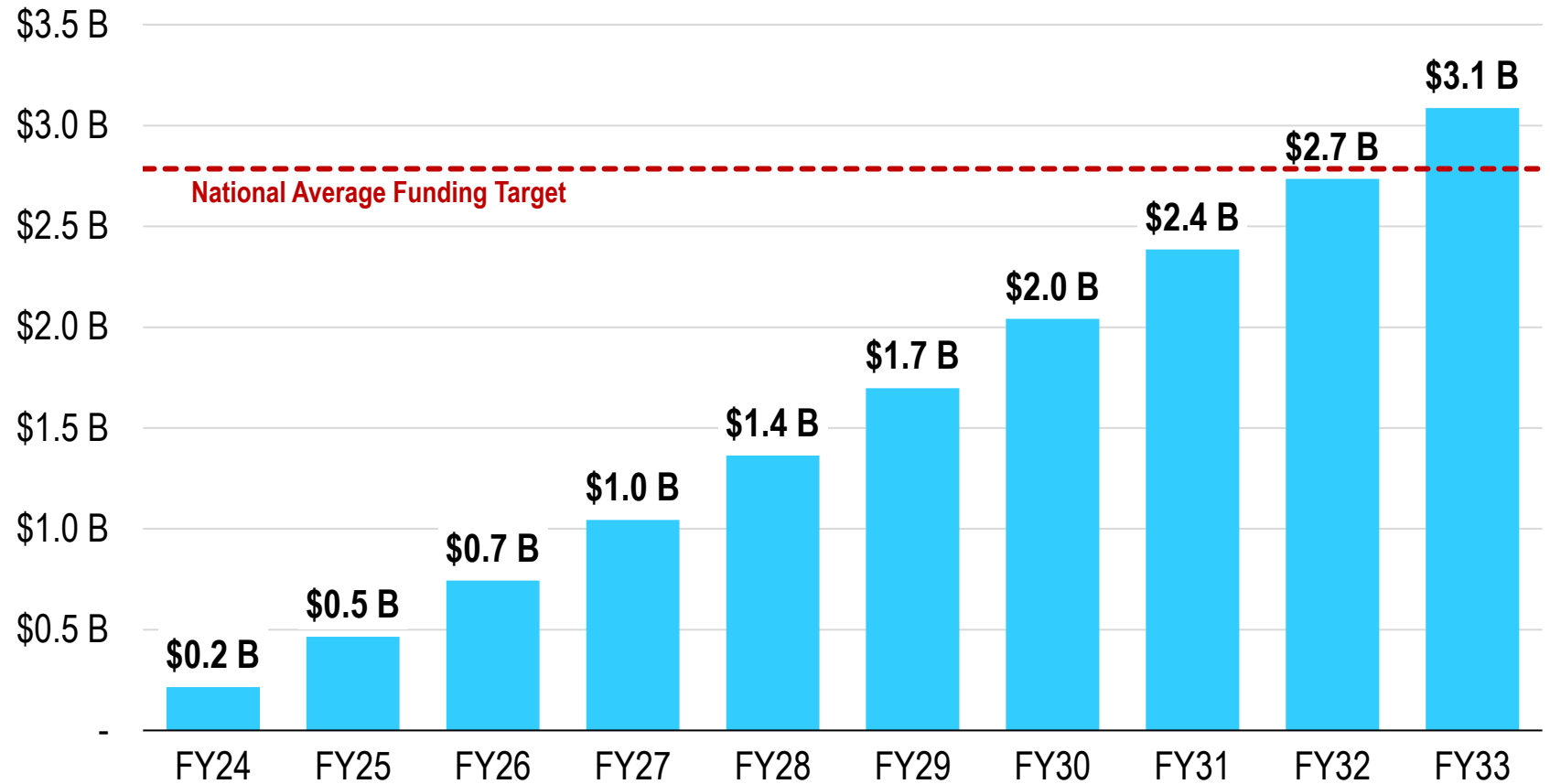
Note: Property tax revenue projections are preliminary estimates and subject to change.

# Property Tax Model Scenarios

## Increase Assessment Rate

Scenario
Increase Assessment Rate to 40 Percent
Phase Out Abatements Between FY24 and FY33
No Change to Depreciation

### Incremental Property Tax Revenue



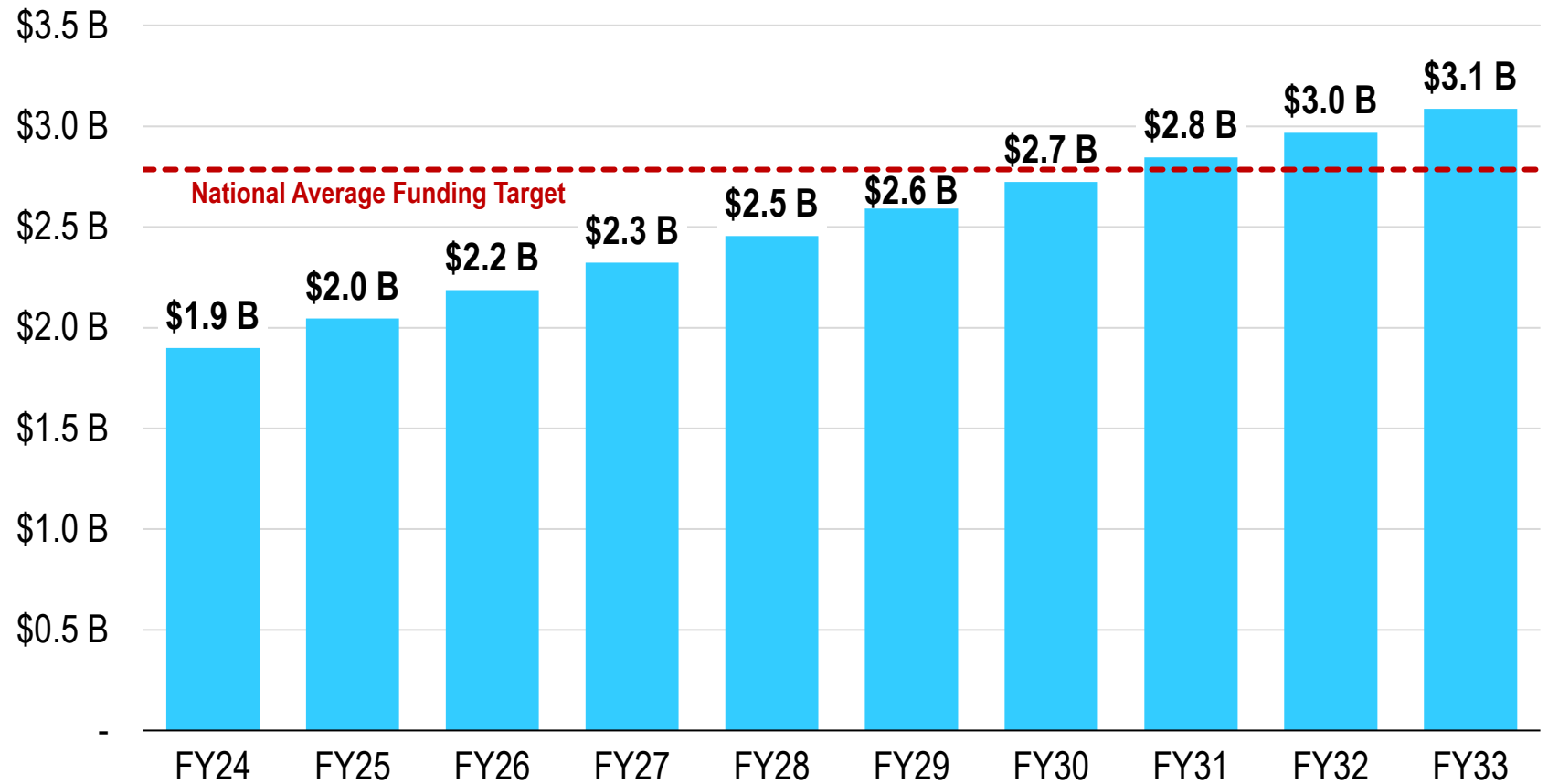
Note: Property tax revenue projections are preliminary estimates and subject to change.

# Property Tax Model Scenarios

## Increase Assessment Rate

Scenario
Increase Assessment Rate to 40 Percent
Eliminate Tax Abatements
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				
<b>ABATEMENT ADJUSTMENTS</b>	No Change	Cap Abatements at FY23 Level	No Change	No Change
<b>DEPRECIATION ADJUSTMENTS</b>	Freeze Accumulated Depreciation Rate (No Increase)	No Change	No Change	Phase Out Depreciation Between FY24 and FY33
<b>ASSESSMENT RATE ADJUSTMENTS</b>	No Change	No Change	Increase Assessment Rate to 40 Percent	No Change
<b>INCREMENTAL REVENUE IN YEAR 10</b>	<b>\$490 Million</b>	<b>\$540 Million</b>	<b>\$675 Million</b>	<b>\$1.1 Billion</b>
<b>SCHOOL OPER. RATE REVENUE IN YEAR 10</b>	<b>\$117 Million</b>	<b>\$129 Million</b>	<b>\$161 Million</b>	<b>\$272 Million</b>

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

# Property Tax Model Scenarios

## Summary

Scenario Summaries				
<b>ABATEMENT ADJUSTMENTS</b>	No Change	Phase Out Abatements Between FY24 and FY33	Eliminate Abatements in FY24	Cap Abatements at FY23 Level
<b>DEPRECIATION ADJUSTMENTS</b>	Eliminate Depreciation in FY24	No Change	No Change	No Change
<b>ASSESSMENT RATE ADJUSTMENTS</b>	No Change	No Change	No Change	Increase Assessment Rate to 40 Percent
<b>INCREMENTAL REVENUE IN YEAR 10</b>	<b>\$1.1 Billion</b>	<b>\$1.6 Billion</b>	<b>\$1.6 Billion</b>	<b>\$2.0 Billion</b>
<b>SCHOOL OPER. RATE REVENUE IN YEAR 10</b>	<b>\$272 Million</b>	<b>\$390 Million</b>	<b>\$390 Million</b>	<b>\$477 Million</b>

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

# Property Tax Model Scenarios

## Summary

Scenario Summaries				
<b>ABATEMENT ADJUSTMENTS</b>	Cap Abatements at FY23 Level	Phase Out Abatements Between FY24 and FY33	Phase Out Abatements Between FY24 and FY33	Phase Out Abatements Between FY24 and FY33
<b>DEPRECIATION ADJUSTMENTS</b>	Freeze Accumulated Depreciation Rate (No Increase)	Modify Future Depreciation Rate from 1.5% to 1.0%	Modify Future Depreciation Rate from 1.5% to 0.5%	Freeze Accumulated Depreciation Rate (No Increase)
<b>ASSESSMENT RATE ADJUSTMENTS</b>	No Change	No Change	No Change	No Change
<b>INCREMENTAL REVENUE IN YEAR 10</b>	<b>\$1.9 Billion</b>	<b>\$2.1 Billion</b>	<b>\$2.5 Billion</b>	<b>\$3.0 Billion</b>
<b>SCHOOL OPER. RATE REVENUE IN YEAR 10</b>	<b>\$451 Million</b>	<b>\$497 Million</b>	<b>\$604 Million</b>	<b>\$712 Million</b>

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

# Property Tax Model Scenarios

## Summary

Scenario Summaries				
<b>ABATEMENT ADJUSTMENTS</b>	Phase Out Abatements Between FY24 and FY33	Eliminate Tax Abatements	Phase Out Abatements Between FY24 and FY33	Eliminate Abatements in FY24
<b>DEPRECIATION ADJUSTMENTS</b>	No Change	No Change	Phase Out Depreciation Between FY24 and FY33	Eliminate Depreciation in FY24
<b>ASSESSMENT RATE ADJUSTMENTS</b>	Increase Assessment Rate to 40 Percent	Increase Assessment Rate to 40 Percent	No Change	No Change
<b>INCREMENTAL REVENUE IN YEAR 10</b>	<b>\$3.1 Billion</b>	<b>\$3.1 Billion</b>	<b>\$7.1 Billion</b>	<b>\$7.1 Billion</b>
<b>SCHOOL OPER. RATE REVENUE IN YEAR 10</b>	<b>\$737 Million</b>	<b>\$737 Million</b>	<b>\$1.7 Billion</b>	<b>\$1.7 Billion</b>

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

# 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	50%	60%	70%	80%	90%	100%
TAXABLE VALUE OF ALL PROPERTY	\$382 Billion	\$382 Billion	\$382 Billion	\$382 Billion	\$382 Billion	\$382 Billion
MARKET VALUE OF ALL PROPERTY	\$763 Billion	\$636 Billion	\$545 Billion	\$477 Billion	\$424 Billion	\$382 Billion
INCREMENTAL PROPERTY TAX REVENUE (COMBINED)	\$4.2 Billion	\$2.8 Billion	\$1.8 Billion	\$1.0 Billion	\$466 Million	-
INCREMENTAL SCHOOL OPERATING TAX REVENUE	\$1.0 Billion	\$668 Million	\$429 Million	\$250 Million	\$111 Million	-

Source: Clark County Assessor's Office, SalesTraQ, Applied Analysis. Note: Assumes property tax rate of \$3.14 per \$100 of assessed value.



# 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

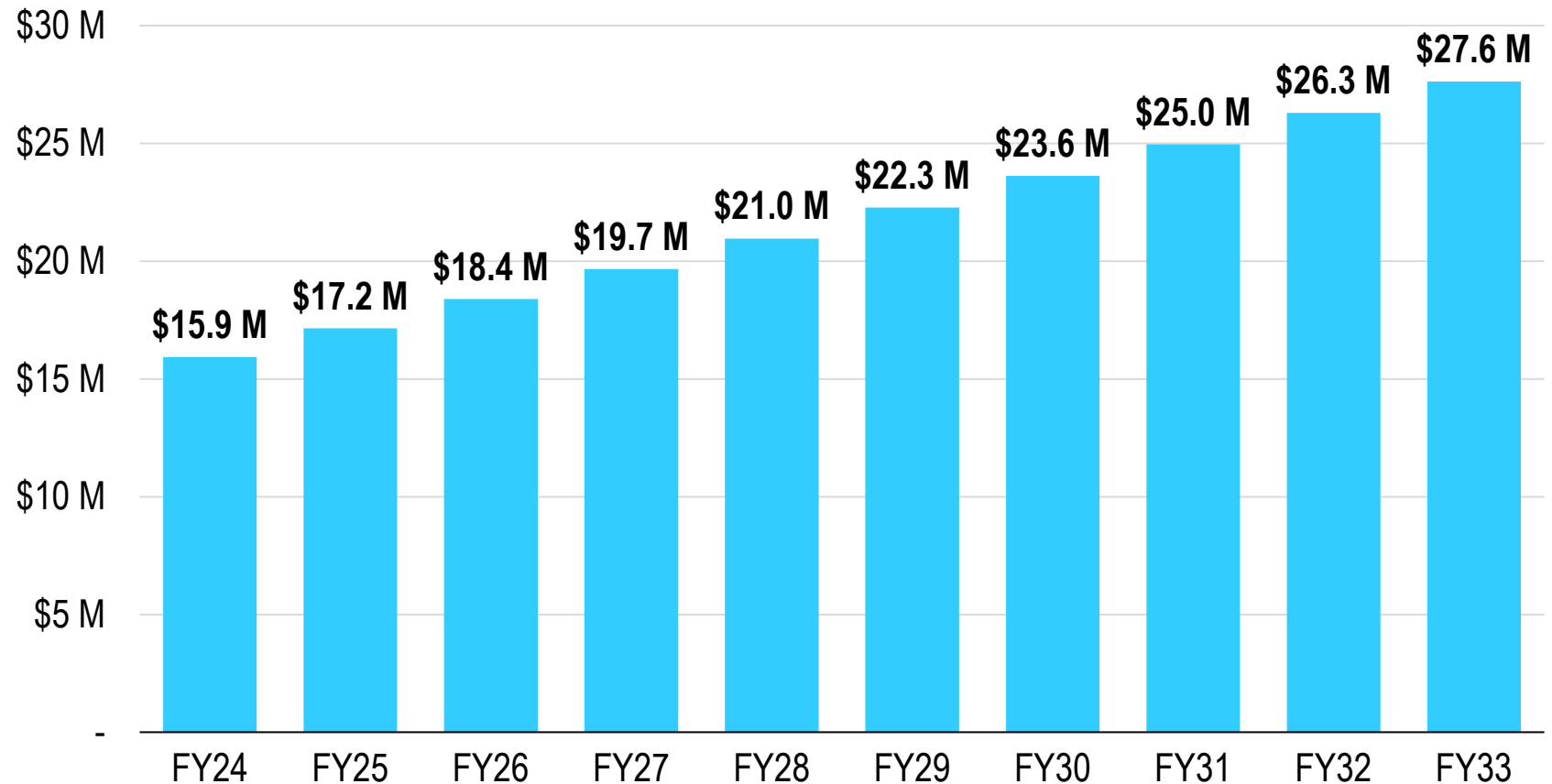
Determine revenue impacts associated with raising property tax rates alone

# 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 \$15 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**



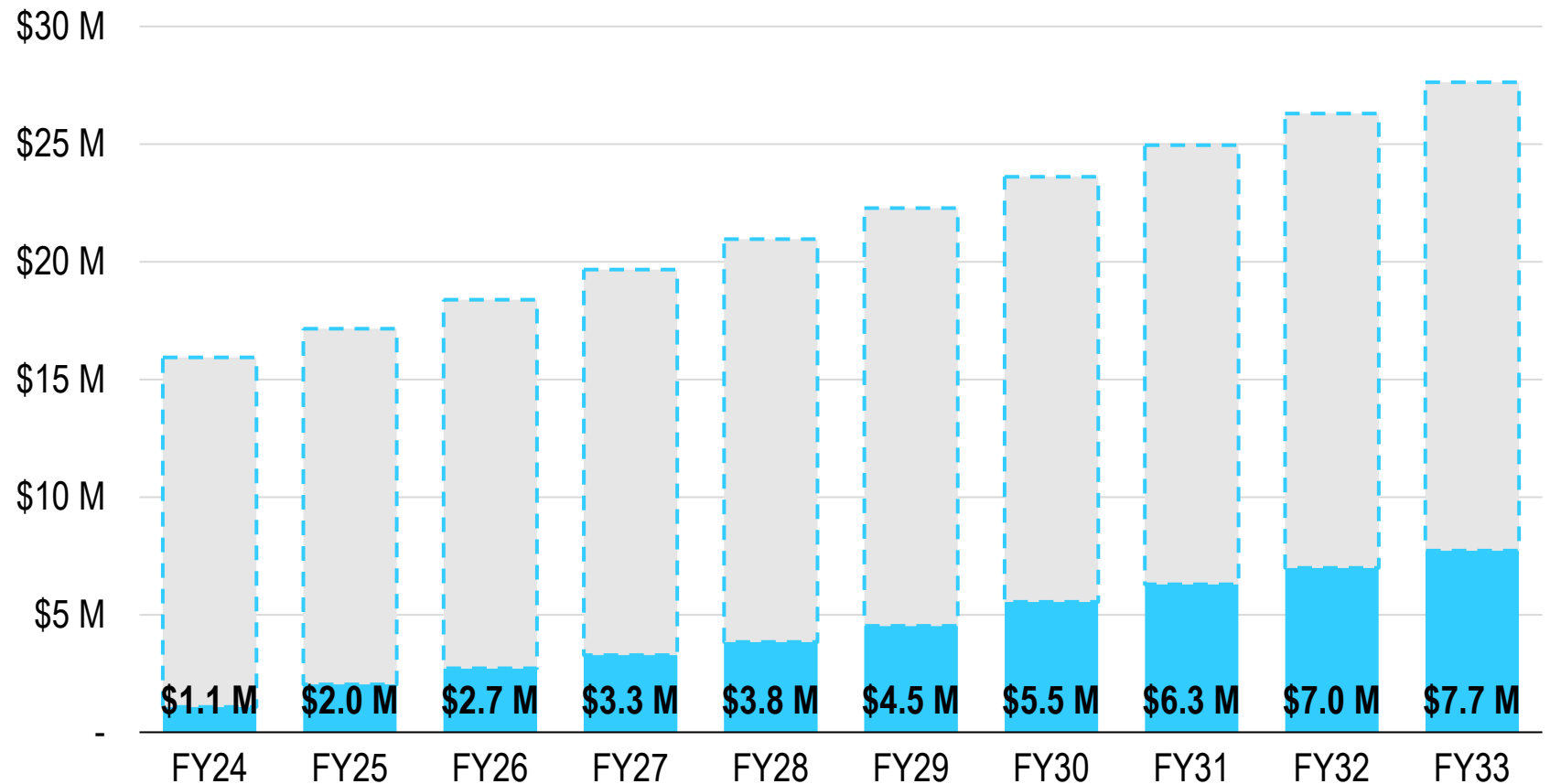
Note: Property tax revenue projections are preliminary estimates and subject to change.

# 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 \$15 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**



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

# NEVADA COMMISSION ON SCHOOL FUNDING

PROPERTY TAX

*September 2, 2022*

