# NEVADA DEPARTMENT OF TAXATION

## Capitalization Rate Study per Nevada State Administrative Code

### Calendar Year 2012
### For the 2014-2015 Secured &
### 2013-2014 Unsecured Tax Year Valuations

The capitalization rate model utilized for development of the 2014-2015 tax year income indicators of value for centrally assessed companies is a forward looking discounted cash flow model. The Department's developed rates may deviate from other studies in that it must, when the information is available, use data from select firms and groups within an industry. The rate developed must be reflective of the "typical" company within an industry or group. Capitalization rates are developed for specific industry segments using data specific to each of those segments.

Value Line, Moody's/Mergent Financial Information Services, Standard & Poor's along with independent studies and studies submitted by industry groups and individual companies provide sources for documentation, development and analysis of information contained in this study.

The Tax Commission has recommended the use of a Discounted Cash Flow ("DCF") model in unitary appraisals. Specifically, the DCF model is the primary income indicator. The present Code allows for the use of one or more of the following models; 1) Discounted Cash Flow method, 2) Capital Asset Pricing method, and 3) Risk Premium method, to be used by the Department for the income approach. The DCF model used by the Department is the accepted DCF presentation with the company structure and growth components derived from Value Line data sheets for companies found in Value Line's industry segments.

The Administrative Code allows for the use of other income models. When possible the Department will develop and use additional income models. The Department will also consider in its analysis, studies and data submitted by industry groups or individual companies. No comparisons are drawn from companies not related to the industry being appraised.