

- If property is sold or disposed, that doesn't necessarily indicate the total useful life of a property has been used. For example if my business bought a tractor and after 4 years decided that the business needed something else to better fulfill its needs and compete in the market and sold or disposed of the tractor, that is a business decision. It doesn't mean the tractors useful life is 4 years. As that tractor will still have use and purpose to the new buyer. What is important to help quantify depreciation is what the tractor sold for.
- Part of the survey for hotel furnishings asked if property was disposed of and if so, when and for how much.
- In Nevada, both personal and real property, is under the constraints that the taxable value established by the Assessor is not to exceed full cash value. The purpose of the proposed lives and tables and assignments in personal property manual is to assist Assessors in equitable treatment and proper valuation. With this the Department performs market studies each year with property in the different classes to insure that the appropriate table is assigned such that full cash value is not being exceeded. The best "fit" for different Table Classification for personal property is the taxable value of property is as close to possible to actual value. In other words the best fit is when it is the value is as close as possible to the appropriate depreciation within each table without exceeding it.
- The Survey was sent out to approximately 600 different hotels within the State with 64 responses.

Budget (below 3 star)

20
respondents
Median refurbish cycle
guest room-7
non-guest room-10

County	Hotel Service Level	By Size	Refurbish Cycle - Guest Room (Years)	Refurbish Cycle - Other Than GR (Years)	
Clark	budget (below 3 star)	large (101-300 rms)	7	5	
Clark	budget (below 3 star)	large (101-300 rms)	5-7	5	
Douglas	budget (below 3 star)	Small (25)	As needed	N/A	
Washoe	budget (below 3 star)	medium (26-100 rms)	10	N/A	
Clark	budget (below 3 star)	medium (26-100 rms)	As needed	As needed	
Washoe	budget (below 3 star)	Small (25)	5	N/A	
Elko	budget (below 3 star)		15	15	
Washoe	budget (below 3 star)	Small (25)	As needed	As needed	
ELko	budget (below 3 star)	medium (26-100 rms)	5	15	
Clark	budget (below 3 star)	large (101-300 rms)	5	N/A	
Washoe	budget (below 3 star)	medium (26-100 rms)	15	15	
Washoe	budget (below 3 star)	medium (26-100 rms)	15	15	
Churchill	budget (below 3 star)	medium (26-100 rms)	10	10	
Washoe	budget (below 3 star)	medium (26-100 rms)	10	As needed	
Clark	budget (below 3 star)	medium (26-100 rms)	As needed	As needed	
Clark	budget (below 3 star)	medium (26-100 rms)	7	5	
Lincoln	budget (below 3 star)	Small (25)	5	5	
Storey	budget (below 3 star)	Small (25)	As needed	As needed	
Lyon	budget (below 3 star)	medium (26-100 rms)	7	10	
ELko	budget (below 3 star)	medium (26-100 rms)	5	5	
		COMMON REFURBISH CYCLE FOR BUDGET HOTELS	7	10	Median
			5	5	Mode
			9	10	Average

Mid-Range (3-4 stars)

36 respondents
Median refurbish
cycle

guest room-9

non-guest room-7

County	Hotel Service Level	By Size	Refurbish Cycle - Guest Room (Years)	Refurbish Cycle - Other Than GR (Years)	
Clark	mid-range (3-4 star)	very large (over 300 rms)	10	7	
Clark	mid-range (3-4 star)	medium (26-100 rms)	7	7	
Washoe	mid-range (3-4 star)	large (101-300 rms)	5	5	
Washoe	mid-range (3-4 star)	large (101-300 rms)	10	7	
Churchill	mid-range (3-4 star)	medium (26-100 rms)	10	-	
Carson City	mid-range (3-4 star)	medium (26-100 rms)	10	10	
Clark	mid-range (3-4 star)	large (101-300 rms)	10	10	
Clark	mid-range (3-4 star)	very large (over 300 rms)	10	7	
Clark	mid-range (3-4 star)	very large (over 300 rms)	10	7	
Clark	mid-range (3-4 star)	very large (over 300 rms)	10	7	
Clark	mid-range (3-4 star)	very large (over 300 rms)	10	7	
Clark	mid-range (3-4 star)	very large (over 300 rms)	10	15	
Washoe	mid-range (3-4 star)	large (101-300 rms)	7	15	
Clark	mid-range (3-4 star)	large (101-300 rms)	7	7	
Clark	mid-range (3-4 star)	large (101-300 rms)	7	10	
Clark	mid-range (3-4 star)	very large (over 300 rms)	7	7	
Clark	mid-range (3-4 star)	very large (over 300 rms)	10	7	
Storey	mid-range (3-4 star)	medium (26-100 rms)	18	As needed	
Carson City	mid-range (3-4 star)	medium (26-100 rms)	5	5	
White Pine	mid-range (3-4 star)	Small (25)	5	10	
Carson City	mid-range (3-4 star)	medium (26-100 rms)	7	7	
Nye	mid-range (3-4 star)	large (101-300 rms)	10	15	
White Pine	mid-range (3-4 star)	medium (26-100 rms)	10	10	
Lander	mid-range (3-4 star)	Small (25)	7	10	
Clark	mid-range (3-4 star)	large (101-300 rms)	7	7	
Washoe	mid-range (3-4 star)	medium (26-100 rms)	7	10	
Washoe	mid-range (3-4 star)	medium (26-100 rms)	5	5	
Clark	mid-range (3-4 star)	medium (26-100 rms)	5	10	
Clark	mid-range (3-4 star)	large (101-300 rms)	15	15	
Washoe	mid-range (3-4 star)	Small (25)	5	5	
Clark	mid-range (3-4 star)	large (101-300 rms)	10	5	
Lincoln	mid-range (3-4 star)	medium (26-100 rms)	15	NA	
Clark	mid-range (3-4 star)	large (101-300 rms)	7	7	
Elko	mid-range (3-4 star)	Small (25)	10	10	
Nye	mid-range (3-4 star)	medium (26-100 rms)	N/a	N/A	
Washoe	mid-range (3-4 star)	medium (26-100 rms)	N/A	NA	
Clark	mid-range (3-4 star)	Small (25)	7	n/a	
Clark	mid-range (3-4 star)	large (101-300 rms)	7	10	
		COMMON REFURBISH CYCLE FOR MID-RANGE HOTELS	9	7	Median
			10	7	Mode
			9	9	Average

High End

8 respondents
Median refurbish
cycle

guest room-9

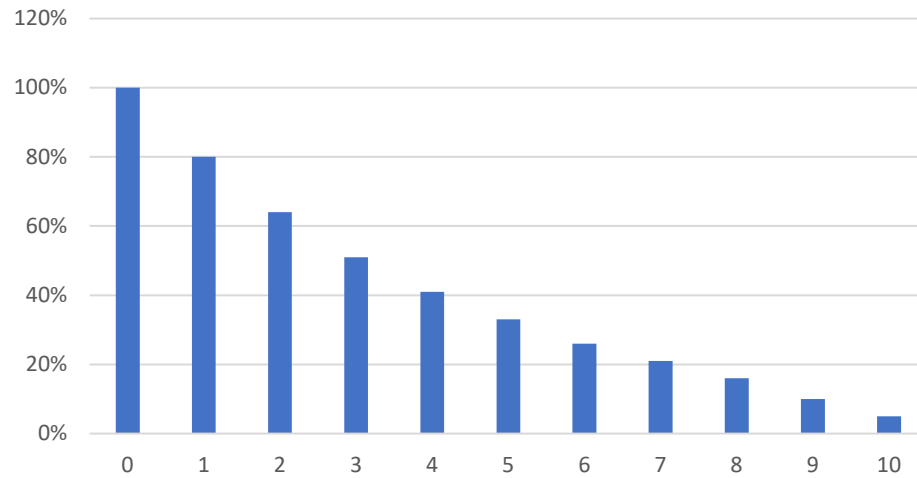
non guest room-7

County	Hotel Service Level	By Size	Refurbish Cycle - Guest Room (Years)	Refurbish Cycle - Other Than GR (Years)	
Clark	world class (5 star)	very large (over 300 rms)	7	7	
Clark	world class (5 star)	very large (over 300 rms)	10	15	
Clark	world class (5 star)	very large (over 300 rms)	10	7	
Clark	world class (5 star)	very large (over 300 rms)	10	10	
Clark	world class (5 star)	large (101-300 rms)	10	15	
Clark	world class (5 star)	large (101-300 rms)	7	7	
Washoe	world class (5 star)	very large (over 300 rms)	7	7	
Carson City	world class (5 star)	medium (26-100 rms)	5	5	
		COMMON REFURBISH CYCLE FOR WORLD CLASS HOTELS	9	7	Median
			10	7	Mode
			8	9	Average

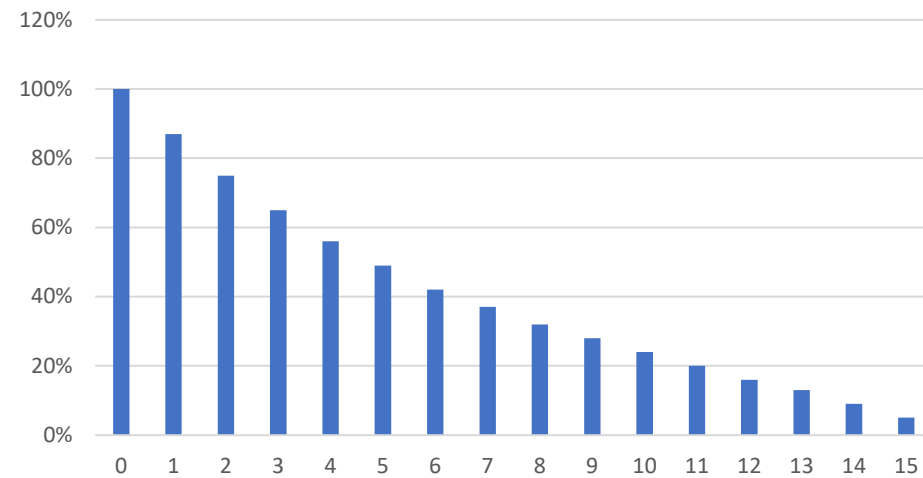
The above data indicates fairly consistently across different type of hotel classes and sizes that the re-furbish rate for hotel furnishings is between 7-10 years for both guest rooms and non-guest rooms. With this data a recommendation by the Department Staff to the Nevada Tax Commission will be that there be not a distinguishment made in regards to life assignment based upon quality of hotel furnishment or type of use of that furnishment within the hotel.

Next slides will discuss the disposal of equipment as reported during the survey. Which will help in discussion of appropriate table of useful life. Within the 64 total respondents to the survey 5 different hotels provided sale data with a total of 63 data points in regards to hotel furnishings were provided.

10 Year Life

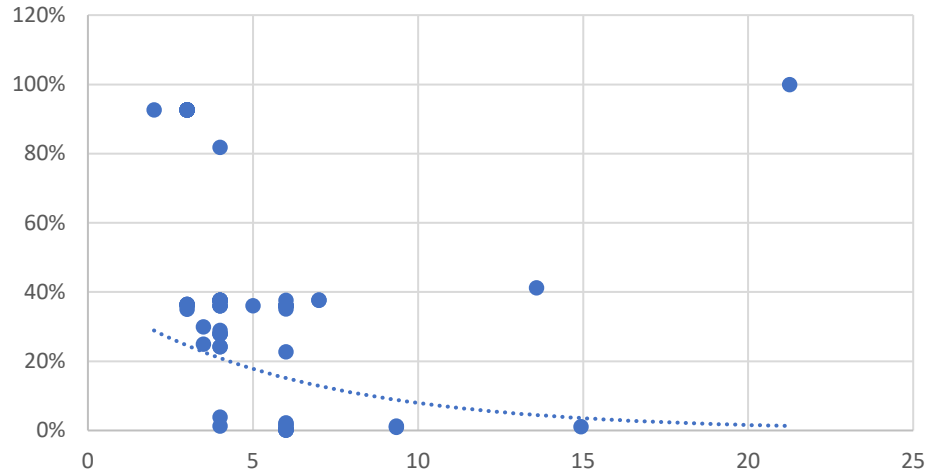


15 Year Life

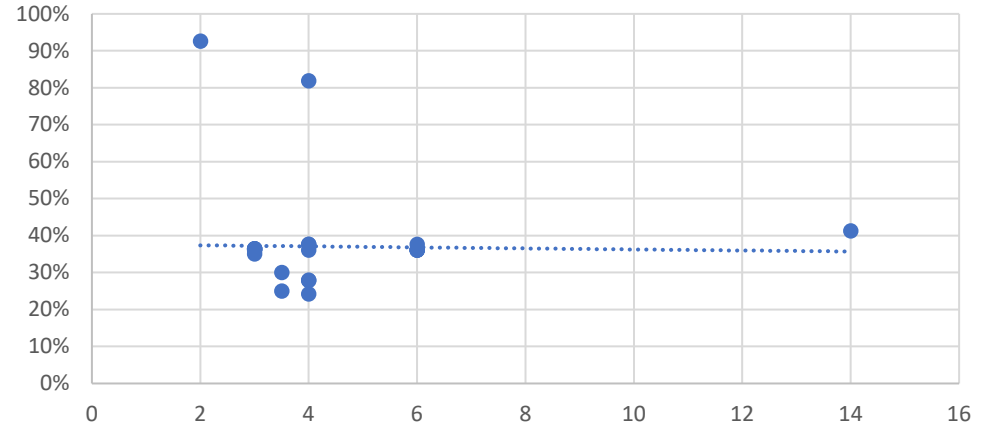


Current depreciation tables are above for 10 and 15 year property. For an example lets assume a certain type of property classification was assigned a 10 year table. If that property was bought/sold in year 4. We would expect that property to sell for approximately 40 % of original purchase price. (In Nevada these amounts are also adjusted to account for inflation and other factors which is include in the Personal Property Manual, but excluded here for simplicity)

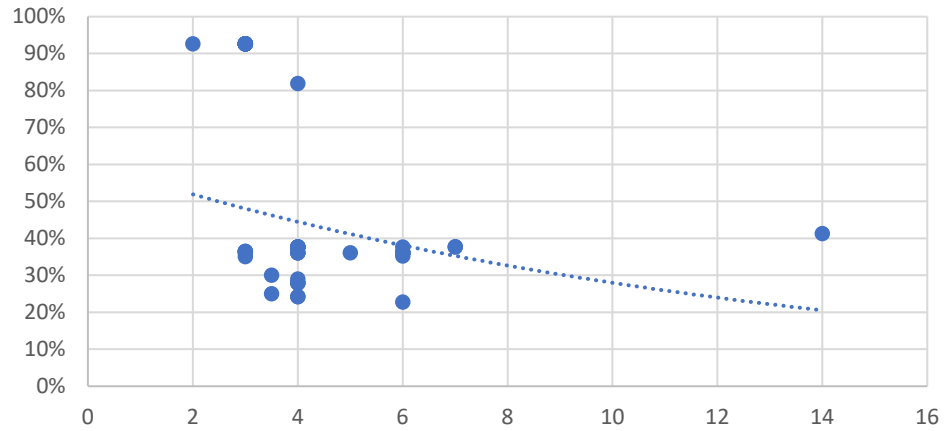
All Data Sale Percentage by age TABLE I



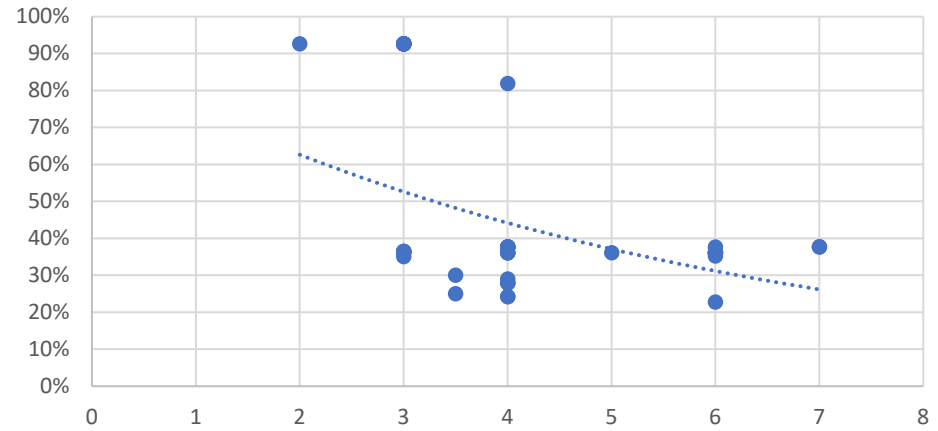
Data below \$1000 dollars of original cost removed TABLE II



Outliers above 95% and below 5% removed TABLE III



Outliers in regards to Age (10) and % removed TABLE IV

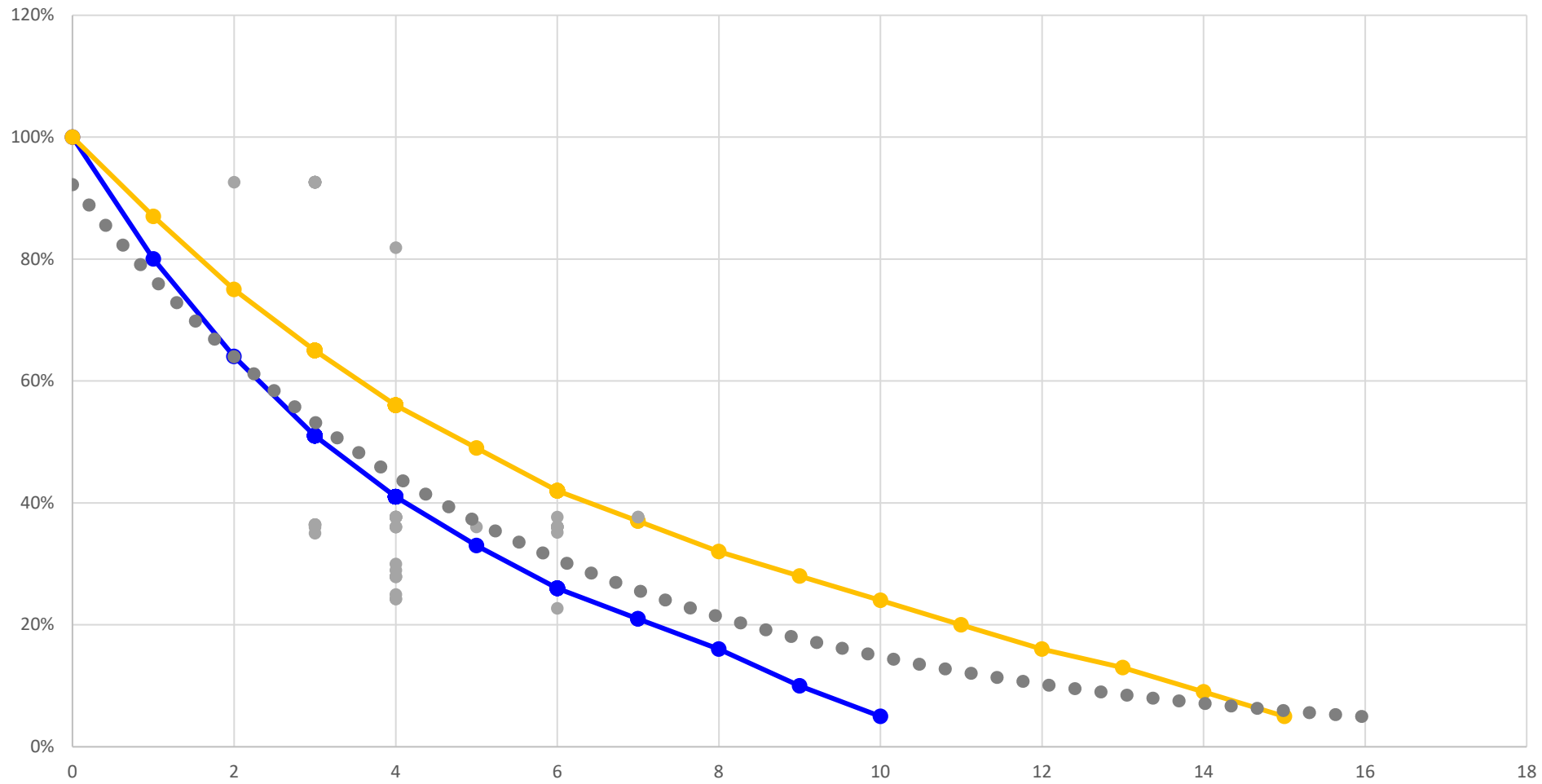


Current data collected with the survey conducted on Hotel Furnishing shows an initial steep decline in value upon purchase and then a steady price point of around 30% hold over value into the future regardless of age of disposition. What this indicates is that there isn't a perfect fit for the hotel furnishings with the Life Tables we have available. Historically a 15 year life was recommended for Hotel Furnishings. Industry is recommending a 10 year life.

Nevada currently has a residual value of hotel furnishings of 5 percent after 15 years for hotel furnishings.

What the limited responses indicate is that with the current 15 year life that there is a possibility of overvaluation in the early years after initial acquisition and a undervaluation of property the longer the property is held. The number of responses of the data is not of statistical significance to make a firm conclusion but indicates this is a possibility.

The most significant cleansing of the data is table IV. The Following slide with TABLE V shows TABLE IV overlaid with a 10 year life and 15 year life.



Blue is 10 year, Orange is 15 year.
Gray Dots is Sales Data with trendline