

Minutes of the Meeting
STATE BOARD OF EQUALIZATION
March 23, 2015
9:00 a.m.

The meeting was held at the Reno City Council Chambers, Reno City Hall, 1 East First Street, Reno, Nevada.

STATE BOARD MEMBERS PRESENT:

Anthony Wren, Chairman
Aileen Martin
Dennis Meservy
Ben Johnson
Keith Harper

COUNSEL TO BOARD

Dawn Buoncristiani, Deputy Attorney General
Heena Rasul, Deputy Attorney General

DEPT OF TAXATION STAFF PRESENT:

Terry Rubald
Anita Moore

MEMBERS OF THE PUBLIC PRESENT:

Name, Representing

Gary Relyea, Clark County Assessor
Lisa Logsdon, Clark County Assessor
Jeff Payson, Clark County Assessor
Paul Bancroft, Howard Hughes, 11-416
Teresa Olson, Washoe County Assessor, 15-112
Delene Postoni, Washoe County Assessor, 15-112
Chessie Siepenkothen, Department of Taxation
Mark Stafford, Washoe County Assessor, 15-112
Matthew Tomich, Department of Taxation
Jeff Mitchell, Department of Taxation
Josh Wilson, Washoe County Assessor
Bruce Bartolowits, Department of Taxation
Scott Scherer, UNEV
Katrinka Russell, Elko County Assessor
Wm. Chuck Bailey, Department of Taxation

Action on March 23, 2015:

Agenda Item A: Opening Remarks by the Chairman; introduction of State Board members

The Chairman made opening remarks and introduced Board Members Aileen Martin, Dennis Meservy, Ben Johnson and Keith Harper, as well as Deputy Attorney General Heena Rasul.

Agenda Item B: Public Comment

The Chairman called for Public Comment. There was none. Ms. Rasul then swore in witnesses. The Chairman explained the procedures for appeals before the State Board.

The first item was called out of order.

Agenda Item F: For Possible Action: DIRECT APPEALS PURSUANT TO NRS 361.403, TAX YEAR 2015-16 Secured Roll, Approval of Stipulated Agreements

15 102 UNEV Pipeline Gas & Pipeline Property Department of Taxation

Ms. Rubald presented a settlement agreement between UNEV Pipeline, LLC, and the Department of Taxation.

Member Meservy made a motion that the board accept the proposed stipulated settlement agreement of \$261,092,427. The vote was unanimously in favor of the motion.

At this time Ms. Dawn Buoncristiani arrived to replace Ms. Rasul as counsel to the board. Ms. Rubald called the next case:

Agenda Item C: For Possible Action: HEARINGS ON CASES REMANDED FROM THE COURT (1) Remand from the 1st Judicial District Court, Department No. I, Case No. 11 OC 00416 1B, regarding Order Granting Petition for Judicial Review; Clarification of Basis for State Board Decision, SBE Case No. 11-416, Howard Hughes Company, LLC v. SBE and County of Clark, Nevada

Lisa Logsdon of the Clark County District Attorney's office and Gary Relyea and Jeff Payson appeared on behalf of the Clark County Assessor's Office. Paul Bancroft of Lionel, Sawyer, and Collins appeared on behalf of Howard Hughes Co. LLC.

Member Harper made the motion which had been presented at the Clark County Board of Equalization that the taxable value as of January 1st 2011 be set at \$217,149,896, which equates to \$39,191 per acre, based on discussion. The Chairman incorporated all the testimony from this day, all the testimony, all the briefs and all the information from previous hearings. The motion was seconded by Member Meservy. The motion carried unanimously.

Agenda Item F: For Possible Action: DIRECT APPEALS PURSUANT TO NRS 361.403, TAX YEAR 2015-16 Secured Roll, Approval of Stipulated Agreements

15 102 UNEV Pipeline Gas & Pipeline Property Department of Taxation

Scott Scherer of Holland and Hart, LP appeared on behalf of UNEV Pipeline, LLC. Jeff Mitchell, Supervisor, Centrally-Assessed Section, Division of Local Government Services, appeared on behalf of the Department of Taxation.

Mr. Mitchell presented a stipulated agreement to the board. Member Meservy made the motion to accept the stipulated agreement as presented. Member Martin seconded the motion. The vote was unanimously in favor of the motion.

Agenda Item D: For Possible Action: RECOMMENDATIONS BY THE SECRETARY TO DISMISS TAXPAYERS' DIRECT APPEAL OF PROPERTY ON THE 2014-2015 UNSECURED ROLL, PURSUANT TO NRS 361.360(3), Appeals not Heard by County Board

15 112 Pertrac Financial Solutions Personal Property Washoe County Assessor

No one appeared on behalf of Pertrac Financial Solutions. Chief Deputy Joshua Wilson appeared on behalf of the Washoe County Assessor's Office.

The State Board has jurisdiction to hear direct appeals from a taxpayer if the property was placed on the unsecured roll after December 15th pursuant to NRS 361.360(3) as well as appeals from the action of a county board of equalization pursuant to NRS 361.400. In this case, the State Board found the property was placed on the unsecured roll on December 13, 2014 and therefore did not meet the criteria for a direct appeal. The State Board further found the Taxpayer did not first appeal to the County Board, and the County Board made no decision which could be appealed to the State Board.

The State Board found the Taxpayer did not show substantial circumstances beyond the control of the Taxpayer as to why the Taxpayer did not file timely to the County Board, and declined to accept jurisdiction of the case. See *Tr.*, 3-23-15, p. 79, ll. 19-22; p. 81, l. 7 through p. 82, l. 19. Member Meservy made the motion that the board not accept jurisdiction. The motion carried.

Agenda Item E: For Possible Action: DIRECT APPEALS PURSUANT TO NRS 361.403, TAX YEAR 2014-15 Unsecured Roll and 2015-16 Secured Roll, Property Escaping Taxation

15 121 Department of Taxation Electric Property Valley Electric Co.

No one appeared on behalf of Valley Electric Association. Jeff Mitchell appeared on behalf of the Department of Taxation.

Mr. Mitchell presented a stipulated agreement to the board. Member Meservy made the motion to accept the stipulation, Member Martin seconded the motion. The vote was unanimously in favor of the motion.

Agenda Item F: For Possible Action: DIRECT APPEALS PURSUANT TO NRS 361.403, TAX YEAR 2015-16 Secured Roll, Approval of Stipulated Agreements

15 101 Zayo Group, LLC Telecommunications Property Department of Taxation

No one appeared on behalf of Zayo Group, LLC. Jeff Mitchell appeared on behalf of the Department of Taxation.

Mr. Mitchell presented a stipulated agreement to the board. Member Meservy made the motion to accept the stipulation, Member Harper seconded the motion. The vote was unanimously in favor of the motion.

Agenda Item H: For Possible Action: DIRECT APPEALS OF THE PROPERTY OF A MINE, TAX YEAR 2015-16 Secured Roll

15 110 United States Gypsum Company Mine Property Department of Taxation

No one appeared on behalf of United States Gypsum Company. Jeff Mitchell appeared on behalf of the Department of Taxation.

Mr. Mitchell presented a stipulated agreement to the board. Member Meservy made the motion to accept the stipulation, Member Johnson seconded the motion. The vote was unanimously in favor of the motion.

15 103 Wilkin Mining & Trucking, Inc. Mine Property Department of Taxation

No one appeared on behalf of Wilkin Mining & Trucking, Inc. Jeff Mitchell appeared on behalf of the Department of Taxation.

Mr. Mitchell presented a stipulated agreement to the board. Member Meservy made the motion to accept the stipulation, Member Martin seconded the motion. The vote was unanimously in favor of the motion.

15 124 Plum Mining LLC Goldspring Inc. dba Comstock Mines Mine Property Department of Taxation

No one appeared on behalf of Plum Mining LLC Goldspring Inc. Jeff Mitchell appeared on behalf of the Department of Taxation.

Mr. Mitchell presented a stipulated agreement to the board. Member Meservy made the motion to accept the stipulation, Member Martin seconded the motion. The vote was unanimously in favor of the motion.

Agenda Item I: For Possible Action: DIRECT APPEALS PURSUANT TO NRS 361.403, TAX YEAR 2015-16 Centrally-Assessed Roll

15 104 Southwest Airlines Co. Airline Property Department of Taxation

No one appeared on behalf of Southwest Airlines Company. Jeff Mitchell appeared on behalf of the Department of Taxation.

Mr. Mitchell presented a stipulated agreement to the board. Member Johnson made the motion to accept the stipulation, Member Meservy seconded the motion. The vote was unanimously in favor of the motion.

15 105 AirTran Airways, Inc Airline Property Department of Taxation

No one appeared on behalf of Air Tran Airways. Jeff Mitchell appeared on behalf of the Department of Taxation.

Mr. Mitchell presented a stipulated agreement to the board. Member Harper made the motion to accept the stipulation, Member Johnson seconded the motion. The vote was unanimously in favor of the motion.

15 106 United Continental Holdings, Inc. Airline Property Department of Taxation

No one appeared on behalf of United Continental Holdings, Inc. Jeff Mitchell appeared on behalf of the Department of Taxation.

Mr. Mitchell presented a stipulated agreement to the board. Member Johnson made the motion to accept the stipulation, Member Meservy seconded the motion. The vote was unanimously in favor of the motion.

15 107 U.S. Airways, Inc. Airline Property Department of Taxation

No one appeared on behalf of US Airways, Inc. Jeff Mitchell appeared on behalf of the Department of Taxation.

Mr. Mitchell presented a stipulated agreement to the board. Member Meservy made the motion to accept the stipulation, Member Martin seconded the motion. The vote was unanimously in favor of the motion.

Agenda Item J: For Possible Action: APPROVAL OF ADJUSTMENT TO CENTRALLY-ASSESSED ROLL, Removal of Property from 2015-2016 Centrally-Assessed Roll

15 120 Department of Taxation Telecommunications Property TW Telecommunications

No one appeared on behalf of TW Telecommunications. Jeff Mitchell appeared on behalf of the Department of Taxation.

Member Meservy made the motion that the board approve the removal of this company from the Centrally Assessed roll. Member Harper seconded the motion. The vote was unanimously in favor of the motion.

Agenda Item K: Presentations by Department of Taxation staff:

1. Property Tax Timeline
Ms. Rubald presented a document used by the department as a calendar/timeline.
2. 2013-2014 Statistical Analysis of the Roll
Ms. Rubald explained to the board that the statistical analysis of the roll is a huge document. It is a compilation of information from the counties on the assessed value, the total parcel counts, the total acreage and is broken down by land code within each county. It gives a graphical representation of how those assessed values have changed over the years. She said this is a good tool just to get a glimpse of where the assessed valuations in the state come from. The reporting on this is three times a year from the assessors. They report shortly after the close of the unsecured roll, shortly after the close of the secured roll and one more time in October after everything has been settled. This is called the SAR report. Statistical Analysis of the Roll.
3. 2014-2015 Ratio Study

Bruce Bartolowits, Supervisor of Locally Assessed Properties, Department of Taxation, said that every year the department does a ratio study for one-third of the counties in the state. They pick a random sample of representative properties for residential, commercial, vacant land, agricultural and multi-family properties. They do an independent appraisal of those properties and compare the department's taxable value to the county's assessed value. That ratio should fall within 32 to 36 percent of the value. They also do an office review to look at areas where there may be some concern about consistency and how to value the property.

4. 2015-2016 Agricultural Bulletin and 2015-16 Golf Tables

Mr. Bartolowits said that each year the department values the land for all agricultural property in the state. It is something that the agricultural producer has to apply for and they have to meet certain criteria. The department develops the land values for agricultural property by taking a hay survey of what the hay costs for the preceeding year. They then take that information and compare it to the Nevada agricultural statistics bulletin that they put out to make sure that it is reasonable. They then do an income approach based on that information to arrive at the values for the coming year.

Because open space golf courses are now considered open space, they do the valuation for them with a July consumer price index. Because of this there has to be a supplement to the agricultural manual after that information is available.

5. 2015-2016 Rural Building Manual

Mr. Bartolowits said the department does a rural building manual every year. In the past it was determined that taking the Marshall-Swift values and subtracting 25% of those costs to the properties would reflect using unskilled labor for the buildings. The numbers came from Marshall-Swift and then the deductions were made. Over time, the department has found that today most counties have building departments and building codes and there are less workers on the farm that live there and just put together the buildings. Today, most of the buildings on farms and ranches are built by contractors. For this year, the department produced a manual where it is basically just the Marshall-Swift cost. Because it is more the exception than the rule where it is farm labor, the assessors can make that 25% adjustment as necessary. However, once the department produced the manual, they realized that is fine for the future but there are a lot of buildings on the records that at one time were built by farm labor, so a second manual was produced. It is being done the old way and they can choose and it gives them a year to transition to the new way of doing it. They also added sheds for the telecom industry.

7. 2015-2016 Improvement Factor (This item was out of order as it was also presented by Mr. Bartolowits.)

Mr. Bartolowits said that years ago there used to be a land factor applied. The counties normally divided up their county in five sections. After five years they had to do a reappraisal of one of those five sections. After five years, the entire county was reappraised. There used to be land factors that were applied to the sections of the county that were not being reappraised that year. That would be to bring everybody close to the value they should be. Every county now revalues the land every year so that factor is no longer necessary. The department applies a factor to the building cost which comes from each year when a new Marshall-Swift manual has come out – it is the updated cost from last year to this year.

6. 2015-2016 Personal Property Manual

Matthew Tomich, Supervisor of Education and Publications for Local Government Services discussed the personal property manual. It is the tables that the assessors use to determine the taxable value of personal property. The department uses the consumer price index, the producer price index and the Marshall-Swift valuation cost indexes to develop the tables.

The tables started in 2001 and used to have an average, short and long life. It has now morphed itself into three-year, five-year, seven-year, ten, fifteen, twenty, thirty, mobile homes and 50 year which is primarily billboards. The easy part is coming up with the depreciation tables to present good in all of that. The time consuming part is that after this is done they go out and do market tests. They have other sources such as the power support blue book because personal property could be your ATV on the farm.

Mr. Tomich said they go out and do tests based on what they are to figure out and then they compare after they have researched all of these items and this takes about a month. Then they go back and calculate to make sure that the images agree to what is in the market test or the actual appreciation tables.

Ms. Rubald directed the board's attention to a page with some itemized equipment for telecommunications property. She said this section will be greatly enhanced using a workshop for the next personal property manual and the Code of Federal Regulations as the basis for the different kinds of property. They are proposing that conduit systems will be real property and that equipment shelters will be real property.

Agenda Item L: For Possible Action: Review of tax rolls of the various counties; review of valuation methods used by county assessors; consideration of possible equalization action for 2014-15 unsecured tax roll and 2015-16 secured tax roll pursuant to NRS 361.395 and NAC 361.659.

Ms. Rubald said that, as in prior years, the department has not made any recommendation to the board for specific equalization.

Chairman said the board intended to address the equalization at their last hearing.

Agenda Item M: Briefing to and from the Board and the Secretary and Staff For Possible Action: Proposed Hearing Schedules and Docket Management and Agenda Item N: State Board of Equalization Comments

Ms. Rubald discussed a proposed hearing schedule. She passed out the case load analysis. The State Board has received 193 cases as of March 10th. Typically the board hears 17 cases in a day. She estimated that 11 hearing days would be required. They discussed a schedule with various dates for SBE hearings.

This concluded statements from the department.

Agenda Item O: Public Comment

Chairman Wren asked for public comment, there was none.

Agenda Item P: Adjournment.

The hearing concluded at 12:56 p.m.