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Guidance Letter 13-004

Date: 11-21-13

To: County Assessors and County Treasurers

From: Terry E. Rubald, Deputy Executive Director

CC: Christopher G. Nielsen, Interim Executive Director, Department of Taxation
Paul Thomsen, Director, Office of Energy
Bruce Bartolowits, Supervisor, Locally Assessed Properties
Jan Kelley, Supervisor, Centrally Assessed Properties

Subject: **Distribution of Property Taxes Received from Renewable Energy Properties Receiving an Abatement pursuant to NRS 701A.385**

SUMMARY: This Guidance Letter supercedes and replaces Guidance Letter 11-003. Prior to the passage of AB 239 (2013), NRS 701A.385 provided that if the Director of the Office of Energy approves an application for a partial abatement on certain qualifying renewable energy properties (NRS 701A.300 to 701A.390), then 55% of the amount of property taxes collected after the abatement is applied would be distributed to the local governmental entities that are entitled to receive those taxes in proportion to the relative amount of those taxes the entities would be entitled to receive; and 45% of the amount of the property taxes collected from the facility during the period of abatement must be distributed to the State of Nevada Renewable Energy fund created by NRS 701A.450. AB 239, Section 6 repealed the distribution component to the Nevada Renewable Energy Fund for applications for a partial abatement approved by the Director after the effective date of the bill, which is July 1, 2013. The Attorney General's office has interpreted the repeal of the distribution of taxes to the Nevada Renewable Energy Fund to apply only to those applications approved after July 1, 2013. Distribution of taxes to the Nevada Renewable Energy Fund will continue for those properties for which approval of the abatement was received prior to July 1, 2013.

AUTHORITY:

NRS 360.250(2)(a): The Nevada Tax Commission may confer with, advise and direct county assessors, sheriffs as ex officio collectors of licenses and all other county officers having to do with the preparation of the assessment roll or collection of taxes or other revenues as to their duties.

APPLICATION:

- 1.) The Director of the Office of Energy notifies the Department of Taxation, county commissioners, assessors, and treasurers when a renewable energy property has been approved for a partial abatement. The notification consists of a certificate of eligibility for the abatement.

- 2.) Property tax abatements on certified eligible properties are equal to 55% of the taxes on real and personal property payable by the facility each year for 20 years, from the date of approval of the application for abatement. If the taxes were billed prior to the date of approval of the abatement, the abatement is not applied until the next fiscal year. *See also NRS 701A.370(1)(a).*
- 3.) Calculate the total taxes due prior to the abatement, then apply the 55% abatement rate.
- 4.) The taxes to be collected after abatement equal 45% of the total taxes calculated.
- 5.) **For properties for which an abatement was approved prior to the effective date of AB 239**, the taxes continue to be distributed in the same manner as before passage of AB 239, as follows:
 - a.) Fifty-five percent (55%) of the taxes after abatement ($55\% * 45\%$) must be distributed to local government entities within the tax district where the renewable energy property is located. One way to calculate the amount due to each entity is to multiply the total taxes due after abatement times the tax rate of the entity and divide that number by the combined rate of the tax district to obtain the net taxes due to each entity. *See attached spreadsheet model as an example.*
 - b.) Forty-five percent (45%) of the taxes after abatement ($45\% * 45\%$) must be distributed to the Nevada State Renewable Energy Fund. The distribution that was formerly made to the State's debt fund (17 cents) does not apply for the renewable energy properties approved for abatement by the Office of Energy.
- 6.) **For properties for which an abatement was approved after July 1, 2013**, the taxes will be distributed as follows:
 - a.) 100% of the taxes after abatement, or 45% of the total taxes due, must be distributed to local government entities and the State of Nevada debt service fund within the tax district(s) where the renewable energy property is located. One way to calculate the amount due to each entity is to multiply the total taxes due after abatement times the tax rate of the entity and divide that number by the combined rate of the tax district to obtain the net taxes due to each entity.
- 7.) To assist in the documentation sent to the State Treasurer when the county treasurer distributes property taxes to the state, you may refer to "Budget Account 4868" and "Revenue GL Account 3320," or otherwise direct the distribution to the State Renewable Energy Fund.
- 8.) If you have questions about distribution to the State's Renewable Energy Fund, you may contact Jason Cooper in the State Treasurer's Office, 775-684-5764 or to Stephanie Brooks, Deputy Director, Nevada State Office of Energy, 775-687-1850 Ext. 7303.
- 9.) If you have questions about the spreadsheet example or wish to obtain an interactive copy, please contact Matt Tomich, MAIII, Division of Local Government Services, at (775) 684-2018.

WEBSITE LOCATIONS:

Nevada Revised Statutes (NRS): <http://www.leg.state.nv.us/NRS/>
 Nevada Administrative Code: <http://www.leg.state.nv.us/NAC/CHAPTERS.html>

Department of Taxation Guidance letters: <http://www.tax.state.nv.us>; then select "Publications;" then select Local Government Services Publications and "Guidance letters."