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Via Electronic Mail: jmitchell@tax.state.nv.us

Jeff Mitchell
Deputy Director
Nevada Department of Taxation
1550 E. College Parkway, Suite 115
Carson City, NV 89706

RE: Personal Property Manual
Valuation Guidelines 2023-2024

Dear Jeff:

In 2022, MGM Resorts International (“MGM”) submitted a request for the Department of Taxation to consider altering the useful life for luxury hotel room furniture, fixtures and equipment (FF&E) in the personal property valuation manual. I prepared a letter with attachments and submitted it to the Department, which was then forwarded to the Nevada Tax Commission for its consideration. That letter is attached, along with the documents it referenced.

At that time, the Department informed me that it was not feasible to have a luxury hotel FF&E category, nor a hotel room FF&E subcategory. Therefore, at the time of the Commission hearing, I advocated for a change in useful life from 15 years to 10 years for all hotel FF&E. The Commission requested that a survey be conducted regarding hotel FF&E and that the issue be brought back in 2023.

MGM participated in the survey listing 13 of its resort properties. The surveys show that the hotel room FF&E is changed either at 7 or 10 years, depending on resort and the other (non-room) hotel FF&E is changed either 7 or 10 years too. There was an isolated case (No-Mad Las Vegas) where the other hotel FF&E was changed every 15 years. Given the data collected in the survey, an argument could certainly be made that a 7-year useful life would be appropriate if it was possible to create a luxury hotel category along with a room category. But given the Department’s statement that creating both is impractical from an administrative implementation standpoint, MGM would request a 10-year useful life for the general “hotel” category in the personal property manual. This is the same request MGM made in 2022 without benefit of the survey results.

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In the 2022 letter, I provided pages from the Marshall & Swift Valuation Manual showing that hotel FF&E had useful lives between 8 and 12 years. That range was without considering the impact of highly competitive market conditions which would reduce the useful lives as the FF&E would be replaced more rapidly. Additionally, the 2022 letter contained excerpts from the IRS cost segregation study for hotels showing a 9-year useful life. Thus, the survey useful life result of 7 to 10 years is completely consistent with Marshall & Swift and the IRS. Nothing in the Valuation Manual, IRS publication or survey results supports a 15-year useful life.

Next, I would also like to update you on the valuation appeals process in the interest of full disclosure. In 2022, MGM protested the personal property taxable value determinations made by the Clark County Assessor's office. At the hearings, the Clark County Board of Equalization expressed an interest in revising the value downward, but it questioned how it could do so without some type of property appraisal. Instead, it affirmed the Assessor's taxable value, but encouraged MGM to work with the Department and Commission on the useful life issue.

In 2023, MGM protested the taxable values again. After a two-hour hearing, the County Board reduced the taxable values to the fair market values requested by MGM on the basis that taxable value exceeded the full cash value in violation of NRS § 361.227(5). This acknowledges depreciation and obsolescence not reflected in the taxable value the Assessor calculated using the 15-year useful life. The Assessor then appealed that decision to the Nevada State Board of Equalization. MGM will vigorously defend its values before the State Board.

To quantify the issue, I will use the aggregate figures from the 2023 protests.

Assessor's taxable value using 15-year useful life for hotel FF&E	\$793,248,191
Taxable value using 10-year useful life for hotel FF&E	\$716,272,294
Taxable value using 7-year useful life for hotel FF&E	\$660,426,814
County Board accepted values at hearing	\$560,678,000

Therefore, while reducing the useful life from 15 to 10 isn't going to get a taxable value close to the fair market value, it will get the taxable value closer to the fair market value, which possibly may reduce the need to protest taxable values in the future. Provided the choices of 7, 10 and 15 year useful lives found in NAC 361.1375, a 10-year life is requested (unless the Department wants to establish an 8-year life by amending the regulation). I look forward to working with the Department and Commission again on this issue. Thank you for your time and please let me know if you have any questions prior to the April 12, 2023 Department workshop or the May 1, 2023 Commission hearing.

Sincerely,

/s/ James M. Susa