

Paul Bancroft, Partner  
[pbancroft@mcdonaldcarano.com](mailto:pbancroft@mcdonaldcarano.com)

Reply to: Reno

## MEMORANDUM

**TO:** Jeff Mitchell  
**FROM:** Paul Bancroft  
**DATE:** September 11, 2020  
**RE:** Proposed Amendment for LCB File No. R082-20I

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**NAC 361.131 Taxable value exceeding full cash value. ([NRS 360.090](#), [360.250](#), [361.227](#))**

1. If the initially determined taxable value for any *economic unit* [~~real property~~] is found to exceed the full cash value of the *economic unit* [~~property~~] *in an appeal concerning the taxable value of land and improvements assessed on the secured roll pursuant to NRS 361.300 1*, the person determining taxable value shall examine the taxable value determined for the land, and if the land is properly valued, he or she shall appropriately reduce the taxable values determined for the improvements [~~and, if appropriate, the value of the land and any pertinent personal property~~].

2. *If the initially determined taxable value for any economic unit is found to exceed the full cash value of the economic unit in appeals concerning the taxable value of land and improvements included on the reopened roll pursuant to NRS 361.310 1 and personal property assessed on the unsecured roll on or before December 15, the person determining taxable value shall examine the taxable value determined for the land, and if the land is properly valued, he or she shall appropriately reduce the taxable values determined for the improvements and, if appropriate, the value of the land and any pertinent personal property.*

3. *If the initially determined taxable value for any economic unit is found to exceed the full cash value of the economic unit in an appeal concerning the taxable value of personal property assessed on the unsecured roll pursuant to NRS 361.260 and there is no pending appeal of land and improvements for the tax year at issue, the person determining taxable value shall examine the taxable value for land, improvements and personal property and if it is determined that the taxable value of personal property is causing the taxable value of the economic unit to exceed full cash value, he or she shall appropriately reduce the taxable value determined for the personal property.*

Paul Bancroft, Partner  
[pbancroft@mcdonaldcarano.com](mailto:pbancroft@mcdonaldcarano.com)

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## MEMORANDUM

**TO:** Jeff Mitchell  
**FROM:** Paul Bancroft  
**DATE:** September 11, 2020  
**RE:** Application of Obsolescence for LCB File No. R082-201

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### **Application of Obsolescence to the Taxable Value of an Economic Unit.**

The taxable value of land, improvements and personal property are each calculated separately.

- The taxable value of land is based on the full cash value of the land determined by looking at comparable sales. NRS 361.227 1(a).
- The taxable value of improvements is based on a statutory replacement cost methodology. NRS 361.227 1(b).
- The taxable value of personal property is determined based on a statutory replacement cost methodology. NRS 361.227 4.

If it is determined that the land, improvements and personal property should be valued as an economic unit, the taxable value of the components, for a specific tax year, should be added together to calculate the total taxable value of the economic unit. For example, the total taxable value of the economic unit for tax year 2018-19 would be the taxable value of land, improvements and personal property for tax year 2018-19. These components share a common valuation date - January 1, 2018. NRS 361.357 3.

If the taxable value of a component is not available because it is assessed on a different tax roll, the person determining the total taxable value should estimate the taxable value of the missing component. For example, land and improvements are usually assessed on the secured roll, while personal property is usually assessed on the unsecured roll. In this situation the actual taxable value of personal property will not be available at the time the taxable value of land and improvements is being reviewed. Consequently, the person determining the total taxable value of the economic unit should estimate the taxable value of personal property; which is commonly done by using the taxable value the personal property was assigned in the preceding tax year.

The computed taxable value of the economic unit should not exceed the full cash value of the economic unit. NRS 361.227 5. In determining whether taxable value of the economic unit exceeds the full cash value of the economic unit, the person making the determination should compare (i) the total taxable value of the economic unit for a particular tax year with (ii) the full cash value of the economic unit as of the valuation date for that particular tax year. For example, the total taxable value of the economic unit for tax year 2018-19 would be compared with the full cash value of the economic unit as of January 1, 2018.

The full cash value of the economic unit is often determined using an income approach to valuation. An income approach provides a value for the economic unit. This approach will result in one value for all types of property which contribute to the economic unit, including intangible personal property. Intangible personal property is not subject to property tax, NRS 361.228, and no value for intangible personal property is included in the taxable value of the economic unit. Consequently, the value determined by the income approach must be reduced by the estimated value of the intangible personal property, if any, before comparing the result of the income approach to the taxable value of the economic unit.

If the full cash value for the economic unit, as adjusted for intangible personal property, is less than the taxable value of the economic unit, the adjusted full cash value must be allocated among land, improvements and personal property. The allocated full cash value of each component can then be compared the taxable value of each component. By doing so, the person determining value can determine which component is causing the taxable value of the economic unit to exceed full cash value and reduce the taxable value of that component accordingly.

In implementing the foregoing there are three basic scenarios.

1. If it is determined that the total taxable value of the economic unit exceeds full cash value in an appeal concerning the value of land and improvements included on the secured roll pursuant to NRS 361.300 1, the board of equalization may adjust the taxable value of the land and improvements, to comply with the mandate of NRS 361.227 5, if it is determined those components are causing the taxable value of the economic unit to exceed full cash value. The taxable value of personal property cannot be adjusted because the actual taxable value of personal property has not yet been determined.
2. If it is determined that the total taxable value of the economic unit exceeds full cash value in an appeal concerning the value of land and improvements included on the reopened roll pursuant to NRS 361.310 2, the board of equalization may adjust the taxable value of the land and improvements, to comply with the mandate of NRS 361.227 5, if it is determined those components are causing the taxable value of the economic unit to exceed full cash value. In this instance the taxable value of personal property may also be adjusted if (i) the personal property was assessed on the unsecured roll prior to December 15 pursuant to NRS 361.260, (ii) a timely appeal of the personal property was filed and (iii) it is determined that the personal property is a component of the economic unit which is causing the taxable value of the economic unit to exceed full cash value.
3. If it is determined that the total taxable value of the economic unit exceeds full cash value in an appeal concerning the value of personal property included on the unsecured roll pursuant to NRS

361.260, the board of equalization may adjust the taxable value of personal property, to comply with the mandate of NRS 361.227 5, if it is determined the personal property is causing the taxable value of the economic unit to exceed full cash value. In this instance the taxable value of land and improvements cannot be adjusted because at the time the determination is made for personal property on the unsecured roll, the secured roll will probably be closed and the taxable values for land and improvements will not be subject to change – unless, as mentioned above, the appeal concerns land and improvements assessed on the reopened roll and personal property assessed on or before December 15.

