

FINANCIAL IMPACT OF THE ANGLE PROPERTY TAX RESTRAINT INITIATIVE

FINANCIAL IMPACT - YES

Overview

The Angle Property Tax Restraint Initiative (Initiative) proposes to amend Article 10 of Nevada's Constitution to change how real property value is determined and establish a maximum property tax rate of 1 percent of the base value of the real property. Based on the Initiative, the base value of a parcel of real property in any particular year would be a combination of the taxable value and full cash value of the property including adjustments for allowable growth, depending upon such factors as when the property was last sold or improvements were added. If the Initiative were implemented, the first fiscal year it could become effective is fiscal year 2009-10 (July 1, 2009 – June 30, 2010).

Projected Impact of the Initiative Compared to the Current Property Tax System

To estimate the fiscal impact of the Initiative, projections of the total value of real property from fiscal year 2005-06 to fiscal year 2013-14 were prepared under the provisions of the Initiative and the current property tax system. The estimates for the current property tax system were based on the partial abatements established by the 2005 Legislature. Based on assumptions using available historical information and Fiscal Analysis Division's interpretation of the provisions of the Initiative, the following impacts in fiscal year 2009-10 (the first year the Initiative could become effective) and fiscal year 2013-14 (five years after the initial effective year) were produced:

- 1.) In fiscal year 2009-10, the Initiative is projected to generate approximately \$3.057 billion in statewide property tax collections, compared to the \$3.241 billion under the current property tax system (partial abatements approved by the 2005 Legislature). The Initiative is estimated to reduce statewide real property tax collections by approximately \$184 million (a 5.7 percent reduction).
- 2.) In fiscal year 2013-14, the Initiative is projected to generate approximately \$3.991 billion, compared to the \$4.528 billion under the current property tax system (partial abatements approved by the 2005 Legislature). The Initiative is estimated to reduce statewide real property tax collections by approximately \$537 million (an 11.9 percent reduction).

The fiscal impact in a particular county may be different from the estimated impact at the statewide level.

Summary of the Assumptions Required to Project the Fiscal Impact of the Initiative

Based on Fiscal Analysis Division's interpretation of the provisions of the Initiative and available historical information, several assumptions were established to generate an estimate of the fiscal impact of the Initiative compared to the current system established by the 2005 Legislature. The allowable rate of increase in the value of real property existing on the prior year's tax roll, and not required to be revalued at full cash value, is assumed to be 2 percent. The following provides a general description of the main areas requiring additional assumptions of future activity to produce estimates of real property value over the fiscal year 2005-06 to fiscal year 2013-14 projection period:

- 1.) The rate of appreciation or depreciation each year in the value of real property existing on the prior year's tax roll in each county.
- 2.) The level of new real property value added to each year's tax roll in each county.
- 3.) The rate of transfer of existing real property in each year and the full cash value (market value) of the transferred property in each county.

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