

Washoe property value declines will mean lower taxes in 2011

Decline will cost local governments about \$34 million

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The continued housing market decline will result in most Washoe County owners paying less property tax in the year that starts July 1, after a \$5 billion drop in assessed valuation.

Washoe County Assessor Josh Wilson said the reduction reflected the area's plunging real estate prices and record number of foreclosures.

"A majority of residents will see their taxes go down," he said of taxes to be paid after July 1.

In 2009-10 and 2008-09, many homeowners paid slightly more property taxes even though their values declined. That was because of state law in effect since 2005 that limited property-tax increases to 3 percent more than the tax bill paid the year before but allowed value to be set aside for future years. Those abatements shrank rapidly as property values plunged and were reflected on the tax rolls.

The county drop in value means about \$34 million less tax revenue for the county, Reno, Sparks and the school district in 2010-11. That compares with a \$11.7 million loss in property taxes in the 2009-10 year that ends June 30.

The county treasurer's office will set a precise number for property tax estimates in March after calculating the impact of the law on each property.

For 2009-10, the county taxable value is about \$47 billion, down from \$53.6 billion in 2008-09. Property taxes are assessed on 35 percent of market value.

Given the repeated drops in value, Wilson said the decline for next year will mean values for the first time will be reduced from buildings as well as land in a number of newer subdivisions.

In the past, only land values were adjusted to reflect market changes. But raw land has a value, and that can't be reduced to zero.

Wilson gave several examples of where taxable land and building values will be reduced next year:

- For 1,300 homes in Silver Shores in Stead, values are being reduced by 37 percent.

- For 1,550 residential properties in Sky Vista in Stead, reduced by 34 percent.
- For 900 homes in the Foothills at Wingfield Springs, reduced by 22.5 percent.
- For 500 homes Pioneer Meadows in the south Truckee Meadows, reduced by 22 percent.

For a large part of the county, Wilson said property values will drop to levels below 2004-05, the base year for property tax limits.

County unemployment numbers hit record levels this year. Because more foreclosures are expected, Wilson expects no sudden turnaround in the real estate market or the economy. He said a number of loans calling for a balloon payment or made for interest-only are coming due.

Wilson said a number of people might decide on foreclosure rather than wait years to regain lost equity. For people with mortgages in Washoe County, a recent report found most people owe more than their homes are worth.

All of this means an oversupply of homes, putting more downward pressure on prices.

"We're not out of the woods," Wilson said. "I am reluctant to believe we have hit bottom."

What's next

- Faced with declining revenues, the Reno City Council will hold a workshop at 1 p.m. today to plug a \$3.6 million shortfall in the 2009-10 budget and a gap of at least \$16 million in 2010-11.
- Washoe County made significant cuts July 1 so no further cuts would be required in 2009-10. The commission gets 2010-11 revenue projections Jan. 26.
- In Sparks, 39 full-time employees signed up for a buy-out program that will cut \$3 million from payroll expenses starting July 1. No adjustments are anticipated until then.

Paying taxes

Owners were notified starting in November of the assessed value of their property. Bills for taxes owed will be mailed starting July 1. Taxes may be paid in a lump sum or quarterly payments until June 30.

How it works

Real estate taxable values change due to sale prices and depreciation each year. Under Nevada law, taxes on property cannot increase by more than 3 percent from the previous year.

- For 2008, the owner of a home with a taxable value of \$614,484 in 2008 paid \$4,807 in property tax, a 3 percent increase from the year before when the value was \$443,878.
- For 2009, the home value dropped to \$499,579, but the owner paid \$4,951 in property taxes. That was because the law allowed a percentage of the set-aside taxes to be collected and a 3 per cent increase.
- For 2010, the home's taxable value dropped to \$470,802. With set aside and the permitted increase, the tax bill becomes \$5,100. The set-aside account continues until fully paid.

Source: Washoe County assessor

To contest values

Washoe County residents with questions on property values mailed from the assessor's office can call the assessor's office at 775-328-2233. Challenges of property values must be filed by Jan. 15 with the county Board of Equalization.

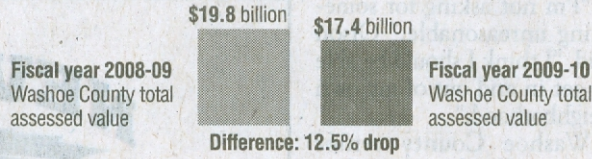
How properties are valued

- Nevada properties normally are taxed on the depreciated replacement cost of buildings and the market value of land. For single-family residences, the county assessor examines sales of comparable homes to determine taxable value. Nevada law forbids taxable values from exceeding market values.
- Businesses: Property owners can request the assessor to determine market value based on income. Businesses must submit their financial records for inspection and must prove they are operating within normal business standards. The assessor or Board of Equalization can then reduce the value of the real estate. Business income is reviewed in subsequent years .
- Hotel-casino: When a hote/'-casino income is marginal or the property is closed, the assessor values the property as a hotel. The sales price or sales of comparable properties are used to determine taxable value.

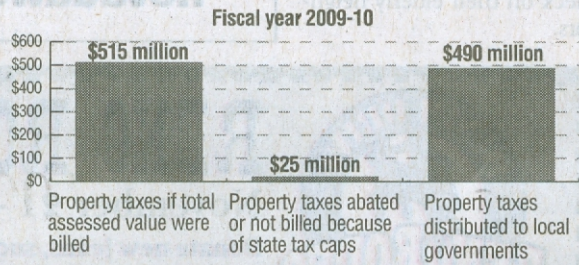
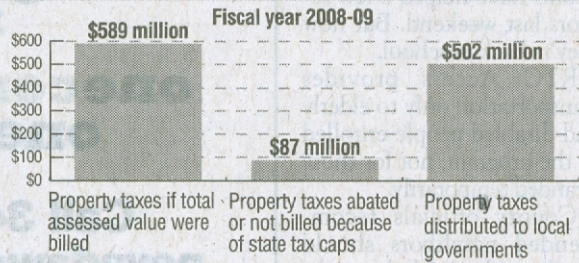
Discrepancies between property taxes, property values

In 2005, the Nevada Legislature capped property tax increases at 3 percent for homes and 8 percent for businesses and apartments from year to year because of the boom in real estate prices. Taxes are levied on assessed value, which is 35 percent of market value.

Property values



Property taxes



Source: Washoe County treasurer

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