

Tax bills to go up as values go down

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Most homeowners in the North Valleys and Spanish Springs will see a drop in property values when they receive their annual property assessment notices from the Washoe County Assessor's Office in late November.

It's the first widespread drop in residential land values since 1981-82 when the last real estate bubble burst, county assessor Josh Wilson said.

But North Valleys residents shouldn't expect their property taxes to drop, he said.

Under Nevada's property tax cap law, Wilson said their property taxes will actually go up — not down.

Under the tax law, homeowners and owners of low-income rentals for three years have had their property taxes capped at 3 percent a year while the ceiling for businesses and other rentals are at a maximum of 8 percent. The tax cap limits are applied to property taxes paid the year before.

How it works

Taxable property values follow a different track.

Even though taxes are capped, the assessor records new values for every parcel in the county. For the first three years, those values generally have exceeded the tax caps. Taxes not paid on the excess values are recorded as tax abatement.

But when residential property values drop next year for much of the North Valleys, the tax cap law allows the treasurer's office to draw on the tax abatement accounts to raise property taxes to the full tax caps levels.

A homeowner would see a property tax decline only if the value were to dip below 2004-05 levels before the tax caps were created.

For Washoe County government alone, the estimated tax abatement account now stands at nearly \$32 million.

As long as the county and other local governments can draw on these tax abatement

accounts, Wilson said the falling property values will not translate into falling property tax revenues.

Whether it gets to the point could unfold next year or the year if many more foreclosures result because people can't pay their loans, Wilson said. And with that, he said foreclosure sales could set the market.

Looking back

When the housing frenzy began in 2003, he said people took out loans that carried no interest or low adjustable interest rates for the first five years. Those terms start to expire next year.

The last time residential land values dropped was in 1981-1982 after a huge run-up in property values in the late 1970s during a gaming industry boom. Then a national recession hit, hurting Nevada's gaming economy.

Inside the numbers

Homes in the North Valleys and Spanish Springs are seeing the drop in housing values because the area, with all 54,000 parcels, was mass appraised in 2005-06, just as housing prices hit their peak. Since then, housing prices have declined.

Lower or flat taxable land values, which reflect the market drop, are widespread in the North Valleys and Spanish Springs and has resulted in reductions of up to 20 percent, senior county appraisers said.

The only place where land values will increase is at the exclusive Pebble Creek development in north Spanish Springs while custom home lots in Wingfield Springs are flat, they said.

Some examples

The assessor's office provided a few examples of the changes in land values at several large communities:

- Sky Vista in Stead: The taxable land value for the standard lot has dropped from \$92,000 to \$78,000, a 15.2 percent drop.

- Lifestyle Homes in Sun Valley: A drop from \$83,000 to \$79,500 for the standard lot, a 4.2 percent drop.

- Woodland Village in Cold Springs: A drop from \$82,000 to \$74,000, a 9.7 percent drop.

- Eagle Canyon in west Spanish Springs: A drop from \$102,000 to \$98,600, a 3.3 percent drop.

For the first time, the assessor's office is doing mass appraisals for two areas for the coming tax years. They include Area 5, which covers the North Valleys and Spanish Springs, and Area 1, in the south county and Incline Village. The two areas represent almost half of the 169,000 parcels in the county.

Taxes in other areas

Normally, only one fifth of the county is done each year. But over the next several years, Wilson said his staff is attempting to do two areas a year in an effort to reappraise the entire county every year by 2010.

In the off-years for four-fifths of the county, a factor based on the sales price of vacant land is used in an attempt to keep land values current.

In Area 1 in the south county, land values will generally be going up for 32,000 parcels because the area was last appraised in 2003 — just as the housing boom started.

Values in Double Diamond and Damonte Ranch developments will see significant increases while Arrow Creek land values were reduced, said Ron Sauer, senior appraiser.

More exact numbers on county property values will be available in late November after the appraisal work is done and the postcards on new values are sent to property owners.

Vegas area

In Clark County, residential property values also will be declining in the coming tax year for the first time since the early 1980s, said Michele Shafe, assistant director for Clark Assessor Mark Schofield.

She said land values are being reduced in typical middle-class subdivisions while more luxury homes and pricey high-rise condominium

values are holding steady. In Clark County, all parcels are reappraised every year.

Shafe said property values generally have not hit the point where property taxes will decline next year. But she said the exception is homes in subdivisions built in the past year or two where property tax bills will actually decline, she said. Clark County has one of the highest foreclosure rates in the country.

TAX ABATEMENT

Here's how tax abatement works:

- A homeowner in the Eagle Canyon subdivision in West Spanish Springs will pay \$1,854.55 in property taxes this fiscal year.

- Under Nevada's property tax cap, the government can raise taxes by 3 percent a year. That would raise his property tax bill to \$1,910.19 for the fiscal year starting in July, assuming the tax rate stays the same. That's an extra \$55.54. But the value of his 1,589-square-foot home is going up only 0.64 percent from \$217,226 to \$217,627. That alone would generate only \$15.40 in new taxes.

- But in the past three years, his property values have exceeded the 3 percent growth rate, and the unpaid taxes on that value is recorded as abatement. The tax cap law allows government to draw on that abatement to reach the 3 percent limit in slower growth or declining-value years.

- For this fiscal year, the tax abatement on the property stood at \$545.61 in unpaid tax dollars. So the government can reduce that abatement account by \$40.24 to charge and collect the full 3 percent for next year's taxes.

- Has the 3 percent tax cap been a good deal for the homeowner? In the first year of the tax caps in 2005-06, the taxable value of the property stood at \$159,656 and the homeowner paid \$1,772 in property taxes. Given the housing boom, the taxable value will rise to \$217,627 next July, a 36 percent increase. The homeowner's tax bill will rise to \$1,910, a 9 percent increase.

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