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Messy property tax system is bad news for homeowners

By Staff

Falling housing prices in the Truckee Meadows, as in so much of the nation, turn out to be the quintessential bad news-good news-bad news for Nevadans.

That's the word from the Washoe County Assessor's Office, which last week said that assessments this year will be lower in the North Valleys and Spanish Springs.

That's the good news — perhaps the only good news for property owners to come out of the current housing slowdown. (Lower prices and lower mortgage rates are always good news to buyers, of course.)

The bad news is that lower prices will hurt those trying to sell homes or those hoping to borrow against their now-declining equity.

The other bad news is that Nevada has made such a hash of its property tax system over the last 26 years, taxes for most homeowners will go up despite the declining values.

One reason that the majority of homeowners in the county won't be getting happy news when they receive their annual assessment notices later this year is that the system is slow to react to changes in home values. The Assessor's Office still is only able to reassess one-fifth of the county every year — though it is working diligently toward annual reassessments — so assessments for four-fifths of the county won't reflect those lower values. Homeowners in those areas, where assessments already have been lower than they would have been if they had been reassessed every year, will have to wait until the next time, and then they shouldn't expect values to come down.

A second reason that assessments don't fall as fast as home prices is the two-part system adopted by the Legislature in 1981 to head off a Proposition 13-type tax rebellion in Nevada. Under the system, land is appraised at market value, but improvements — primarily the house, which usually is far more valuable than the land — are appraised at replacement value, so inflation in the construction industry can hold up assessments even as the market value of homes decreases.

And the third reason is the 3-percent cap adopted by the 2005 Legislature to head off the latest threat of a tax rebellion. That cap doesn't actually cap assessments. Rather, it works as an abatement, so assessments continued to climb even as the tax rate was applied to only the 3-percent increase. That means that the assessment decrease must wipe out all of the recent increases above the cap before taxpayers get a break. According to Assessor Josh Wilson, that won't happen this year.

Ironically, perhaps, what taxpayers won't have to worry about is local governments raising tax rates to make up for any lost revenues. Tax-rate caps make that extremely difficult.

Nor can homeowners look to a proposed tax initiative for relief in a falling real estate market. All it would do is further complicate a system that already is so complex that few taxpayers have any understanding of how it works.

But public officials can be assured that they will hear from some unhappy taxpayers when the assessments come out. Unfortunately, the best they'll be able to do will be to shrug their shoulders and point to the mess the Legislature has created.

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