

Both sides expect state's property tax system to fail

Susan Voyles

svoyles@rgj.com

Washoe County District Attorney Richard Gammick and Les Barta, his long-time rival in the courtroom on Incline Village tax issues, agree on one thing: Nevada's property tax system eventually is doomed to fail.

"We're the only state in the union that uses a stupid bifurcated system," Gammick said.

In Nevada, taxable values on land are near market values while buildings are based on their replacement costs after depreciation.

"Every other state uses fair market value," Gammick said. "You get taxes on what your property is worth on the market."

Barta, whose name is on several of the Incline tax lawsuits, agreed.

"You can't come up with a fair system with bifurcated land and improvements and it is destined to go down."

Gammick said the eight years of fighting over Incline Village property values and other lawsuits still in the works show "what a complete mess Nevada's property tax laws are.

"Hopefully, this case will wake people up to demand some fundamental change in Nevada's property laws," he said, of the latest lawsuit that will cost Washoe County taxpayers up to \$40 million in tax refunds.

While Nevada's tax system is based on the sales price of vacant lots, he said there are almost zero vacant lots in Incline Village and a dwindling supply within the cities.

So assessors have to use sales of buildings and determine separate land values from the rest of the property value and use that in their studies. In doing so, they use "all kinds of ways to concoct what the land values would be," Barta said.

In addition, he said some county appraisers may list some pre-construction costs as land while others might list them as improvements.

In the Nevada Legislature this year, tax reform came in the form of Assembly Joint Resolution.

It calls for changing the Nevada Constitution to allow the Legislature to determine appropriate values once properties are sold. One option would be to restart the clock on depreciation, giving zero depreciation once a property is sold and then allowing it build up again.

In Nevada, buildings and other improvements are depreciating at 1.5 percent a year and capped at 75 percent for a 50-year-old building. Changing the constitution would require another round of approval at the Legislature in 2013 and then a vote of the people in 2014.

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