

Suellen Fulstone  
Morris Peterson  
6100 Neil Road, Suite 555  
Reno, Nevada 89511  
sf@morrislawgroup.com

Comments and questions regarding the language of the proposed regulation:

1. **The title describes a regulation "providing for the process by which the State Board ensures that property under its jurisdiction is appraised equitably at the taxable value required by law."**

There is no provision in the law for "equitable" appraisal. The standard is "equal and uniform."

The regulation should not speak in terms of "appraisal" but rather as NRS §361.395 does of a process for the "equalization" of "taxable value." The statutes generally distinguish between appraisals, reappraisals and values established by applying a factor to a previous year's value.

2. **Sec. 3. "Appraisal level" means the typical or overall assessment ratio at which the assessor values property, measured as assessed value divided by taxable value for a single property, sample, or population.**

**Sec. 4. "Appraisal uniformity" means the degree to which different properties are assessed at equal percentages of taxable value.**

"Assessed value divided by taxable value" and the assessment "percentage of taxable value" are determined by statute to be 35%. "Different" properties are all assessed at 35% of taxable value. NRS §361.225. All appraisals are uniform in that respect. It is the determination of taxable value that must be the focus of equalization.

When is the ratio "typical" and when is it "overall" and what governs the choice?

3. **Sec. 6. "Equalization" means the process by which the State Board ensures that property under its jurisdiction is appraised uniformly at the taxable value required by law.**

"Appraisal" is again the wrong focus. The characterization of "property under [the State Board's] jurisdiction" is also vague and misleading. Language should read:

"Equalization" means the process by which the State Board equalizes property valuations statewide at the taxable value required by law.

4. **Sec. 7. "Inter-jurisdictional equalization" means the adjustment of assessed value of all property between two or more counties.**

**Sec. 8. "Intra-jurisdictional equalization" means the adjustment of assessed value of all property by class or strata within the same county or appraisal area.**

There is no authority in the statutes for the adjustment of assessed values. NRS §361.395 specifically directs the State Board of Equalization to equalize the "taxable value" of properties.

Does "inter-jurisdictional equalization" as described in this definition require that the values of all properties in the two or more counties involved be adjusted? In order to equalize properties at Lake Tahoe in Douglas and Washoe Counties, would the State Board of Equalization have to adjust the values of all properties in both counties?

5. **Sec. 5, Sec. 9, Sec. 10, Sec. 11, Sec. 12, Sec. 13, Sec. 14, Sec. 15.**

Sec. 5, Sec. 9, Sec. 10, Sec. 11, Sec. 12, Sec. 13, Sec. 14, and Sec. 15 are definitions and other provisions related to a statistical analysis. Converting equalization into a statistical exercise removes it from the understanding of 99% of taxpayers including most if not all the members of the State Board of Equalization, insulating the Department's conclusions from any genuine review and effectively (and illegally) delegating the duty of statewide equalization to the Department.

6. **Sec. 13. "Ratio study" means an evaluation of appraisal performance that compares the assessed value produced by the assessor for each parcel in a sample to the estimate of taxable or full cash value produced by the Department. The comparison is called a "ratio."**

This is a distortion of the true definition of "ratio study." According to the Standard on Ratio Studies of the International Association of Assessing Officers, "ratio study" is "a generic term for **sales-based** studies designed to evaluate appraisal performance." "Ratio studies" were developed for use in market value appraisal jurisdictions where actual sales provide an objective standard.

It is also misleading to refer to "taxable or full cash value." The standard of statewide equalization under NRS §361.395 is taxable value. The only circumstances in which "full cash value" is involved is with respect to vacant land when "taxable value" and "full cash value" are the same thing. The reference should be only to "taxable value."

7. **Sec. 16. 1. The State Board may determine whether inter-jurisdictional equalization and intra-jurisdictional equalization are necessary by performing one or more ratio studies, or it may rely on the results of the ratio studies and audits of work practices performed pursuant to NRS 361.333 as an indication of the quality of assessments. \*\*\***

NRS §233B.040(2) requires that "[e]very regulation adopted by an agency must include: (a) a citation of the authority pursuant to which it, or any part of it, was adopted. . . ." There is no statutory authority for the SBOE to discharge its duty of statewide equalization by "performing one or more ratio studies." The SBOE itself cannot perform ratio studies and there is no authority for it to delegate its duty of statewide equalization by directing the Department to perform ratio studies. There is likewise no statutory authority for the SBOE to discharge its duty of statewide equalization by "relying" on the ratio studies and audits of work practices performed by the Department pursuant to NRS §361.333. NRS §361.333 was enacted by the Nevada Legislature in 1967 and has been amended some seven times since 1967. It has never made any reference to the State Board of Equalization. Likewise, the SBOE's duty of statewide equalization as required by NRS §361.395 has been in existence since the 1800s, has been amended a number of times, including at least 5 times since 1967, and has never included a reference to ratio studies in general or to the ratio studies performed by the Department under NRS §361.333 in particular. The Legislature, by enacting NRS §361.333, has demonstrated that when it determines that ratio studies should be performed it will enact legislation to that effect. In the absence of any such legislation either authorizing the Department to perform ratio studies for the purposes of the SBOE's duty of statewide equalization or authorizing the SBOE to rely on the ratio studies performed by the Department under NRS §361.333 for that purpose, neither the Department nor the SBOE can enact such legislation through regulation.

The language of this section also suggests that inter-jurisdictional and intra-jurisdictional equalization must both be necessary in order for equalization adjustments to be made. That would be contrary to the express language of NRS §361.395.

The remainder of Section 16 contains numerous problems, including the use of unintelligible language such as "parametric tests," the apparent omission of items (c) and (e) from the listing in Paragraph 3 and nonsense language referring to whether properties are "appraised at equal percentages of taxable or full cash value." Properties are "assessed" at 35% of taxable value by statute. Appraisals are a basis of determining taxable value, not a percentage of taxable value. "Full cash value" applies only to the taxable value of vacant land or improved land. The appraisal of full cash value is also at 100% of the value.

8. **Sec. 17. The State Board shall evaluate whether the ratio study statistics reliably portray the quality of appraisals. The State Board may consider whether the number of sales or appraisals used in the ratio study is sufficient, whether the sample adequately represents the total makeup of the target population, whether the sample properties have been correctly adjusted for market conditions, and whether the variation among sales or appraisal ratios is too great.**

This section attempts to turn the State Board's duty of statewide equalization into a review of ratio study statistics. The State Board will have to hire an independent statistician if it is to do anything other than rubber-stamp the conclusions of the Department. The language of this section contains the same problem with respect to the use of the term "appraisals" rather than taxable value or valuation.

Since the ratio study itself is defined as an evaluation, how is the State Board supposed to "evaluate" the evaluation?

Is "reliably portray the quality of appraisals" supposed to mean the same thing as the equalization of taxable values?

Are the "estimates" of taxable or full cash value referred to in Sec. 13, which defines ratio study, actually to be "appraisals" done by the Department?

Is the Board supposed to evaluate the "appraisals" done by the county assessors or the "appraisals" done by the Department or both?

Why would the "sample properties" be "adjusted for market conditions" since the valuation regulations allow "adjustments" to be made only to comparable properties and prohibit adjustments to the subject property?

9. **Secs. 18, 19 and 20.**

NRS §361.395 authorizes the State Board of Equalization to discharge the duty of statewide equalization. There is no authority for the Department or the Board itself to create regulations that circumscribe or limit that authority, that attempt to determine or govern when or how that equalization may be performed, or that purport to require the State Board of Equalization to refer equalization to the Tax Commission. These sections reflect the Department's attempt to arrogate the authority for statewide equalization to itself and to exercise that authority in a manner that evades any kind of effective review by taxpayers, the State Board, or the courts.