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September 25, 2020

SB543 Commission
C/o Chair Karlene McCormick
Nevada Commission on School Funding
2080 E. Flamingo Road; Suite 210
Las Vegas, NV 89119

Re: **Public Comment #1 for September 25, 2020 SB543 Commission Meeting**

SB 543 Commission Members:

As the Commission on School Funding makes recommendations on the implementation of the new funding plan, part of your charge is to "recommend any revisions the Commission determines to be appropriate to create an optimal level of funding for the public schools in the State." Additionally, the Commission "shall also identify a method to fully fund the recommendation within 10 years after the date of recommendation." CCEA believes it is essential to fully fund education with a dedicated and stable source of revenue. Revising Nevada's property tax system has been a discussion for over a decade with stakeholders and in the halls of the Legislature. Schools are the largest beneficiary of property tax dollars, in FY 2018 40 percent of all property tax money statewide was distributed to school districts. Any discussion on education funding should include a focus on property tax revenue.

CCEA commissioned the Guinn Center to provide a report on Revisiting Property Taxes in Nevada: A Comparative Analysis (I understand members of the Commission have received a copy but a copy has been attached). The report provides an overview of the relationship between property taxes and K-12 Education Funding, structural limitations in Nevada's property tax system, examines weather property taxes are a comparatively limited revenue source for Nevada with other states that do not collect individual income taxes, comparison of other states reliance on property taxes, and recent efforts to effect legislative change in Nevada as well as other states.

Limitations of Nevada's Complex Property Tax System
Section III, pages 3, 4, and 5 of the report provide an overview of the property tax limitations in Nevada and highlights the complex structure of our system. Nevada is the only state to use the depreciation factor in determining taxable value of property. "While the annual amount of revenue forgone to depreciation in Nevada is unknown, a study showed that, were depreciation to reset upon sale or transfer of real property, an additional $ 240.9 million in property tax revenue would have been collected statewide in FY 2019."

Comparison of Nevada's Property Tax Structure and Revenue with other states

- Section IV, page 9 compares Nevada property tax system to other states.
- Section V, page 13 reviews general fund revenue in Nevada versus specific states.
- Section VI, page 20 highlights prospects for property tax reform with page 21 focusing on partial abatements and depreciation and page 22 focuses on property tax reform in other states.

Possible Solutions for Fixing Nevada's Complex Property Tax System

- Table 1. On pages 25 and 26 summarizes the components of Nevada's Property Tax System and list seven different areas where reform could be directed.

SJR 14 – 2017 Legislative Session

Most recently the Nevada Legislature took up the issue during the 2017 Legislative Session with SJR 14. The proposed constitutional amendment would have changed the application of the depreciation factor after the sale or transfer of real property. The measure passed in 2017 and would have needed to pass in 2019 and then referred to the ballot in 2020.

As noted by Joseph Henchman of the Tax Foundation discussing their report commissioned by the Las Vegas Metro Chamber of Commerce in 2015, "Nevada is so different from every other state. You have cost replacement instead of market value, which taxpayers do not understand. The split roll of property tax cap takes a page of equations to explain and has had some harmful effects because of the unintended ratchet effect. You're the only state in the country with a depreciation factor in the property tax. There are obviously some winners under this tax system – but most taxpayers lost out with a system that unfair, unpredictable and probably unconstitutional.

In a 2019 study commissioned by the Nevada Legislative Counsel Bureau on Revenue Impacts of SJR 14 conducted by Applied Analysis, determined that allowing the property tax depreciation factor to reset on sale would generate and additional $ 13.2 billion in property taxes statewide over the first 12 years of implementation. The analysis used 2018 fiscal year property date and, for the purpose of its estimations, ran its numbers as if the measure had gone into effect that year. The 12-year economic impact for Clark County schools was estimated at $ 4.6 billion. "These additional dollars would be a good start to fully funding the weights and base in the newly proposed education funding formula outlined in Senate Bill 543," said CCSD spokeswoman Kirsten Searer in an email during the 2019 Legislative Session regrading SJR 14. Clearly fixing the depreciation factor would generate significant funding for our schools.

SJR 14 is not the only solution and Table 1. of the report provides a menu of options to reform Nevada's property tax system. CCEA believes that it is import for the Commission to include property tax reform as a part of the permanent funding stream to implement SB 543 and move toward providing appropriate funding levels for education. CCEA looks forward to partnering with the Commission, the Nevada Legislature and other stakeholders in furthering the discussion on property tax reform to address and stabilize the revenue stream and provide predictability to a complex system where significant revenue is lost every year.

Thank you,

John Vellardita, Executive Director
Clark County Education Association