

Why are values increasing in such a poor economy?

As you may have noticed on your assessment cards, values for “structures, etc.” increased significantly in most instances. The question is why? The answer comes in two parts. FIRST: We are NOT on a market value system and have not been for over 30 years. The market or sales comparison approach to value uses sales of similar properties to determine values. In Nevada the market approach is only used to value land, but not the improvements.

On the assessment card, we refer to improvements as “structures, etc.” Anything done to the raw land is considered an improvement. “Improvements” are anything done to the land to “improve” it from its natural, raw state. Grading and leveling the land is considered an improvement as well as drilling a well or putting in a septic tank. Improvements have nothing to do with a time frame; they have to do with an action. Therefore, an improvement does not mean something *recently* done to the property.

SECOND: We are on a cost system. That means the “improvement” values or the “structures, etc.” as they are listed on your assessment card, is based on what it cost to build or replace them. The replacement cost is determined by a company called Marshall and Swift and this year they had just about everything increasing, in some cases dramatically. We are mandated by Nevada Administrative Code to utilize Marshall and Swift for replacement costs. (See NAC 361.128 Improvement and replacement of improvement: Determination of costs.) Since we are not on a market value system, values do not fluctuate with the market, but with the costs of construction. For example, according to the cost manuals, septic tanks cost \$3,011 last year but are up to \$3,153 this year. Admittedly, this system of valuing property for tax purposes is confusing to most taxpayers. However, Nevada moved away from the market value system many years ago because of the frustration that particular approach was causing.

Even though we are not on a market value system, we are prohibited from exceeding market value. Therefore, if you believe the replacement cost new less depreciation value we have is higher than the market value of your property, you should contact us. It should also be noted that in Nevada, four counties: Humboldt, Lander, Eureka and Elko, are withstanding the downturn in the economy much better than other counties around Nevada and the rest of the country. All of this is due to the mining activity which has resulted in most of our values remaining fairly steady. At this point we have not experienced the dramatic reductions similar to Washoe County and Clark County. However, we are continuing to analyze data to discern if the increase in costs are causing some properties to exceed the market value and will make reductions accordingly.

We don't like the increases in the costs any more than you do. It affects us all and we are stuck trying to defend such increases that we have no control over. Unfortunately, unless we find data that demonstrates we are exceeding market value, we have no authority to reduce them.