

NRS and NAC Regulations for Taxing Rail Lines/Cars

NRS 361.320 Determination and allocation of valuation for property of interstate or intercounty nature; billing, collection and remittance of taxes on private car lines.

1. At the regular session of the Nevada Tax Commission commencing on the first Monday in October of each year, the Nevada Tax Commission shall examine the reports filed pursuant to [NRS 361.318](#) and establish the valuation for assessment purposes of any property of an interstate or intercounty nature used directly in the operation of all interstate or intercounty railroad, sleeping car, private car, natural gas transmission and distribution, water, telephone, scheduled and unscheduled air transport, electric light and power companies, and the property of all railway express companies operating on any common or contract carrier in this State. This valuation must not include the value of vehicles as defined in [NRS 371.020](#).

2. Except as otherwise provided in subsections 3, 4 and 7 and [NRS 361.323](#), the Nevada Tax Commission shall establish and fix the valuation of all physical property used directly in the operation of any such business of any such company in this State, as a collective unit. If the company is operating in more than one county, on establishing the unit valuation for the collective property, the Nevada Tax Commission shall then determine the total aggregate mileage operated within the State and within its several counties and apportion the mileage upon a mile-unit valuation basis. The number of miles apportioned to any county are subject to assessment in that county according to the mile-unit valuation established by the Nevada Tax Commission.

3. Pertains to Electricity

4. Pertains to Electricity

5. The Nevada Tax Commission shall adopt formulas and incorporate them in its records, providing the method or methods pursued in fixing and establishing the taxable value of all property assessed by it. The formulas must be adopted and may be changed from time to time upon its own motion or when made necessary by judicial decisions, but the formulas must in any event show all the elements of value considered by the Nevada Tax Commission in arriving at and fixing the value for any class of property assessed by it. These formulas must take into account, as indicators of value, the company's income and the cost of its assets, but the taxable value may not exceed the cost of replacement as appropriately depreciated.

6. Pertains to Electricity

7. A company engaged in a business described in subsection 1 that does not have property of an interstate or intercounty nature must be assessed as provided in subsection 8.

8. All other property, including, without limitation, that of any company engaged in providing commercial mobile radio service, radio or television transmission services or cable television services, must be assessed by the county assessors, except as otherwise provided in [NRS 361.321](#) and [362.100](#) and except that the valuation of land and mobile homes must be established for assessment purposes by the Nevada Tax Commission as provided in [NRS 361.325](#).

9. On or before November 1 of each year, the Department shall forward a tax statement to each private car line company based on the valuation established pursuant to this section and in accordance with the tax levies of the several districts in each county. The company shall remit the ad valorem taxes due on or before December 15 to the Department, which shall allocate the taxes due each county on a mile-unit basis and remit the taxes to the counties no later than January 31. The portion of the taxes which is due the State must be transmitted directly to the State Treasurer. A company which fails to pay the tax within the time required shall pay a penalty of 10 percent of the tax due or \$5,000, whichever is greater, in addition to the tax. Any amount paid as a penalty must be deposited in the State General Fund. The Department may, for good cause shown, waive the payment of a penalty pursuant to this subsection. As an alternative to any other method of recovering delinquent taxes provided by this chapter, the Attorney General may bring a civil action in a court of competent jurisdiction to recover delinquent taxes due pursuant to this subsection in the manner provided in [NRS 361.560](#).

10. Pertains to air transport

11. As used in this section:

(a) “Company” means any person, company, corporation or association engaged in the business described.

(b) “Commercial mobile radio service” has the meaning ascribed to it in 47 C.F.R. § 20.3, as that section existed on January 1, 1998.

[5:177:1917; A 1929, 341; 1939, 279; 1945, 78; 1953, 576]—(NRS A 1957, 313; 1963, 1122; 1969, 1448; 1971, 213; 1975, 1658; 1977, 1047; 1981, 792, 1774; 1983, 549, 561, 1193; 1987, 954, 956, 1338, 1425, 1429; 1997, 1574, 1989; [1999, 466](#), [1269](#), [3274](#); [2001, 83, 85](#); [2003, 811](#), [1963](#); [2005, 970](#))

Nevada Administrative Code

Communications, Electric, Gas Transmission, Pipeline and Railroad Companies

NAC 361.421 Cost approach indicator of value: Determination. ([NRS 360.090](#), [361.320](#)) The cost approach consists of:

1. Determining the gross book cost for financial reporting purposes of all taxable operating property, including, but not limited to, all property relating to rail

transportation, utility plant in service, plant held for future use, contributed plant, nuclear fuel, construction work in progress, experimental plant, acquisition adjustments, materials and supplies, plant and other property leased from others and common plant.

2. Deducting from the gross book cost the accrued book depreciation recorded for financial reporting purposes, which may include physical, functional and economic obsolescence. Additional obsolescence must be deducted when adequately quantified.

(Added to NAC by Tax Comm'n, eff. 9-30-88; A by R085-98, 11-23-98)

NAC 361.4215 Cost approach indicator of value: Optional cost information. ([NRS 360.090](#), [361.320](#)) The taxpayer may present and the Department shall consider, in addition to the information required by [NAC 361.421](#), one or more of the following alternative cost indicators of value:

1. A calculation of the reproduction cost new less depreciation for all taxable operating property of the collective unit being assessed. The calculation must have been performed in accordance with generally accepted appraisal methodology.

2. A calculation of the replacement cost new less depreciation for all taxable operating property of the collective unit being assessed. The calculation must have been performed in accordance with generally accepted appraisal methodology.

3. Any other relevant and verifiable information, such as rate base for regulatory purposes.

(Added to NAC by Tax Comm'n by R085-98, eff. 11-23-98)

NAC 361.423 Income approach indicator of value: Formula for determination. ([NRS 360.090](#), [361.320](#))

1. The capitalized income approach consists of deducting from the normalized and annualized gross operating income any direct and indirect normalized and annualized operating expenses specifically related to the normalized and annualized gross operating income including any annualized book depreciation. Deferred income taxes will be treated as an operating expense. Normalized and annualized rental expense on operating property leased from others, less imputed depreciation, income taxes and other applicable expenses, will be disallowed as an operating expense.

2. The resulting adjusted net operating income will be capitalized (converted to value) using an appropriate capitalization rate for the industry group. The capitalization rate for the typical company will be used for the firms being appraised in each industry group. The market capitalization rate will be derived from calculations made for selected companies in each industry group.

3. The operating income to be capitalized into taxable value will be normalized and annualized based on the most recent year's adjusted net operating income. When the most recent year's net operating income is not a reasonable representation of a company's net operating income, such as where a company's net operating income tends to be cyclical, a 3- or 5-year average of adjusted net operating incomes will be normalized and annualized and may be used.

4. Construction work in progress is not a factor in applying the income approach to value.

5. Any normalization or annualization adjustments to a company's net operating income must be based on known, measurable and experienced changes in a company's operation or taxable property as of the current year's reporting date.

(Added to NAC by Tax Comm'n, eff. 9-30-88; A by R085-98, 11-23-98)

NAC 361.425 Income approach indicator of value: Capitalization rate. ([NRS 360.090, 361.320](#)) The capitalization rate will be established from a selected number of firms to derive the rate for the typical company in each industry group when the information is available:

1. The band-of-investment method will be used in the compilation of the capitalization rate.

2. The band-of-investment method represents the cost of the money needed by the typical company in each industry group to acquire its operating plant and carry on its operations. It is composed of two factors:

(a) The capitalization ratios of the typical company; and

(b) The cost of the items which comprise the total capital structure of the typical company.

3. A "typical company" means a theoretical company which is representative of the firms within an industry group. The selected firms in the industry group will be comparable in amount of revenues, bond ratings, nature of operations and regulatory environment. Certain nonutility conglomerates which have utility operations in Nevada will be studied in the light of other similar conglomerates. Conglomerates will not be grouped with nonconglomerates where possible. The development of the typical company will reflect input by the companies within the industry group which are centrally assessed.

4. The items which comprise the total capital structure of the typical company are those amounts as recorded for financial reporting purposes that represent the sources of the money or capital funds made available to acquire the taxable operating property of the

industry group. For the purposes of this subsection, “capital funds” means money obtained from:

- (a) Creditors through notes or bonds;
- (b) Stockholders through stocks, paid-in capital and undistributed retained earnings; and
- (c) Similar financial capital accounts, except not from the Federal Government through deferred income taxes.

↳ The total capital structure of the typical company will be derived through the use of a statistical median from the selected sample of firm calculations.

5. In addition to the total capital structure of the typical company derived pursuant to subsection 4, the taxpayer may present and the Department shall consider the total capital structure of the typical company based upon common equity, preferred equity and the long-term debt percentages as developed from market information for comparable companies in the industry group. The total capital structure of the typical company must be derived from the use of market information from the selected sample of firm calculations.

6. The annual average of high-low monthly yields to maturity compiled by Moody’s Investors Service (Public Utility and Transportation), or another accepted service approved by the Executive Director of the Department, will be used for the assignment of a cost to the long-term bonded indebtedness component of the total capital structure.

7. The assignment of cost to preferred stock will be determined in a manner consistent with subsection 6.

8. The assignment of cost to that portion of the total capital structure which represents equity for the typical company in each industry group will be determined in the following manner:

(a) The Department shall develop an equity rate for each industry group based on one or more of the following models:

- (1) Discounted cash-flow method.
- (2) Capital asset-pricing.
- (3) Risk premium analysis.

(b) The Department shall also consider the results of cost of equity studies provided by members of the industry group based on the models set forth in paragraph (a).

(c) When considered applicable, the cost of equity capital established for the industry group may be determined by using additional models, such as direct capitalization, accepted in the appraisal and financial communities and approved by the Executive Director of the Department.

9. The capitalization rate of the typical company for the industry group will be calculated by using a weighted method (band-of-investment) which is the total capital structure percentage times the component rate percentage. The weighted values are then totaled and rounded to four decimal places to get the capitalization rate.

EXAMPLE:

TYPICAL COMPANY	MEDIAN CAPITAL STRUCTURE	X	RATE =	WEIGHTED RETURN
Common Equity	42.50%		11.20%	4.76000%
Preferred Equity	9.25%		9.35%	.86488%
Long-Term Debt	48.25%		9.45%	4.55963%
Capitalization Rate for Industry Group				10.1845%

10. The determination of the income value indicator requires the capitalization of the adjusted net operating income at the current capitalization rate. Financial data for selected companies in each industry group, as presented in the latest annual reports by Moody's Investors Service (Public Utility and Transportation), or another accepted service approved by the Executive Director of the Department, will be used in the compilation of the capitalization rate of the typical company.

11. An alternative to the capitalization rate method in subsections 1 to 9, inclusive, may be the use of a rate for the industry group as published by the Western States Association of Tax Administrators, or another recognized tax related organization approved by the Executive Director of the Department.

(Added to NAC by Tax Comm'n, eff. 9-30-88; A by R085-98, 11-23-98)

NAC 361.427 Stock and debt approach indicator of value. ([NRS 360.090](#), [361.320](#))

1. The stock and debt approach proposes a value for the entire firm, but is generally recognized as a less applicable methodology for determining the value of taxable property.

2. The stock and debt indicator is determined by multiplying either the average monthly, quarterly or annual high and low market price quotations, when available, for all the securities which are actively traded in the market place, including common stock,

preferred stock and long-term debt, by the number of shares outstanding at the end of the year. Computations of the present worth of income flows may be made to determine values for securities which are not actively traded.

3. The value of the stock of a holding company is apportioned among its operating companies according to the ratio of:

(a) Each operating company's property to the aggregate property of all of the operating companies, valued at historical cost and weighted at one-third; and

(b) Each operating company's net income before income taxes to the aggregate net income of all of the operating companies, weighted at two-thirds.

↪ For the industry group of rail transportation, the direct deduction method to eliminate nonoperating assets will be used when the information is available and considered applicable.

4. To this amount will be added items such as customer advances for construction which are nontaxable for federal income tax purposes, current liabilities less dividends declared, the present worth of leased property over the period of the lease together with any other items conforming to the theory that if a person were to purchase all the stock and assume all the outstanding liabilities of a company, he would have acquired all the assets which appear on the asset side of the balance sheet and, therefore, own the company.

5. From this amount will be deducted the market value of all exempt or nonoperating property, including, but not limited to, cash, accounts receivable, notes receivable, miscellaneous investments, temporary investments, nonoperating properties and other current and accrued assets and properties not subject to the ad valorem property tax imposed by [NRS 361.315](#) and [361.320](#).

(Added to NAC by Tax Comm'n, eff. 9-30-88; A by R085-98, 11-23-98)

NAC 361.429 Reconciliation of indicators of value. ([NRS 360.090](#), [361.320](#))

1. Immediately related to the valuation process is the reconciliation of one or more indicators of value to reach the final estimate of value for the system.

2. For multiple departmental companies, when considered applicable, the utility analyst will either reconcile the indicators of value for allocation of the value of the system to the value to the various departments, or use the adopted Western States Association of Tax Administrators formulas, approved by the Executive Director of the Department, to allocate the Department and stock and debt values based on the cost and income data.

3. The utility analyst will reconcile in writing to the taxpayer the relative significance, applicability and defensibility of the indication of value derived from each approach to arrive at, in the utility analyst's professional judgment, the appropriate final estimate of value for the system.

4. The utility analyst will reconcile, in writing to the taxpayer, the facts, trends and observations developed in the analysis and review the conclusion and the probable validity and reliability of the conclusion.

(Added to NAC by Tax Comm'n, eff. 9-30-88)

NAC 361.431 Allocation of value of interstate and intercounty properties. ([NRS 360.090](#), [361.320](#))

1. Since the unit rule of valuation will be used for all interstate and intercounty properties, an allocation of those properties operating in Nevada will be made.

2. The allocation will:

(a) Total 100 percent for all states in which the company operates; and

(b) Reflect the quantity of property in each state, as well as the use or value of the property in each state.

3. Allocation factors will be those that are readily available rather than requiring some new or additional statistic and the factor will not be an allocation in and of itself.

4. The interstate allocation will be made in proportion to the contribution to the unit value made by the property in Nevada. The allocation will be a reflection of the property value. It is the value of the existing property which is being allocated, not merely the amount of the physical property.

5. Available quantity elements such as cost and economic or use elements such as revenue will be used in the determination of the allocation.

6. The interstate allocation formulas adopted by the Western States Association of Tax Administrators will be approved by the Executive Director of the Department and used when the information is available and considered applicable.

(Added to NAC by Tax Comm'n, eff. 9-30-88)

NAC 361.433 Deductions from taxable value. ([NRS 360.090](#), [361.320](#))

1. The value and not the cost of any vehicles licensed in Nevada will be deducted from the taxable value of the property which was allocated to Nevada.

2. For telecommunications companies, property on lands ceded to the United States Government before 1936 will also be deducted. Cost less depreciation as reported by the company will be used.

3. The value and not the cost of certified pollution control equipment directly related to the operation of the firm will be deducted from the taxable value to the extent allowed pursuant to statute.

(Added to NAC by Tax Comm'n, eff. 9-30-88)

Private Car Line Companies

NAC 361.506 Formula for assessment. ([NRS 360.090](#), [361.320](#)) The value for private car line companies will be:

1. Six thousand dollars assessed valuation for each 219,000 miles traveled in Nevada for tank cars.

2. Seven thousand dollars assessed valuation for each 255,000 miles traveled in Nevada for refrigeration cars.

3. Six thousand dollars assessed valuation for each 255,000 miles traveled in Nevada by other types of cars, including, without limitation, stock, box, hopper and flat cars.

[Tax Comm'n, Property Tax Reg. part No. 15I, eff. 10-30-79]—(NAC A 9-30-88)