

Personal Property Tax Abatement

NRS 361.0687, NRS 360.750

A partial abatement from personal property tax is available to qualified companies that locate or expand their business in Nevada. This tax abatement can be up to 50% of the tax due for 10 years beginning from when the abatement becomes effective. The applicant must apply for abatement not more than one year before the business begins to develop for expansion or operation in Nevada.

A partial abatement of personal property taxes applies only to the same list of machinery and equipment eligible for the sales and use tax abatement allowed under NRS 374.357. Property tax rates vary by taxing district within Nevada.

All tax abatements can be reduced if the company's average hourly wage falls below the state average wage, even when a company qualifies under (i) number of employees and (ii) capital investment. If a company qualifies under (i) average wage and (ii) number of employees or capital investment, this reduction is not applicable. This reduction has two tiers:

1. (a) If the unemployment rate in the applicable county is 6% or higher, and the company average hourly wage is 80%-99% of the average statewide hourly rate, the company will receive the full abatement provided the additional requirements have been met.
1. (b) If the unemployment rate is 6% or higher and the company average hourly wage is 65%-79% of the average statewide hourly rate, then the company will receive 25% of the Modified Business Tax Abatement (MBT) and Personal Property Tax Abatement (PPT) and the full amount of the Sales & Use Tax Abatement (SUT), provided the additional requirements have been met.
2. (a) If the unemployment rate is less than 6% and the company average hourly wage is 80%-99% of the average statewide hourly rate, then the company will receive 25% of the MBT and PPT, but the SUT abatement is only reduced to 4.6% instead of down to 2.0%.
2. (b) If the unemployment rate is less than 6% and the company average hourly wage is below 80%, then no abatements will be awarded.

The Company's Responsibilities

The company makes application to the Governor's Office of Economic Development ("Office"), and if approved, executes an agreement with the Office that includes but is not limited to: (i) a commitment to maintain the business in Nevada for 5 years, (ii) a requirement to register pursuant to the laws of Nevada, and obtains all licenses and permits required by the state, county, city or town in which the business operates, and (iii) a requirement to provide a medical insurance plan approved by the Office for all employees including but not limited to the company paying at least 50% of the employee premium cost. All abatements are voidable and recoverable with interest if the business fails to comply with any terms of the agreement. Audits will be performed by the Department of Taxation after 2 and 5 years to ensure compliance.

Eligibility

The Governor's Office of Economic Development ("GOED") will look for the following criteria when reviewing an applicant's eligibility for abatement. Two of the following three requirements must be met:

Note: Criteria is different depending on whether the business is in a county whose population is 100,000 or more or a city whose population is 60,000 or more (i.e., "urban" area), or if the business is in a county whose population is less than 100,000 or a city whose population is less than 60,000 (i.e., "rural" area).

- **Capital Investment** – In urban areas, a capital investment of \$5 million in eligible equipment for industrial or manufacturing facilities and \$1 million for all other types of facilities. The requirement in rural areas is \$1 million for industrial or manufacturing facilities and \$250,000 for all other facility types. These criteria are applicable to new businesses. In cases of expanding businesses, the capital investment must equal at least 20% of the value of the company's tangible property owned by the business.
- **Number of Primary Jobs Created** – New businesses locating in urban areas require fifty (50) or more permanent, full-time employees on its payroll by the eighth calendar quarter following the calendar quarter in which the abatement becomes effective. In rural areas, the requirement is ten (10) or more. For an expansion, the business must increase the number of employees on its payroll by 10% more than its existing employees prior to expansion, or by 25 (urban) or 6 (rural) employees, whichever is greater.
- **Wage Level** – In urban areas, the average hourly wage that will be paid by the business to its new employees is at least 100% of the average statewide hourly wage. For businesses in rural areas, the average hourly wage will equal or exceed the lesser of the county-wide or statewide average hourly wage.

Upon approval by the Office and execution of an incentive agreement a certificate of eligibility will be provided to the Department of Taxation and the Treasurer and Assessor of the county in which the property will be located for administration of the tax abatement. Please contact your local Regional Development Authority to apply for the personal property tax abatement. This is a summary only and may not include all program requirements.

For detailed information on the Personal Property Tax Abatement please access the following links:
<https://www.leg.state.nv.us/NRS/NRS-361.html> ; <https://www.leg.state.nv.us/NRS/NRS-360.html>