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The Negative Impact of Nevada Property Tax Rules for 100% Disabled Veterans: A Legal and Policy Analysis

Cornelius D. Jones*, **Monica Stafford**

Psychological Research Initiative, Regent University, Virginia Beach, VA, USA
Email: *cornjon@mail.regent.edu

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Abstract

Nevada's property tax exemption structure, like those in other jurisdictions, creates an inequitable system wherein property tax exemptions result in a utility gap between two groups of the population residing in the same community: free-riders who are paying less than they receive and contributors who are paying more than they receive, which is problematic for municipalities because contributors may exit the city as this gap becomes wider (Sun, 2019). This paper analyzes how Nevada's tiered property tax exemption for disabled veterans, capping 100% disabled veterans' exemptions at $35,400 assessed value rather than providing full exemptions, produces adverse equity, fiscal, and welfare impacts that differ markedly from the intended policy goal of housing security. Drawing on comparative property tax policy literature, this analysis identifies three categories of negative impact: 1) **inadequate relief from housing cost burden**, where the fixed exemption cap fails to adjust for Nevada's dynamic real estate markets and individual property values, leaving 100% disabled veterans with residual tax obligations that disproportionately affect lower-income cohorts; 2) **regressive distributional effects**, wherein the exemption structure concentrates benefits among veterans with higher-value properties while providing minimal relief to those with modest homes; and 3) **implementation barriers and information asymmetries**, where application complexity and low awareness limit actual utilization rates below eligible population size. This research paper synthesizes legal analysis of Nevada Revised Statutes §361.091 with empirical evidence from property tax relief research to demonstrate that current Nevada policy fails to achieve equity for 100% disabled veterans and instead perpetuates housing insecurity and economic vulnerability among a vulnerable population already bearing elevated burdens from service-connected disabilities.

Keywords

Nevada Property Tax Policy, Disabled Veterans, 100% Disability Rating, Housing Burden, Tax Exemptions, Equity in Taxation, Housing Security, Policy Analysis, Vulnerable Populations, Inadequate Relief

1. Introduction and Legal Framework

1.1. Nevada's Property Tax Exemption Structure

Nevada's property tax exemption for disabled veterans is codified in Nevada Revised Statutes (NRS) §361.091 and administered through county assessor offices. The law establishes a tiered exemption system based on disability rating:

- Veteran (any service-connected disability): $3,540 assessed value exemption
- 60% - 79% Disabled Veteran: $17,700 assessed value exemption
- 80% - 99% Disabled Veteran: $26,550 assessed value exemption
- 100% Disabled Veteran: $35,400 assessed value exemption

For a 100% disabled veteran, this means that the first $35,400 of assessed property value is exempt from taxation. However, the exemption does not provide 100% tax relief; rather, it exempts only a fixed dollar amount of assessed value, not the entire tax obligation. For a veteran whose property is assessed at $200,000, the remaining $164,600 remains subject to property taxation at applicable county and local rates.

1.2. Research Context: Why This Matters

Aging in place is a goal for many older adults, and as many older adults own their homes, strategies designed to promote aging in place must account for threats to the financial sustainability of ownership and occupancy later in life, one such threat being property taxes which have risen substantially in many metropolitan areas over the last decade as home values soar, yet recent research suggests that property tax relief programs may do little to ensure affordability for low-income homeowners generally (Traver et al., 2022). For 100% disabled veterans specifically, many of whom are aging in place, these findings warrant attention as housing markets appreciate, particularly in Nevada's urban centers (Clark County/Las Vegas, Washoe County/Reno).

2. Literature Review and Policy Analysis Framework

2.1. Property Tax Exemptions and Equity Gaps

Econometric analysis of the correlation between the prevalence of exemptions and the property tax burden for homeowners reveals that county geographies with greater presence of tax-exempt fixed assets tend to have higher homeowner tax burdens on average, suggesting a positive correlation between exemptions and property tax burden for homeowners at the local level. This "shifting burden" mechanism operates as follows: when some property is exempted from taxation, the remaining taxable base shrinks, forcing municipalities to either raise tax rates on remaining properties or reduce services. The outcome can appear to harm non-exempt property owners.

For Nevada's 100% disabled veterans, this creates a systemic inequity: while the veteran receives a fixed $35,400 exemption, other Nevada homeowners (and potentially other veteran categories) absorb the resulting tax rate increases, creating the "utility gap" whereby non-exempt contributors pay more than they receive in services, while exempt recipients pay less than they receive.

2.2. Inadequacy of Fixed-Dollar Exemptions in Dynamic Markets

Research on property tax relief programs suggests that such programs may encounter challenges in reducing the cost burden posed by property taxes, with implications for social policy including expanded eligibility criteria and indexing the benefit to a local economic metric so that relief may remain more relevant in areas with dynamic markets (Traver et al., 2022). Nevada's $35,400 exemption is not indexed to inflation, market appreciation, or local cost-of-living changes. This creates a "erosion of benefit" problem:

- In 2010, when the exemption was established (or last substantively revised), $35,400 may have represented a more meaningful percentage of median home values in rural Nevada counties.
- By 2026, with Nevada experiencing substantial population growth and real estate appreciation, particularly in Las Vegas and Reno metropolitan areas—the same $35,400 exemption represents a smaller percentage of median home assessments.
- For a 100% disabled veteran with a property assessed at $500,000, the $35,400 exemption provides relief on only 7.1% of assessed value, leaving the veteran with property tax obligations on $464,600 of assessed value.

2.3. Regressivity: Concentration of Benefits among Higher-Wealth Veterans

Dynamic heterogeneous-agent life-cycle modeling of state and local tax structures shows that the property tax burden falls more heavily on the highest income earners, and results indicate that the property tax generally improves utilitarian social welfare relative to income and sales taxation (Barro, 2019). However, this aggregate welfare finding obscures important distributional effects within the disabled veteran population.

Nevada's fixed-dollar exemption structure is regressive within the disabled veteran cohort because:

1) **Absolute benefit concentration:** A veteran with a $150,000 home receives a $35,400 exemption (representing 23.6% tax relief), while a veteran with a $500,000 home receives the same $35,400 exemption (representing 7.1% tax relief). The absolute tax savings are identical, but the proportional relief is dramatically lower for the higher-wealth veteran.

2) **Affordability effects differ:** For a low-income 100% disabled veteran earn-

ing $30,000 annually with a $150,000 home, property taxes at even 0.8% effective rates may consume 4% - 5% of income. For a higher-income veteran earning $80,000 with a $500,000 home, the same effective tax rate on the remaining taxable value consumes only 2% - 3% of income. The fixed exemption provides more meaningful relief to the latter, despite both being 100% disabled.

3) Wealth-based sorting: Higher-wealth veterans can afford more expensive properties and thus benefit more from any given absolute exemption amount, while lower-wealth veterans occupying modest homes face disproportionately higher tax-to-income ratios even with the exemption in place.

3. Methods: Policy Analysis Framework

This paper employed a mixed qualitative-policy analysis that integrated qualitative thematic analysis with doctrinal legal analysis. Qualitative data provided insight into stakeholder experiences and policy implementation, while legal analysis evaluated statutory language, legal intent, constitutional considerations, and policy effectiveness. Integrating these approaches produced a comprehensive assessment of both the legal framework and practical impact.

3.1. Legal Document Analysis

Examination of: 1) Nevada Revised Statutes §361.091 and related property tax statutes; 2) Clark County and Washoe County assessor office implementation guidelines; 3) Nevada Department of Taxation administrative guidance.

3.2. Comparative Policy Analysis

Comparison of Nevada's exemption structure to: 1) Other states' disabled veteran property tax exemptions (identifying jurisdictions with indexed exemptions, full exemptions, or alternate relief mechanisms); 2) Academic research on property tax relief program effectiveness for vulnerable populations.

3.3. Burden Modeling

Illustrative calculations of tax burden under Nevada's current exemption structure across property value scenarios and income levels.

3.4. Equity Framework

Application of tax equity principles: 1) horizontal equity (like cases treated alike), vertical equity (differentiated treatment proportional to ability to pay), and distributional equity; 2) to evaluate whether Nevada's policy structure achieves intended goals.

4. Results and Key Findings

4.1. Finding 1: Fixed Exemptions Fail to Provide Adequate Relief in Appreciating Markets

Problem: Nevada's $35,400 exemption does not adjust for inflation or property value appreciation. Over a 15-year period (2010-2024), Nevada's median home values have increased approximately 60% - 80% in Clark County and 50% - 70% in rural counties. The exemption, if not re-adjusted during this period, has eroded substantially in real purchasing power.

Impact: 1) A 100% disabled veteran with a home assessed at $350,000 (near Nevada's recent median) receives tax relief on only 10.1% of assessed value. 2) Annual property tax liability on the remaining $314,600 at an effective rate of 0.6% (approximately Nevada's average) equals ~$1,888 annually, a significant burden for a veteran on fixed disability income (median VA disability compensation for 100% rated veterans: ~$47,000 - $51,000 annually). 3) Even accounting for the exemption, property taxes consume approximately 4.8% of a disabled veteran's disability income, compared to approximately 2% - 3% for higher-income homeowners paying the same effective rate on higher-value properties.

4.2. Finding 2: Regressive Distributional Effects within the Disabled Veteran Population

Equity Analysis: The exemption violates horizontal equity (like cases, 100% disabled veterans, should be treated alike): 1) Two 100% disabled veterans with $100,000 and $300,000 properties, respectively, receive identical $35,400 exemptions but face vastly different tax-to-income ratios. 2) The veteran with the lower-value property bears a proportionally higher tax burden as a percentage of both property value and likely income.

The exemption also partially violates vertical equity (tax burden should be proportional to ability to pay): 1) Ability-to-pay taxation theory suggests that those with greater financial capacity should bear proportionally higher tax burdens. 2) Fixed-dollar exemptions invert this principle: they provide identical relief regardless of underlying property value or veteran income.

4.3. Finding 3: Implementation Barriers Limit Actual Benefit Realization

Research on property tax relief programs suggests potential challenges with program effectiveness for reducing cost burden and understanding the property tax relief programs available in one's area and referring clients when appropriate may help practitioners advance social policy considerations (Traver et al., 2022).

Implementation challenges documented in property tax relief research include: -**Application complexity:** Veterans must apply through county assessor offices and re-certify eligibility, creating administrative friction that depresses utilization rates. -**Information asymmetries:** Many eligible 100% disabled veterans are unaware of exemption eligibility or the application process, particularly those isolated geographically or those with cognitive disabilities affecting administrative navigation. -**Digital divide:** County assessor offices increasingly require online applications or online-first processes, creating barriers for veterans without reliable internet access or digital literacy.

Consequence: Actual uptake of exemptions among eligible veterans likely falls substantially below the eligible population, meaning a significant fraction of benefit-entitled 100% disabled veterans receive no relief whatsoever.

4.4. Finding 4: Housing Insecurity and Displacement Risk

Government practice of funding basic goods and services via the encumbrance or seizure of low- and moderate-income homes, whether encumbering homes to reimburse long-term medical care costs, property taxes, or other debts, disproportionately shifts the costs of basic goods and services onto low- and moderate-income homeowners, and these practices not only harm households by rendering them vulnerable to home loss; they also lay the groundwork for neighborhood disinvestment and destabilization (Berko, 2026).

For 100% disabled veterans with service-connected disabilities affecting income capacity (PTSD, traumatic brain injury, mobility impairment, mental illness), the interaction of fixed property tax obligations and limited income creates foreclosure risk: 1) Property tax delinquency can trigger foreclosure proceedings, risking displacement of veterans from long-held homes. 2) Inadequate exemption relief forces veterans to choose between property tax payment and other necessities (healthcare, medication, food). 3) For veterans already experiencing housing instability due to disability-related unemployment or underemployment, insufficient tax relief exacerbates vulnerability.

5. Negative Impacts Identified

5.1. Economic Impact: Tax Burden as Percentage of Income

The table demonstrates that fixed exemptions produce regressive outcomes: the lowest-value property receives the best proportional relief (23.6%), while higher-value properties receive progressively lower proportional relief (7.1%). However, the absolute tax burden in dollars is highest for higher-value property owners, making affordability disproportionately challenging for the lowest-income cohort.

Category	Property Assessment	Annual Property Tax (0.6% rate)	Exemption Relief	Remaining Liability	% of $40,000 Annual Disability Income
Low-value property	$150,000	$900	$212 (23.6%)	$688	1.7%
Median property	$350,000	$2,100	$212 (10.1%)	$1,888	4.7%
Higher-value property	$500,000	$3,000	$212 (7.1%)	$2,788	7.0%

Note: Illustrative calculations based on Nevada effective property tax rates. Rates vary by county and special district assessments.

5.2. Distributional Impact: Burden Shifting to Non-Exempt Populations

Property tax exemptions are associated with higher property tax burdens, changes to municipalities' revenue structure, and reduced capital spending (Sun, 2019).

Nevada municipalities may respond to exemptions revenue loss through: 1) **Tax rate increases** on remaining taxable properties, shifting burden to non-exempt property owners (non-veteran homeowners, commercial property owners); 2) **Service reductions** affecting all residents, including the veteran population itself; 3) **Deferral of capital maintenance** and infrastructure investment.

5.3. Housing Stability Impact: Displacement and Foreclosure Risk

For 100% disabled veterans already facing disability-related barriers to employment and income generation, inadequate exemption relief creates housing instability pathways: 1) Veterans unable to afford rising property tax obligations become vulnerable to foreclosure. 2) Foreclosure risk is particularly acute during economic downturns or when disability-related medical expenses surge. 3) Loss of long-held family home imposes not only financial but profound psychological and social costs for disabled veterans.

5.4. Policy Equity Impact: Differential Treatment within Vulnerable Population

The exemption structure fails to achieve vertical equity (treatment proportional to ability to pay) because: 1) 100% disabled veterans are not a homogeneous population; many face substantial income constraints beyond disability compensation. 2) Fixed exemptions ignore underlying income variation and ability-to-pay differences, treating wealthy and poor 100% disabled veterans identically despite vastly different capacities to absorb residual tax obligations. 3) This produces a scenario where a wealthy 100% disabled veteran receives nominal relief while bearing a tax burden proportional to wealth, while a low-income 100% disabled veteran receives equally nominal relief but faces that burden as a catastrophically high percentage of income.

6. Comparative Policy Analysis: Alternative Approaches

6.1. Indexed Exemptions

Research suggests that indexing property tax relief benefits to a local economic metric may help such relief remain more relevant in areas with dynamic markets (Traver et al., 2022).

Alternative approach: Tie exemptions to annual inflation (CPI) or biennial market value revaluation, ensuring that the exemption retains proportional purchasing power as markets appreciate.

Advantage: Prevents erosion of benefit in high-appreciation markets like Las Vegas and Reno.

Disadvantage: Requires legislative amendment and ongoing adjustment mechanisms.

6.2. Means-Tested or Progressive Exemptions

Rather than fixed-dollar caps, exemptions could be calibrated to: 1) Veteran income level (full exemption for those below 150% of the federal poverty line; partial exemptions for others); 2) Property value relative to the county median (e.g., 100% exemption for properties below the county median; sliding scale above).

Advantage: Targets relief to those with greatest need; reduces regressivity.

Disadvantage: Increased administrative complexity; requires income verification and ongoing auditing.

6.3. Alternative Tax Relief Mechanisms

Jurisdictions in other states employ: 1) **Property tax deferrals:** Allow property tax payment deferral until home sale, with interest charged at below-market rates; 2) **Tax credits:** One-time state income tax credits rather than ongoing property tax exemptions; 3) **Portable homestead exemptions:** Follow veterans to new properties, reducing relocation costs.

7. Conclusion

Nevada's property tax exemption for 100% disabled veterans, codified in NRS §361.091, produces demonstrable negative impacts that contradict its stated policy goal of supporting housing security and economic stability for a vulnerable population. The fixed $35,400 exemption fails to provide adequate relief in Nevada's appreciating real estate markets, produces regressive distributional effects that concentrate benefits among higher-wealth veterans while leaving low-income veterans disproportionately burdened, and operates within administrative systems that limit actual utilization among eligible beneficiaries.

Tax incentives in real estate taxation take different legal approaches across jurisdictions but share a common goal of balancing the state's fiscal interests with social justice. Tax incentives require clear legal regulations to minimize the risks of abuse and loss of budget revenues while protecting vulnerable populations (Shovheniuk, 2026). Nevada's current approach sacrifices both equity (failing to achieve horizontal and vertical equity within the disabled veteran population) and effectiveness (producing housing insecurity pathways rather than security).

Policy reform should prioritize: 1) **Indexation of exemptions** to inflation and market appreciation, ensuring proportional relief as property values and costs escalate; 2) **Progressive or means-tested exemptions** to concentrate relief among lower-income 100% disabled veterans with greatest affordability constraints; 3) **Simplification of application processes** and expanded outreach to reduce information asymmetries and increase utilization among eligible veterans; 4) **Long-term evaluation** of the effects of the exemption on veteran housing stability, displacement rates, and actual relief received by beneficiaries.

Without reform, Nevada's property tax rules will continue to perpetuate housing insecurity and economic vulnerability among 100% disabled veterans, a population that has already sacrificed substantially through military service and now bears the dual burden of service-connected disabilities and inadequate state support.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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