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City of Fernley v. State, Dep't of Tax

Supreme Court of Nevada - January 14, 2016 - P.3d - 2016 WL 166087 - 132 Nev. Adv. Op. 4

City filed complaint against state, challenging constitutionality of Local Government Tax Distribution Account and seeking declaratory and injunctive relief and damages for violations of state constitutional prohibition on special or local legislation.

The First Judicial District Court granted state summary judgment and awarded state costs. City appealed.

The Supreme Court of Nevada affirmed, holding that:

- City knew or had reason to know of its claim for retrospective relief against state on date of it's incorporation;
- Failure to file claim within default statute of limitations did not bar claim for injunctive and declaratory relief;
- Local Government Tax Distribution Account was a general law; and
- Distribution classifications applied uniformly and legislature had legitimate purpose for enacting different classifications.

Trial court did not abuse its discretion in awarding costs to state in city's suit against state challenging constitutionality of Local Government Tax Distribution Account and seeking declaratory and injunctive relief and damages for violations of state constitutional prohibition on special or local legislation. Even though city's lawsuit involved a good-faith challenge to tax distribution legislation, state was prevailing party in action for recovery of money damages where city sought to recover more than $2,500.

City knew or had reason to know of its claim for retrospective relief against state that Local Government Tax Distribution Account was unconstitutional under constitutional provision prohibiting legislature from passing local or special laws for assessment and collection of taxes, triggering default statute of limitations of four years, on date of its incorporation as city, since city was aware that its base distributions under Local Government Tax Distribution Account would be calculated as of that date.

City's failure to file claim within default four-year statute of limitations that Local Government Tax Distribution Account was unconstitutional under state constitutional provision prohibiting legislature from passing local or special laws for assessment and collection of taxes did not bar city's claims for injunctive and declaratory relief from allegedly unconstitutional statute. City retained right to prevent future violations of constitutional rights.

Local Government Tax Distribution Account was general law, as required to defeat city's claim that tax distribution legislation was unconstitutional under state constitutional provision prohibiting legislature from passing local or special laws for assessment and collection of taxes. City was not singled out in legislation, but rather was classified with similarly situated local governments.

Distribution classifications under Local Government Tax Distribution Account applied uniformly to all entities that were similarly situated and legislature had legitimate government purpose for enacting different classifications, as required to defeat city's claim that tax distribution legislation was unconstitutional under state constitutional provision prohibiting legislature from passing local or special laws for assessment and collection of taxes. Tax distribution legislation did not specify recipients, but rather had different formulas it used for any entity that fell within that classification, and classifications that legislature used when enacting legislation were rationally related to achieve its legitimate government interests of promoting general-purpose governments.

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