Historical Tax Law Changes
Property Taxes

Laws 1912, Chapter 23 created the Arizona State Tax Commission to supervise the County Assessors in determining property valuations. The Commission assured that all properties of every class, kind, and character were assessed uniformly and at full cash value. The Commission was also given the responsibility for central assessment of properties owned by express car companies and private car companies. (E - May 9, 1912)

Laws 1912, Chapter 31 established the first General Property Tax under state law. The tax was levied on the assessed value of property within the state. The Board of Equalization was responsible for determining the appropriate tax rate. The effective rate of taxation was $.50 per $100 of assessed valuation if the Board failed to act. Under the provisions of this law, the Board of Equalization was also responsible for central valuation of railroad property and property used in the operation of telegraph and telephone companies. (E - May 15, 1912)

Laws 1912, Chapter 39 established a separate tax on the property of private car companies in lieu of the General Property Tax. The State Tax Commission was still responsible for determining the value of these properties. [See Lieu Tax on Private Car Companies] (E - May 16, 1912)

Laws 1912, Chapter 54 established a separate tax on the property of express companies in lieu of the General Property Tax. The State Tax Commission was still responsible for determining the value of these properties. (E - May 17, 1912)

Laws 1913, 3rd Special Session, Chapter 35 established the basis for determining the annual property tax levy. The tax was levied at a rate which, together with revenues from other sources, would produce a sufficient amount to cover the obligations of the state. The amount required to meet state obligations was established each year by the Legislature and based on this amount, the Board of Equalization determined the appropriate rate. Property taxes levied by this law were delinquent after the second Monday in December. The County Treasurers were authorized to collect the state property tax and apportion these taxes at the end of each month. [See Revised Statutes of Arizona, 1913, Civil Code, Sections 4839, 4872, 4895 and 4897]

The act also provided that any unsecured personal property valued by the County Assessors is treated differently than real and secured personal property. Unsecured personal property was personal property owned by taxpayers who did not own real property of any substantial value within the county. Under this law, the tax rate levied on unsecured personal property equaled the state's General Property Tax rate for the previous year. The tax was collected by the County Assessor at the time the property was assessed. All monies collected by the Assessor during the month were paid to the County Treasurer on the first Monday of the following month. Collections received by the County Treasurer's Office must be apportioned between the taxing districts at the end of each month. [See Revised Statutes of Arizona, 1913, Civil Code, Sections 4872 and 4897]

Laws 1913, 3rd Special Session, Chapter 71 authorized the State Tax Commission to serve as the Board of Equalization in determining the property tax rate. If the Tax Commission failed to act, the state rate would be levied at $.75 per $100 of assessed valuation. Under this law, the State Tax Commission was given full responsibility for the valuation of centrally assessed properties. Formerly, the Board of Equalization was responsible for central assessment of railroad properties and properties owned by telephone and telegraph companies. Central assessment was also extended to mines and mining properties. [See Revised Statutes of Arizona, 1913, Civil Code, Sections 4829, 4834 and 4835]

Laws 1915, Chapter 22 changed the due date for paying taxes on real property and secured personal property. Under the provisions of this law, one-half of the tax was due on the second Monday in October and delinquent on the second Monday in December. The remaining half was due on the second Monday in March and delinquent on the second Monday in June. (E - June 10, 1915)

Laws 1915, 2nd Special Session, Chapter 9 again changed the due date for paying taxes on real property and secured personal property. Under this law, one-half of the tax was due on the first Monday in September and

delinquent on the first Monday in November. The remaining half was due on the first Monday in March and delinquent on the first Monday in May. (E - July 10, 1915)

Laws 1917, Chapter 6 exempted observatories operated on a nonprofit basis for the public benefit. (E - June 7, 1917)

Laws 1943, Chapter 77 changed the rate of tax levied on unsecured personal property. Under the provisions of this law, unsecured personal property was taxed at the rate that was in effect for secured property at the time the Unsecured Property Tax was collected (E - June 13, 1943).

Laws 1945, Chapter 56 established a new basis for computing the annual state property tax rate. The rate was set at a level that would produce sufficient revenue to cover all state expenses that could not be covered by the balance forward and revenues from sources other than the property tax. The State Tax Commission (in its role as the Board of Equalization) was to estimate the amount of revenue that would be received during the year from sources other than the property tax. (E - March 10, 1945)

Laws 1945, Chapter 94 redefined unsecured personal property as personal property owned by taxpayers who do not own at least $200 of real property within the county. The rate of tax levied on unsecured property was also changed by this law. The law provided that the unsecured tax rate for the entire calendar year was the rate in effect for real property on January 1 of the year. In addition, the method of collecting Unsecured Personal Property Taxes was changed. Under this law, unsecured property valued during each month was placed on an unsecured property tax roll at the time it was assessed. The roll was then forwarded to the County Treasurer for collection. The Unsecured Property Tax was due on the second Monday of the month following the month in which the property was added to the tax roll. The tax was delinquent 30 days after the due date (E - March 20, 1945).

Laws 1951, Chapter 59, levied a separate tax on flight property in lieu of the General Property Tax. The value of flight properties subject to the tax was to be centrally assessed by the State Tax Commission. [See Flight Property Tax] (E - March 14, 1951)

Laws 1956, Chapter 115 permitted persons owning certain mobile homes to pay either the Unsecured Personal Property Tax or the Vehicle License Tax. Formerly, mobile homes had been taxed only under the provisions of the Vehicle License Tax. (E - April 12, 1956)

NOTE: A constitutional amendment, enacted in the election of November 3, 1964 established an exemption for all stocks of raw or finished materials, unassembled parts, work in process, or finished products constituting the inventory of a retailer or wholesaler located within the state and principally engaged in the resale of such materials, parts or products. (E - December 3, 1964)

Laws 1959, Chapter 40 provided that the assessed value of producing oil and gas properties should be determined separately from other properties based on the previous year's gross yield from production. (E - June 20, 1959)

Laws 1964, Chapter 54 changed the due date for paying taxes on real property and secured personal property. Under this law, one-half of the tax was due on September 1 and delinquent November 1. The remaining half was due on March 1 and delinquent on May 1. (E - July 15, 1964)

A constitutional amendment, enacted in the election of November 3, 1964 established an exemption for all stocks of raw or finished materials, unassembled parts, work in process, or finished products constituting the inventory of a retailer or wholesaler located within the state and principally engaged in the resale of such materials, parts or products. (E - December 3, 1964)

Laws 1967, Chapter 107 created the Department of Property Valuation. Most of the powers of the State Tax Commission that related to property valuation were transferred to the new Department. Among other powers, the Department assumed the responsibility for supervising County Assessors and for valuing centrally assessed properties. Utilities, pipelines and transmission systems were added to the list of properties subject to central assessment. Central valuation of express companies was retained by the State Tax Commission. The Tax

Commission also retained its responsibility for setting the state Property Tax rate. A rate of $1.50 per $100 of assessed valuation was levied if the Tax Commission failed to act. (E - October 15, 1967)

Laws 1967, 3rd Special Session, Chapter 6 established 4 classes of property, each with a different assessment ratio. Assessment ratios were used to determine the percent of each property's full cash value that was included on the tax rolls. Of the 4 classes, only Class 3 and 4 are valued by the County Assessors. Since the unsecured tax roll is compiled by the County Assessors, only properties in Classes 3 and 4 were placed on the unsecured tax roll. Under this law, unsecured properties were listed on the tax roll at a percentage of their full cash value. The four classes of property and their respective assessment ratios were:

(1) Class 1 consisting of flight property, private car companies, railroads, mines and standing timber, assessed at 60% of full cash value.
(2) Class 2 consisting of properties owned by telephone and telegraph companies, public utilities and pipeline companies, assessed at 40% of full cash value.
(3) Class 3 consisting of commercial and industrial properties not included in Class 1 and Class 2, assessed at 25% of full cash value.
(4) Class 4 consisting of real property used for agricultural purposes and all other property not included in Class 1, 2 or 3, assessed at 18% of full cash value.

Producing oil and gas properties were taxable on 100% of their valuation. (E - March 22, 1968)

Laws 1968, Chapter 124 repealed the statute that permitted payment of the Vehicle License Tax on mobile homes in lieu of the General Property Tax. Enactment of this provision was subject to the passage of a constitutional amendment. Approval of the amendment at the general election of November 5, 1968, resulted in mobile homes being assessed and taxed in the same manner as personal property. The provisions of this law did not apply to mobile units under 40 feet long and 8 feet wide. (E - December 4, 1968)

NOTE: A constitutional amendment enacted in the election of November 5, 1968, exempted from the Property Tax, all household goods used for noncommercial purposes. The exemptions allowed to certain veterans and widows were also changed. (E - December 4, 1968)

Laws 1970, Chapter 170 provided that banks and other financial institutions were subject to payment of the Personal Property Tax. The tax applied to tangible property only. Prior to the passage of this law, financial institutions were exempt from the Personal Property Tax. (E - January 1, 1970)

Laws 1973, Chapter 44 provided that the General Property Tax should be paid by the owner of record, or the person who is the purchaser under a deed of trust or an agreement of sale. (EFA - December 31, 1973)

Laws 1973, Chapter 123 established the Department of Revenue and transferred the powers and duties of the Department of Property Valuation to the new Department. Most powers of the State Tax Commission were also transferred to the Department of Revenue, however the Commission retained its responsibility for setting the state Property Tax rate. (E - July 1, 1974)

Laws 1973, Chapter 182, established a fifth property class consisting of residential properties to be assessed at 18% of full cash value. A formula was established to reduce the local property tax collected from Class 5 properties. Unsecured property in this class was valued by the County Assessors and added to the Unsecured Tax roll. The formula was effective for the 1974 Unsecured Property Tax roll. All property in Class 5 was taxed on 18% of its full cash value. State monies were appropriated to offset the local tax loss resulting from this program. The formula had no impact on state Property Tax collections. (E - August 8, 1973)

Laws 1974, lst Special Session, Chapter 2 changed the assessment rates that applied to three classes of property. Assessment rates are used to determine the percent of full cash value that is subject to tax. The assessment rate for Class 2 properties was increased from 40% to 50%, for Class 3 properties from 25% to 27%, but Class 5 residential properties was reduced from 18% to 15%. The law also established a new property tax for educational purposes and modified the formula used to provide property tax relief to homeowners. The due date for paying property taxes on real and secured personal property was extended for years when the Property Tax Reduction Program was in effect.

The new due date for the first installment was October 1. The delinquency date was not changed. (The change in assessment rates and the property tax for educational purposes were effective from and after December 31, 1973. The remaining provisions were effective May 20, 1974.)

Laws 1974, Chapter 150 established the Joint Legislative Tax Committee. The new Committee assumed the responsibility for setting the state Property Tax rate. Formerly, this responsibility was held by the State Tax Commission. The Joint Committee was required to set the new state Property Tax rate for educational and general purposes. The State Tax Commission was scheduled for termination after 1978. All duties of the Commission not transferred to the Department of Revenue were transferred to the State Board of Tax Appeals. (E - August 9, 1974)

Laws 1975, Chapter 24 extended property Class 5 to include non-profit residential housing facilities providing care or housing to aged or handicapped persons. (EFA - December 31, 1974)

Laws 1976, Chapter 176 established a new property classification (Class 6) composed of real and personal property which is leased or rented solely for residential purposes. Unsecured property within the class was valued by the County Assessors and added to the Unsecured Tax roll. This class of property was assessed at 27% of full cash value. The law authorized a gradual reduction of the assessment ratio according to the following schedule: By statute, 27% through the tax year 1977; 23% for 1978; 21% thereafter. (E - September 23, 1976)

Laws 1977, Chapter 87 provided that the Department of Revenue shall value and tax geothermal resources in the same manner as oil and gas resources. [See Laws 1959, Chapter 40] (E - May 23, 1977)

Laws 1977, Chapter 144 established a seventh class of property, consisting of historic properties to be assessed at 8% of full cash value. (E - August 27, 1977)

Laws 1977, Chapter 152 provided that, for the 1978 tax year, the assessed valuation of all properties was divided by a factor of $1.05 for the purpose of levying a tax rate. For the 1979 tax year, the assessed valuation of all properties was divided by a factor of $1.10 for the purpose of levying a tax rate. A maximum state tax rate of $1.60 per hundred dollars of assessed valuation was also established and a provision was included to prohibit the Joint Legislative Tax Commission from establishing a tax rate that would produce a greater tax levy than the previous year's levy without a roll call vote. (E - August 27, 1977)

Laws 1977, Chapter 172 changed the classification of profit-making nursing care institutions and profit-making residential care institutions from property Class 3 to a new Class 5 (c). (E - January 1, 1978)

Laws 1978, Chapter 14 exempted a dwelling on possessory rights, taxed as secured or unsecured personal property, from distraint, seizure or sale for delinquent taxes as personal property but is subject to procedures for delinquent taxes as real property. (E - September 3, 1978)

Laws 1978, Chapter 211 provided that the 1979 net assessed valuation of all properties within the state be reduced further for tax purposes. In addition to the $1.10 division established in Laws 1977, Chapter 152, a second reduction was made. To accomplish this reduction, the assessed valuation of real property within a class was reduced by the ratio of total state full cash value for all property within the class in 1979 to the total state full cash value of all property within the class in 1978. The resulting valuation could not fall below the 1978 level. This method of valuing property for the 1979 tax year was not used however, because of the effect of Laws 1979, Chapter 153. In addition to this provision, the following changes were made (E - June 14, 1978):

(1) The Joint Legislative Tax Committee was prohibited from setting a tax rate for 1978 that would result in a total tax levy in excess of the previous year's levy reduced by $4,000,000.
(2) The state's Tax Relief Program for residential properties (Class 5) was extended to parcels of property subject to the Lieu Tax on properties located outside of school districts. The formula used to reduce school district tax rates under this program was also modified.
(3) The due date for paying the first installment of property taxes on real and secured personal property was permanently changed to October 1.

Laws 1978, Chapter 213 provided a property tax exemption to widowers comparable to that received by widows. This provision did not become effective until the Constitution was amended in 1980.

Laws 1979, Chapter 97 provided that a multiple-section mobile home permanently affixed to land is taxed as real property rather than personal property when the land is owned by the person owning the mobile home. (EFA - November 30, 1979)

Laws 1979, Chapter 142 reduced the assessment ratio for railroads and private car companies from 60% to 36% for the 1979 tax year.

Laws 1979, Chapter 153 provided a new means of determining the 1979 taxable value of properties that superseded the method prescribed by Laws 1978, Chapter 211. Under the provisions of this law, the 1979 taxable value of properties was determined by dividing the assessed valuation by a factor of $1.15 before applying the tax rate. This law also prohibited the Joint Legislative Tax Committee from setting a tax rate for 1979 that would result in a total tax levy in excess of the 1978 levy reduced by $15,000,000. The formula used to provide property tax relief to residential property owners (Class 5) was again modified. (E - July 21, 1979)

Laws 1980, 2nd Special Session, Chapter 8 made major modifications to the existing state and local property tax systems. The law made the following modifications that affected the <u>state</u> property tax system:

(1) Changed the method of determining the full cash value of utility properties in Class 2. Full cash value is the starting point for determining the taxable value of property. (EFA - December 31, 1979)
(2) Changed the method of determining the <u>taxable</u> value of properties. Formerly, all property taxes were levied on a share of each property's full cash value. Under this provision, taxes levied for primary purposes will be levied on one definition of property value and taxes levied for secondary purposes will be levied on a separate definition of property value. Taxes levied for primary purposes include all property taxes other than taxes levied for secondary purposes. Taxes levied for secondary purposes refers to all property taxes levied for payment of bonds, special district levies and voter-approved overrides. Under this law, mobile homes would have a "limited property value" as well as a full cash value. [See also Laws 1980, 2nd Special Session, Chapter 8, Sections 50 and 92] (EFA - December 31, 1979)
(3) Provided that the assessed value of unsecured property on the 1980 tax roll be divided by $1.15 for purposes of levying a tax rate.
(4) Permanently established a separate class of property (Class 7) for railroads and private car companies. Historic properties were changed to Class 8. (EFA - December 31, 1979)
(5) Lowered the assessment ratios as follows: Class 1 - from 60% to 52%, Class 2 - from 50% to 44%, Class 3 - from 27% to 25%, Class 4 - from 18% to 16%, Class 5 - from 15% to 10%, Class 6 - from 21% to 18%, Class 7 (railroads and private cars) - from 36% to 34%. (EFA - December 31, 1979)
(6) Further reduced the assessment rates for Classes 1 and 2. The assessment ratio for Class 1 was 44% from 1983 to 1985, 36% from 1986 to 1988, 28% from 1989 to 1991 and 25% in subsequent years. The assessment ratio for Class 2 was 38% from 1983 to 1985, 32% from 1986 to 1988, 26% from 1989 to 1991 and 25% in subsequent years. The assessment ratio for railroad properties (Class 7) would be annually set at the average ratio for all commercial and industrial properties in compliance with federal law.
(7) Established a maximum state property tax rate for educational purposes equal to $1.25 per $100 of assessed valuation; this rate for the 1980 property tax year was set at $1.25. Proceeds from this tax were deposited in a separate account within the General Fund. (E - July 3, 1980)
(8) Set the state property tax rate for general purposes at zero for the 1980 property tax year. (E - July 3, 1980)
(9) Established a one-year credit against the state's $1.25 School Tax levy for residential property owners. The credit for each parcel of residential property was to equal 5% of the final tax liability from all property taxes other than taxes levied for payment of bonds, overrides and special district levies. The credit was never effective for unsecured property due to a later law. [See Laws 1980, Chapter 221] (E - July 3, 1980)

(10) Provided that the total amount of taxes levied on each parcel of residential property by all government entities combined (other than taxes levied for secondary purposes) may not exceed 1% of the property's "limited property value." (E - July 3, 1980)

Enactment of these provisions was conditional on the passage of Laws 1980, 2nd Special Session, Chapter 9 and four constitutional amendments that were approved by the voters in a special election held on June 3, 1980.

Laws 1980, 2nd Special Session, Chapter 9 established a new program for providing property tax relief to homeowners. [See Exhibit H] The original Homeowner's Property Tax Relief Program, which was initiated by Laws 1973, Chapter 182, was discontinued. (E - July 3, 1980)

Four constitutional amendments enacted in a special election held on June 3, 1980 modified the widows and veterans property tax exemptions, established comparable property tax exemptions for widowers and disabled persons, and authorized the Legislature to increase the level of property tax exemptions without a constitutional amendment. (E - June 28, 1980)

A separate constitutional amendment enacted in the special election of June 3, 1980 established limitations on the growth of property value used in levying property taxes for primary purposes. [See Laws 1980, 2nd Special Session, Chapter 8] The amendment also provided that the total amount of taxes levied on each parcel of residential property by all government entities combined (other than taxes levied for secondary purposes) may not exceed 1% of the property's "limited property value." (E - June 28, 1980)

Laws 1980, Chapter 220 changed the interest rate on delinquent payments of unsecured personal property taxes. The interest rate was increased from 10% per year to 12% per year. (E - July 31, 1980)

Laws 1980, Chapter 221 clarified the provisions of Laws 1980, 2nd Special Session, Chapter 8. Under this law, Unsecured Property Taxes, other than taxes on mobile homes, were based on the property's full cash value during the 1980 tax year. The "limited property value" remained the basis for taxing mobile homes in 1980. This law also excluded unsecured property from the one-year credit against the state's property tax that was passed by Laws 1980, 2nd Special Session, Chapter 8. (E - April 23, 1980)

NOTE: Four constitutional amendments enacted in a special election held on June 3, 1980 modified the widows and veterans property tax exemptions, established comparable property tax exemptions for widowers and disabled persons and authorized the Legislature to increase the level of property tax exemptions without a constitutional amendment. (E - June 28, 1980)

A separate constitutional amendment enacted in the special election of June 3, 1980 established limitations on the growth of property value used in levying property taxes for primary purposes. [See Laws 1980, 2nd Special Session, Chapter 8 and TAX BASE] The amendment also provided that the total amount of taxes levied on residential property by all government entities combined (other than taxes levied for secondary purposes) may not exceed 1% of the property's "limited property value." [See RESIDENTIAL TAX LIMITATION] (E - June 28, 1980)

Laws 1981, Chapter 25 changed the basis for determining the portion of full cash value of flight property that is allocated to Arizona for tax purposes. (EFA - December 31, 1980)

Laws 1981, Chapter 124 repealed the separate tax on express companies that was originally enacted by Laws 1912, Chapter 54. (E - July 25, 1981)

Laws 1981, Chapter 146 increased the interest rate on delinquent payments of real property taxes from 10% per year to 12% per year. (Effective for Property Taxes Delinquent on and After October 1, 1981)

Laws 1981, Chapter 291 reduced the state Property Tax rate for educational purposes to $.95 per $100 of assessed valuation. The state Property Tax rate for general purposes was set at zero for the 1981 tax year. The formula for providing property tax relief to homeowners was also changed. [See Exhibit H] (E - July 25, 1981)

Laws 1982, Chapter 21 allowed an increase of 20% in the level of income and property valuation that a widow, widower, veteran or disabled person may have and still be eligible for a property tax exemption. The bill also provided for a 20% increase in the amount of the exemption granted to qualifying taxpayers. (E - March 31, 1982)

Laws 1982, Chapter 156 reduced the assessment ratio on historic property from 8% to 5% beginning with tax year 1983. (E - July 24, 1982)

Laws 1982, Chapter 164 reduced the state Property Tax rate for educational purposes to $.75 per $100 of assessed valuation. The state Property Tax rate for general purposes was set at zero for the 1982 tax year. The formula for providing property tax relief to homeowners was also changed. (E - July 24, 1982)

Laws 1982, Chapter 228 reduced the assessment ratio for Class 1 properties (flight property, mines and timber) beyond the level established by Laws 1980, 2nd Special Session, Chapter 8. Under this law, the assessment ratio for Class 1 properties was reduced to 38% beginning in tax year 1983. The Class 2 assessment ratio would already be 38% in 1983 under Laws 1980, 2nd Special Session, Chapter 8. After 1983, the assessment ratios for Class 1 and 2 properties were reduced two percentage points each year through 1989. For 1990, and all subsequent years, the assessment ratios for Class 1 and 2 properties were set at 25%. [See Tax Base]

Laws 1982, Chapter 232 established uniform provision for determining the full cash value of shopping centers. Shopping centers are included in property Class 3. Under the provisions of this law, County Assessors must value shopping centers by the "replacement cost less depreciation" method, except in certain cases specified within the law. (E - April 24, 1982)

Laws 1982, Chapter 301 established a Property Tax exemption for 50% of the value of real and personal property located within a designated urban development area. The exemption established by this law was available for a maximum of five years after the property had initially qualified as urban development property. Enactment of these provisions was conditional on the passage of a constitutional amendment, which subsequently, was rejected by the voters on November 2, 1982.

Laws 1983, Chapter 4 changed the interest rate on delinquent tax payments to equal the rate of interest established by Section 6621 of the Internal Revenue Code, compounded annually. (E - February 11, 1983)

Laws 1983, Chapter 35 changed flight property from property Class 1 (with mines and standing timber) to property Class 7 (with railroads and private car companies) to comply with federal law. Since the assessment ratio for Class 7 properties is lower than the assessment ratio for Class 1 properties, this effectively reduced the tax on flight property. (E - April 1, 1983)

Laws 1983, Chapter 62 set the state Property Tax rate for educational purposes at $.75 per $100 of assessed valuation for the 1983 tax year. The state Property Tax rate for general purposes was set at zero for the same period. The formula for providing property tax relief to homeowners was also changed. (E - July 27, 1983)

Laws 1983, Chapter 183 changed the interest rate on delinquent tax payments to 16% simple interest when the tax was payable to the County Assessors. (Effective Retroactively to all Taxes which are or become Delinquent on or After November 1, 1983)

Laws 1983, Chapter 313 authorized taxpayers to make voluntary payments in lieu of taxes when they are not required to pay their property taxes pursuant to a court injunction. The provisions of this law were only applicable for the 1982 and 1983 tax years. (E - May 4, 1983)

Laws 1984, Chapter 23 created a ninth property tax classification for scenic and historic railroad property. Such property will be assessed at a percentage of its full cash value equal to one-half of the percentage determined for Class 7 property. Class 7 property assessment is determined annually by the Department of Revenue. A.R.S. § 42-227 details the formulation of Class 7 property assessment ratio.

Laws 1984, Chapter 45 requires County Assessors to give notice of property valuation to property owners by February 1 of each year. Taxpayers must file written petitions appealing the Assessor's valuation by February 25. If

notice of valuation is not postmarked by February 1, the appeal petition must be filed within 25 days of the date the Assessor mailed the notice.

Laws 1984, Chapter 317 established delinquency dates for payment of Real Property Taxes. For taxes due on real property in excess of $10, one-half of the amount due is delinquent after November 1, and the remaining half is delinquent after the following May 1.

Laws 1984, Chapter 371 imposed new verification requirements for Class 5 property. The Department of Revenue will notify taxpayers who own land parcels previously listed as Class 5 property to request verification as to the property's occupance (owner-occupied versus rental). A civil penalty is imposed upon nonrespondents. Taxpayers who are subsequently notified of a classification change will be assessed a civil penalty equal to twice the amount of taxes that would have been levied against Class 6 property in the preceding tax year.

Laws 1984, Chapter 371 changed the assessment ratio for Class 6 property as follows:

(1) Tax Year 1984 –8%
(2) Tax Year 1985 –17%
(3) Tax Year 1986 –16%
(4) Tax Year 1987 –15%
(5) Tax Year 1988 and thereafter –14%

Laws 1984, Chapter 371 reduced the maximum state rate of taxation for educational purposes for tax year 1984 to $.40 per $100 of assessed valuation.

Laws 1984, Chapter 177 provided a Property Tax exemption for property owned by a non-profit organization and used by the state or a political subdivision during the entire taxable year exclusively for a governmental activity.

Laws 1984, Chapter 212 required taxpayers claiming a Property Tax exemption to file an affidavit or furnish other evidence proving entitlement thereto between the first Monday in January and May 1 for each year an exemption is claimed. Churches must file between the first Monday in January and April 10. Failure to file within the prescribed time periods is deemed a waiver of the exemption.

Laws 1985, Chapter 56 prescribed the deadline and the manner for appealing property valuations by the Department of Revenue to the Board of Tax Appeals. Taxpayers must appeal valuation notices by filing a petition with the Board by the later of:

(1) the fourth Monday in June, or
(2) 15 days after the Department mails the valuation decision to the property owner

Laws 1985, Chapter 201 provided that feeder livestock held for fattening before sale or slaughter, range livestock, and dairy cattle be listed on the tax roll and valued by December 31 annually. Valuation will be based on the average value for the preceding twelve months. (E - April 26, 1985)

Laws 1985, Chapter 264 provided for taxation of possessory interests in government property as unsecured personal property, and allowed certain exemptions to this taxation. In addition, special tax treatment was given to possessory interests in property located in certain redevelopment areas. (EFA - December 31, 1985)

Laws 1985, Chapter 317 clarified the classification of telecommunication companies by treating all long-distance phone companies as Class 2 properties for property tax purposes. (E - May 10, 1985)

Laws 1985, Chapter 366 provided for the uniform valuation of golf courses beginning in 1987. The state property tax rate for educational purposes was continued at $0.40 per $100 of assessed valuation while the general purposes rate was set at zero. (EFA - June 30, 1986)

Laws 1986, Chapter 76 permitted agents to represent taxpayers before the County Assessors and Board of Equalization for review of property valuation. (E - August 13, 1986)

Laws 1986, Chapter 109 established a Personal Property Elimination Study Commission and an Assessment Advisory Committee to evaluate the impacts of eliminating the taxation of personal property. A final report was due by December 31, 1987. This enactment was repealed from and after March 31, 1988. (E - August 13, 1986)

Laws 1986, Chapter 133 removed property of member-owned rural electric cooperatives from valuation based on the statutory utility formula, thus subjecting it to valuation according to standard or fair market procedures instead. (RTYBFA - December 31, 1985)

Laws 1986, Chapter 146 provided authority for a city or town which purchases remote municipal property to make voluntary contributions of money in lieu of property taxes to the state, county, school districts, community college district, or any other special tax district in which such property is located. (E - April 18, 1986)

Laws 1986, Chapter 199 authorized the Department of Revenue to biennially examine and compare the property valuations in the state, and to equalize those valuations found inequitable between or within counties, classes or classifications. Any equalization order issued by the Department must be made no later than May 1 for implementation in the tax year following the year of issuance. Any such order is subject to appeal by the affected taxpayer or County Assessor within 30 days of issuance. Then, the State Board of Tax Appeals is required to hold a review hearing within 30 days of such an appeal. An appeal may eventually be taken to the Superior Court. (E - August 13, 1986)

Laws 1986, Chapter 216 allowed a taxpayer to appeal for reclassification of Class 6 property (residential rental) as Class 5 property (owner-occupied residential) if the taxpayer rents the property to a natural or adopted sibling. (E - August 13, 1986)

Laws 1986, Chapter 222 authorized the Department of Revenue to conduct property valuation sales-ratio studies. This law prescribed limitations, conditions and procedures in using such studies for property valuation. (E - August 13, 1986)

Laws 1986, Chapter 243 prescribed that real and personal property of telecommunications companies used to provide local telecommunication services be valued and assessed as Class 2 (utilities) property; whereas, those properties not servicing such purposes are Class 3 (commercial and industrial) property. "Local telecommunication services" does not include domestic public cellular radio telecommunication services, thus allowing it to be classified as Class 3 property. (RTYBFA - December 31, 1985)

Laws 1986, Chapter 342 increased qualifying assessment limits and exemption amounts for the Property Tax exemptions granted widows, widowers, veterans, and disabled persons. Also, the definition of qualifying income was modified to include certain retirement system payments. This emergency legislation was effective May 9, 1986. The new limits and exemptions are detailed as follows:

Assessed Valuation	Exemption
$5,460 or less	$2,340
6,240 or less	1,560
7,020 or less	780
7,800 or less	390
7,800 or more	-0-

Laws 1986, Chapter 377 set the state Property Tax rate for education purposes for tax year 1986 at zero, while the rate for general purposes was set at $.38 per $100 of assessed valuation. (E - August 13, 1986)

Laws 1986, Chapter 392 allowed certain school districts which voluntarily sends its pupils to another school district to separately budget for the bond issues portion of the tuition charged to the district. This amount was exempted from the revenue control limit and excluded the Primary Property Tax rate set to fund this amount from the computation of additional state aid for education. (E - August 13, 1986)

Laws 1986, Chapter 419 extended the incremental 1% annual reduction in the assessment ratio for Class 6 (residential rental) property through tax year 1992. Also, the renter's income tax credit for property taxes paid is phased out by 1992. This credit is repealed from and after December 31, 1992. These provisions were effective on August 13, 1986. A separate provision provided for the correction and refund of taxes on owner-occupied property improperly classified as residential rental property for the 1985 tax year. This was effective retroactively from and after January 1, 1985. The changes were as follows:

Tax Year	Class Six Assessment Ratio	Maximum Renter's Credit
1986	16%	$100
1987	15	100
1988	14	85
1989	13	70
1990	12	55
1991	11	40
1992 and thereafter	10	-0-

Laws 1987, Chapter 33 excluded the value of any vehicle subject to the Motor Vehicle In-Lieu Tax when determining the amount of qualifying assessment for property tax exemptions given to Arizona veterans, widows, widowers, and disabled persons. (E - August 18, 1987)

Laws 1987, Chapter 98 required the Department or Revenue to provide a space to indicate an inventory exemption on its Personal Property Tax Reporting Forms. Allowed the Director to require additional proof of the inventory exemption claim. Stipulated that failure to provide requested proof, or failure to claim the exemption waives the exemption. (E -August 18, 1987)

Laws 1987, Chapter 105 established a 5-member advisory committee of property tax assessment to meet at least annually to discuss and review definitions and guidelines about the status of property and residual value percentages. Allowed the Committee to recommend guideline and definitional changes to the Department. Disallowed compensation for members, however, allowed the legislators on the Committee to be reimbursed for expenses. (E - August 18, 1987)

Laws 1987, Chapter 191 required the County Treasurer to refund any property taxes paid by churches, charities, educational institutions, and humane societies for tax years 1985 and 1986. Statutorily allowed a qualified non-profit organization that submits a petition for property tax exemption after the statutory deadline to have it redeemed by the County Board of Supervisors, but no taxes due and payable before submitting the petition will be refunded or abated. (E - April 29, 1987)

Laws 1987, Chapter 204 established a Property Tax Oversight Commission and defined the powers and duties of the Commission. Allowed the Department of Revenue to report to the Property Tax Oversight Commission the accuracy of valuations of levy limits for county, city, town, and community college districts reported in prior years. Also, redefined the formula for determining the limit of Primary Property Taxes that can be levied on the above districts. (E - January 1, 1988)

Laws 1987, Chapter 248 classified certain licensed child day care centers or groups as residential rental property (Class 6) and provided for the continuance of non-profit residential housing facilities and licensed residential or nursing care institutions for the handicapped or elderly as residential property (Class 5) until tax year 1992. At this time, they will be reclassified as residential rental property (Class 6) for property tax purposes. Also, this bill

eliminated Class 9 (scenic or historic railroad property) as a separate property classification. (ETYBFA - January 1, 1988)

Laws 1987, Chapter 268 provided that remote property of a city or town used to acquire water is considered taxable property for determining the state sales tax distribution to counties and the levy limit of those counties that pay certain voluntary contributions in lieu of property taxes. (E - August 18, 1987)

Laws 1987, Chapter 306 exempted the administrative and office buildings located in a university research park used solely for research and development activities from the tax on possessory interests. (E - May 14, 1987)

Laws 1987, Chapter 308 exempted from property tax the property held by a qualified charitable organization if held for transfer to the state or a political subdivision for use as parkland, provided no rent or valuable consideration is received by the charity. If this property is transferred to an entity other than the state, the charity is liable for all taxes, interest, and penalties normally due. (E - May 16, 1987)

Laws 1987, Chapter 340 exempted from property tax the property under a lease-purchase agreement in which the state or a political subdivision is the lessee-purchaser. Required this property be used by the state or political subdivision during the entire taxable year solely for governmental activity. (EFA - December 31, 1986)

Laws 1988, Chapter 157 exempted leases on vacant land located at airports owned on or before January 1, 1988 by cities or counties in all counties whose population is 400,000 persons or less from taxation of possessory interests. This effectively excluded Maricopa and Pima Counties. (E - September 30, 1988)

Laws 1988, Chapter 162 moved the real property valuation notification date from February 1 to January 1 and allowed 31 days to file an appeal instead of the previous 25 days. Changed the deadline for valuation appeal decisions by the County Board of Equalization from May 20 to May 10. An appeal filed using the income approach must include the most recent three consecutive fiscal years of income and expense data. (E - September 30, 1988)

Laws 1988, Chapter 208 provided that beginning with tax year 1989, a mobile home not filed as permanently affixed to real property will be assess as unsecured personal property at a rate of $0.50 per $100 of assessed valuation. Revenues collected will be distributed to the Mobile Home Relocation Fund. Starting January 1, 1991, if fund balance exceeds $5 million the assessments are waived, but are reassessed if at a fiscal year end the fund balance is under $3 million.

Laws 1988, Chapter 271 was the Omnibus Revenue Bill for FY 1989. The following provisions apply to the property tax:

(1) Property tax assessment ratios for Class 1, 2, and 6 were frozen at their 1987 levels of 30%, 30%, and 15% respectively for tax years 1988 and 1989.
(2) State 1988 Property Tax rate for educational purposes was raised from $.38 to $.47 per $100 of assessed valuation and continued at zero for general purposes. (RTYBFA - December 31, 1987)
(3) Included Salt River Project property in the basic state aid calculation, thereby reducing state aid to school districts where SRP property is located. (E - July 1, 1988)
(4) Limited the homeowner's rebate to a maximum of $500. Any reduction in excess of $500 from reducing the Property Tax rate by a school district will be deducted from the amount of additional state aid for education. (RTYBFA - December 31, 1987)
(5) Imposed a Property Tax on unorganized school districts. The qualifying tax rate imposed on residential property was phased-in starting with $.50 per $100 of assessed valuation in 1988 and raised at $.50 increments each year until 1997 when it will equal $4.72. (RTYBFA - December 31, 1987)

Laws 1988, Chapter 330 established a tax court division within the Maricopa County Superior Court. Also provided small claims procedures for cases involving a tax amount of less than $5,000 or owner-occupied residential property tax valuations not exceeding $100,000. (E - September 30, 1988)

Laws 1988, Chapter 344 exempted from Property Tax the property of non-profit volunteer Fire Departments if used exclusively for fire suppression and prevention. (E - September 30, 1988)

Laws 1989, Chapter 11 made adjustments and changes to the Property Tax Oversight Commission (PTOC). Among other changes, it established an October 1 deadline for political subdivisions to request an appeal hearing. (E - September 15, 1989)

Laws 1989, Chapter 33 established a new method for computing the full cash value of certain pipeline properties. (RFA - December 31, 1988)

Laws 1989, Chapter 61 provided a new framework for defining agricultural land for property taxation purposes based on such factors as historical primary usage, reasonable expectations of operating profits, and the operation and management of the parcels. (E - September 15, 1989)

Laws 1989, Chapter 64 included Class 4 (agricultural and vacant land) personal property into the current formula to calculate Class 7 (flight property, railroads and private cars) assessment ratios. (E - September 15, 1989)

Laws 1989, Chapter 111 clarified the eligibility of owner-occupants of a cooperative apartment corporation for the homeowner's rebate. The formula assures that only owner-occupants receive the rebate which is limited to $500 for each owner-occupied housing unit. (RTYBFA - December 31, 1987)

Laws 1989, Chapter 116 provided for refund and forgiveness of property taxes paid or owed by tax-exempt churches for tax year 1988.

Laws 1989, Chapter 202 allowed property tax exemptions for the following: (E - September 15, 1989)

(1) Certain charitable organizations that preserve and protect scientific, biological, geological, paleontological, natural, or archaeological resources.
(2) Voluntary nonprofit organizations used exclusively for road clean-up and beautification.
(3) Qualified nonprofit musical, dramatic and dance groups, botanical gardens, museums, and zoos.

Laws 1989, Chapter 259 redefined "full cash value" for property tax purposes as that value prescribed by statute; otherwise, in absence of any statutory method it is synonymous with market value. (E - September 15, 1989)

Laws 1989, Chapter 312 was the General Revenue Act for FY 1990. The following provisions apply to the property tax:

(1) Required local school districts not receiving state aid to levy a minimum primary tax rate equal to 25% of the qualifying tax rate (QTR). The QTR is $4.72 per $100 of net assessed valuation for unified school districts and $2.36 for elementary or high school districts. (EPA - June 30, 1989)
(2) Set the state Property Tax rate for educational purposes at the current rate of $.47 per $100 of assessed valuation. The tax rate for general purposes remains at zero. (E - September 15, 1989)
(3) Established a Property Tax rate of one-half the QTR on unified school districts ($4.72) on property located in unorganized school districts. Residential property located in these districts is now eligible for the homeowner's rebate. (EFA - June 30, 1989)

Laws 1989, 1st Special Session, Chapter 3 allowed the Commerce and Economic Development Commission to enter into certain real property leases of state-owned lands which qualify for a possessory interest tax exemption. Provided a five-year possessory interest tax exemption on real property leases for construction or remodeling of a semiconductor wafer manufacturing facility if construction starts by December 31, 1990. Unfortunately, the U.S. memories consortium which this bill was designed for has since dissolved.

Laws 1990, Chapter 2 extended the period for a Superior Court hearing of a property tax appeal from 180 to 270 days. (E - March 14, 1990)

Laws 1990, Chapter 45 exempted a church from filing subsequent annual affidavits provided church submits evidence of its tax-exempt status under Internal Revenue Code section 501(c)(3). The exemption is voided when there is conveyance of property to a new owner or property is no longer used for worship. Also, provided a refund

or forgiveness of property taxes for certain church properties otherwise exempt from taxation. (E - September 27, 1990)

Laws 1990, Chapter 51 prescribed June 1 of each year as the earliest any person can pay subsequent taxes, accrued interest, and related fees due on real property sold for back taxes. Person must present a certificate to the county treasurer who will endorse the amount paid and date of payment. (E - September 27, 1990)

Laws 1990, Chapter 54 repealed the statutory property tax exemptions enacted in Laws 1989, 1st Special Session, Chapter 3 to attract U.S. memories to Arizona. (E - September 27, 1990)

Laws 1990, Chapter 93 expanded the definition of possessory interests to include the possession of personal property. Allowed for the taxation of possessory interests in government personal property as unsecured personal property. (E - September 27, 1990)

Laws 1990, Chapter 103 prescribed certain commodities traded on a commodities futures market as exempt from Transaction Privilege, Use, and Property Taxes. The commodity must be consigned for resale in a warehouse in Arizona in which it is deliverable on a future contract. (E - April 23, 1990)

Laws 1990, Chapter 199 increased the maximum allowable tax from $.45 to $.75 per $100 of assessed valuation on real property within health service districts for operational purposes. (E - September 27, 1990)

Laws 1990, Chapter 243 specified tax lien sales on real property are to be held in February and that the interest rate for redemption purposes will begin accruing from February 1. (E - September 27, 1990)

Laws 1990, Chapter 317 prescribed the method of valuation for all real and personal property used for local telecommunication services as follows (E - June 20, 1990):

(1) Divide total local network service revenues by total operating revenues, using definitions specified by the Federal Communications Commission.
(2) Then multiply the ratio computed in #1 above by the total full cash value of each telecommunication company's property.

Laws 1990, Chapter 412 exempted animal and poultry feed, including salts, vitamins, and other additives from real and secured personal property taxation. (E - September 27, 1990)

Laws 1990, 3rd Special Session, Chapter 3 was the state's Tax Reform Act of 1990. The following provisions affected property taxation:

(1) In determining the funding for state equalization assistance, the minimum school district tax rate was raised from 25% of the qualifying tax rate (QTR) to 65% of the QTR and is applicable only to Class 1, 2, and Salt River Project (SRP) property located in school districts not eligible to receive equalization assistance. Previously, the minimum school tax rate had applied to all property classes. Furthermore, in tax year 1991, the rate will increase to 75% of the QTR and in tax year 1992 and thereafter, the rate will be 85% of the QTR. (ERTYBFA - December 31, 1989)
(2) Assessment ratios for Class 1 and 2 (mines and utilities) were frozen at 30% for tax year 1990 and thereafter. The assessment ratio had been scheduled to drop to 25% in 1990. Also, the assessment ratio for Class 6 (residential rental) property was frozen at 15% in 1988, but dropped to 14% in 1990, and will continued to drop to 13% in 1991 and to 12% in 1992 and thereafter.
(3) For fiscal years 1991 and 1992, $10 million of property tax relief in each fiscal year was provided for counties whose primary tax rate is higher than average for all counties. Such counties will receive a portion of the $10 million to lower their primary tax rate but not below the state average. The source of the $10 million will be from the state General Fund share of the Distribution Base of the Transaction Privilege Tax payable in two installments on November 1 and May 1 of each fiscal year.
(4) The homeowner's property tax rebate will be phased out over ten years by reducing the percentage used in determining the rebate from 56% to 50% of school district primary property tax rate in tax year 1990 and decreasing by 5 percentage points per year thereafter. The percentage will reach zero in the year 2000, but

the Homeowner Property Tax Reduction Program will remain in effect due to the constitutional 1% limit on homeowners' property tax.

(5) The state property tax rate for educational purposes was set at the rate of $.47 per $100 of assessed value in tax year 1990. The rate for general purposes remained at zero. For tax year 1990 only, the first installment of real and secured personal property taxes was moved back from October 1 to October 15 and the delinquency date set at November 15, instead of November 1.

Laws 1991, Chapter 6 allowed a county board of supervisors, for tax year 1990 only, by majority vote, to extend the delinquency date or the effective penalty date for the first installment of real and secured personal property tax; however, neither date may be extended beyond 5 p.m. January 31, 1991. (ER - September 27, 1991)

Laws 1991, Chapter 18 changed the penalty amounts on private car companies, railroad, and telecommunication companies for failing or refusing to file a timely annual informational statement prescribed by the Department of Revenue (DOR) for tax assessment purposes. The previous penalty was $500 and $100 for each day the company fails to file the required statement. Now the penalty is the lesser of one-half of 1% of the estimated value by DOR or $100 for each day the company fails to file the required statement. This penalty calculation becomes the standard for all industries whose property is valued by DOR. (E - September 21, 1991)

Laws 1991, Chapter 54 included the land used in processing grapes for marketing into the agricultural property classification (Class 4) for property tax purposes. This property was previously designated as Class 3 property. (E - September 21, 1991)

Laws 1991, Chapter 77 established into statute real property improvements and personal property owned and controlled by a nonprofit organization exempt under A.R.S. § 43-104 as Class 4 property, which is agricultural property. (E - September 21, 1991)

Laws 1991, Chapter 134 phased down the assessment ratio for residential rental and day care (Class 6) property from 12% to 11% in 1993 and 10% in 1994 and thereafter. (E - September 21, 1991)

Laws 1991, Chapter 162 established an income approach for valuation of feeder livestock using 1990 as a base year and adjusting those values yearly based on the difference between average annual percentage changes in beef cattle price index and the beef cattle prices paid index for the previous five years. Also, a new Class 9 property classification was created for personal property consisting of livestock, poultry, aquatic animals, and bee colonies. This Class 9 property will be assessed at 8% of its full cash value. (RTYBFA - December 31, 1990)

Laws 1991, Chapter 169 replaced the word church with "nonprofit organization owning property used primarily for religious worship" for property tax purposes. Provided for the refund or forgiveness of taxes paid on church property for tax year 1990. Authority to grant such refunds was given to the county board of supervisors. Refund claims must be submitted within 60 days after the effective date. (E - September 21, 1991)

Laws 1991, Chapter 182 clarified the classification of property for partially completed or vacant improvements. Also, this bill requires property owners to file a notice to the assessor when vacant land has been improved and the requirements, as set forth in this bill, are completed for reclassification of the property. This act applied retroactively to tax years beginning from and after December 31, 1985. (E - June 3, 1991)

Laws 1991, Chapter 196 prohibited the distribution of any refunds of taxes imposed by a law that was declared invalid by a final court judgement until the Legislature makes a specific appropriation for that purpose. State funds to counties for such invalid taxes collected are also subject to this provision. (E - September 21, 1991)

Laws 1991, Chapter 198 allowed County Assessors to approve the agricultural classification of property on approval by DOR even if the property (1) has fewer than the number of acres or animal units and has historically been used for grazing or (2) been in commercial agricultural production for less than the prescribed time period. To facilitate the change, the County Assessor will provide the notice of agricultural classification by December 1, 1991 for the 1992 tax year. (E - June 4, 1991)

Laws 1991, Chapter 203 authorized the County Treasurer to refund any erroneously paid taxes on residential property that was demolished but not removed from the tax roll. The taxpayer must submit a claim for refund within 60 days after the effective date of this act. The County Treasurer shall pay the refund 30 days after submission of the claim. (E - September 21, 1991)

Laws 1991, Chapter 221 subjected property held by the state retirement systems to either a possessory interest tax or voluntary contributions in lieu of paying property taxes. These are properties that are not used the entire year solely for governmental activities and that are acquired either by foreclosure of an authorized investment or for purposes of producing income for the retirement system or plan. If the system or plan pays a voluntary contribution, this bill authorizes the County Assessor to determine the full cash value and to compute the contribution amount. One-half of the amount is paid by the first Monday in November and the other one-half by the first Monday in May of the next year. (E - September 21, 1991)

Laws 1991, Chapter 226 required that all unpaid property taxes on a condemned property are withheld from the condemnation proceeds and paid to the county treasurer before issuance of a final condemnation order by the court. (E -September 21, 1991)

Laws 1991, Chapter 240 set the 1991 state property Tax rate for education purposes at $.47 per $100 of assessed valuation. The tax rate for general purposes remained at zero for 1991. (E - September 21, 1991)

Laws 1991, Chapter 302 exempted from possessory interest taxation the interests in United States "contractor-acquired" or "government-furnished" property defined under federal acquisition regulations. The property must be owned by, leased to, or acquired by the government, to the extent of being used for performing a government contract. (RTYBFA -December 31, 1989)

Laws 1991, Chapter 303 made several technical, non-substantive changes to Laws 1991, Chapter 182 (S.B. 1370). (E -June 28, 1991)

Laws 1991, Chapter 305 classified the real and secured personal property in an "activated" foreign trade zone or subzone as Class 8 property. (E - September 21, 1991)

Laws 1991, 4th Special Session, Chapter 4 was one of four acts that implemented an AHCCCS Disproportionate Share Program which is subject to federal approval. Beginning after the effective date of this act, $39,719,400 and $7,777,800 in state Transaction Privilege Tax revenue-sharing will be withheld from Maricopa and Pima counties, respectively. The first $26,554,050 shall be deposited in the state General Fund to reimburse the state General Fund for spending $51,708,100 in FY 1992, while the remainder is reserved for FY 1993. Another provision required Maricopa and Pima counties to pay the state's portion of the Homeowner's Property Tax Rebate to school districts in their respective counties up to the same amounts withheld from their Transaction Privilege Tax distributions as stated above. Likewise, the first $26,554,050 in savings will reimburse the state General Fund for spending in FY 1992 and the remainder is reserved for FY 1993. The net FY 1992 benefit to the state General Fund of $5 million will help balance the budget for FY 1992. This act was conditional on the enactment of House Bill 2004, 40th Legislature, 4th Special Session, Chapter 3. (E - March 16, 1992)

Laws 1991, 4th Special Session, Chapter 6 extended through FY 1994 the $10 million county property tax relief implemented by the Tax Reform Act of 1990. In FY 1993 the monies shall be distributed from the FY 1993 holding fund which was created as part of the Disproportionate Share Program; however, for FY 1994 the monies will be distributed from the state's portion of Transaction Privilege Tax revenues. This act was conditional on the enactment of House Bill 2006, 40th Legislature, 4th Special Session, Chapter 4. (E -March 16, 1992)

Laws 1992, Chapter 5 allowed a widow or widower who is exempt from property taxation and failed to file a waiver in the prescribed time to submit a petition for the property tax exemption after the statutory deadline. (E - September 30, 1992)

Laws 1992, Chapter 31 allowed the owner's designated agent to file the agricultural use application and to appeal the classification of property used for agricultural property. (E - September 30, 1992)

Laws 1992, Chapter 41 modified the allocation formula by designating the valuation of local telecommunication property as commercial (Class 3) property rather than utilities (Class 2) property. The bill excluded cellular mobile service revenues from this calculation and clarified that the allocation ratio calculated is multiplied by the full cash value of all telecommunication property in the state in order to determine the valuation for property tax purposes. (E - April 22, 1992)

Laws 1992, Chapter 51 made numerous changes in the Property Tax valuation of pipelines. Major revisions were as follows (ERTYBFA - December 31, 1991):

(1) If the value change factor does not apply, then the preliminary system value is the system net book value of plant in service as of December 31 immediately preceding the current tax year.
(2) Included noncapitalized leased operating property in computing the allocation factor.
(3) Defined "major plant addition or retirement" as one which occurred in the year preceding the current tax year that resulted in an increase or decrease of at least 20% of the original plant costs.
(4) Eliminated the maximum and minimum parameters of the value change factor. Also, provided that if the asset change factor does not apply, then the value change factor does not apply.
(5) Redefined "base value" for new property and required that the change in earnings before interest and taxes (EBIT) reflects major plant additions or retirements.

Laws 1992, Chapter 290 was 1 of 7 "Omnibus Reconciliation Bills" necessary to implement the General Appropriations Act for FY 1993. This bill continued the state Property Tax rate for education purposes at $.47 per $100 of assessed valuation for 1992. The tax rate for general purposes remained at zero for 1992. (E - September 30, 1992)

Laws 1992, Chapter 295 established a defense contractor restructuring program to assist Arizona-based qualified defense contractors to attract new Department of Defense contracts, diversify commercially, consolidate facilities into the state, and adopt new technologies. The tax incentives are as follows (Also see Page 3):

(1) Qualified Defense Contractors: (ETYBFA - June 30, 1993)
- Amortization of one-half the federal time period of capital investment in solely private commercial activity.
- A declining five-year nonrefundable income tax credit for net defense employment increases or net private commercial employment increases, but not both.
- A nonrefundable income tax credit of up to 40% of the portion of property taxes paid during the taxable year.

(2) Military Reuse Zone:
- A progressive five-year nonrefundable income tax credit for net aviation-related manufacturing employment gains for business located in a military reuse zone. (ETYBFA - June 30, 1993)
- A Class 8 commercial and industrial property established for property located in a military reuse zone and for aviation-related manufacturing. The assessment ratio will be 5% of full cash value. This is effective beginning in tax year 1993.
- A Transaction Privilege Tax exemption for military reuse zone construction contracts entered into within five 5 years of the zone's establishment with an aviation or aerospace company. (E - September 30, 1992)

Laws 1992, Chapter 344 provided that the personal property of persons who own at least $200 of real property and who refused or fails to state the parcel number of the real property shall be listed and valued as unsecured by the County Assessor. (E - September 30, 1992)

Laws 1992, Chapter 347 established that sewer and wastewater properties be valued as centrally assessed property by the Department of Revenue. (E - July 13, 1992)

Laws 1992, Chapter 348 deleted the requirement for a person to exhaust the administrative appeals process before appealing a property valuation or classification to the Superior Court. However, an appeal to the Superior Court must be filed within 60 days of the mailing of the most recent administrative decision, but not later than November 1st of each year. (E - July 13, 1992)

Law 1992, Chapter 350 established commercial and non-commercial historic property classifications as follows (E - September 30, 1992):

(1) Non-commercial historic property remains the same as the previous historic property classification which required real property be listed in the National Register of Historic Places and meeting the minimum standards of maintenance of the State Parks Board. No enterprise can be conducted on the property with the intent of earning a profit.
(2) Commercial historic property meets the same criteria as Class 3 (commercial and industrial) or Class 6 (residential rental) property, but also is listed in the National Register of Historic Places and meets the minimum maintenance standards.
(3) Non-commercial historic property continues to be classified as Class 8 property and assessed at 5% of its full cash value.
(4) Commercial historic property meeting the Class 3 and Class 6 criteria shall be classified as Class 9 and Class 10 property, respectively, and assessed at the same respective ratio of the corresponding property classification, except that all but 1% of the value of approved modifications is deducted from the assessed value.
(5) Classification as Class 9 or 10 property can be granted for only ten consecutive years after the year of application. The County Assessor can value such property using the market or cost approach.

Laws 1993, 2nd Special Session, Chapter 9 was 1 of 6 "Omnibus Reconciliation Bills" necessary to implement the General Appropriations Act for FY 94. The bill accelerates the depreciation factors for Class 3 (commercial and industrial property) personal property initially assessed during tax year 1994, 1995 or 1996:

(1) For the first tax year of assessment, the Assessor shall use 40% of the scheduled depreciated value.
(2) For the second tax year of assessment, the Assessor shall use 56% of the scheduled depreciated value.
(3) For the third tax year of assessment, the Assessor shall use 72% of the scheduled depreciated value.
(4) For the fourth tax year of assessment, the Assessor shall use 88% of the scheduled depreciated value.
(5) For the fifth and subsequent years, the existing depreciation schedule would be resumed.

This accelerated depreciation schedule is repealed from and after December 31, 2000. (E - June 15, 1993)

The bill also stated the County Assessor shall not value or assess secured or unsecured personal property construction work in progress or place secured or unsecured personal property construction work in progress on the tax roll until the construction work has progressed to a sufficient degree for it to be useful for the purpose for which it is being constructed. Centrally assessed construction work in progress is currently valued at 50% and is not affected by this proposal. (EFA - December 31, 1993)

Law 1993, Chapter 3 continued the state Property Tax rate for education purposes at 47¢ per $100 of assessed valuation for tax year 1993. The State Tax rate for general purposes remained at zero for tax year 1993. (E - July 17, 1993)

Laws 1993, Chapter 20 provided for disabled persons who are currently exempt from property taxes but submitted their exemption petition after the March 1 deadline to have the waiver redeemed by the county board of supervisors at any regular meeting. However, in no case shall any taxes due and payable prior to submission of the petition be refunded or abated. (E - July 17, 1993)

Laws 1993, Chapter 62 stipulated that the County Recorder shall refuse to record any deed and any contract relating to the sale of real property unless a complete affidavit is appended. (E - July 17, 1993)

Laws 1993, Chapter 78 prescribed that if the Department of Revenue (DOR) values property, then DOR and the Attorney General's Office will be responsible for defending the properties valuation in an appeal. The county that values and assesses property which is subject to an appeal is responsible for defending the appeal unless:

(1) DOR determines that the issue is of statewide importance;

(2) DOR disapproves a change in valuation or assessment submitted by the county and the county does not appeal or is unsuccessful in its appeal of the disapproval.

In the above circumstances, DOR and the Attorney General's Office are responsible for defending the appeal. (E - July 17, 1993)

Laws 1993, Chapter 79 expanded the Property Tax exemption for church property to include any property or buildings used or held primarily for religious worship whether or not they are appurtenant to the church. The bill also provides for refunds for taxes erroneously paid on such property by churches during tax years 1984 through 1992. Also, the bill authorizes refunds or forgiveness of taxes paid on historical society property during tax years 1988 through 1992. (E -July 17, 1993)

Laws 1993, Chapter 87 established a ten-member study committee on property tax valuation and appeals to:

(1) Examine and analyze alternative valuation methods and calendars.
(2) Examine and analyze the role and interaction of the various entities involved in Property Tax valuations and the administrative appeals process.
(3) Examine and analyze the relationship between full cash values and market values.

The act is repealed from and after December 31, 1993. (E - April 12, 1993)

Laws 1993, Chapter 92 allowed property owners not satisfied with the valuation of their property by the Department of Revenue to appeal directly to the tax court rather than to the State Board of Tax Appeals. (E - July 17, 1993)

Laws 1993, Chapter 95 required the Department of Revenue and County Assessors to use and apply on a permanent basis the ratio standard guidelines issued by Department of Revenue for tax year 1993 in the same way they were applied that year. This section does not apply to property valued according to prescribed statutory methods or to property for which values are determined in the year after an appeal. (E - July 17, 1993)

Laws 1993, Chapter 100 provided for reclassification and refund for any excess taxes paid on real property, obtained voluntarily or involuntarily, as agricultural property if all of the following are true:

(1) Property was sold before September 1, 1989.
(2) Current owner did not receive a notice of valuation for the tax year in question.
(3) Former owner failed to apply for the agricultural status or appeal the denial of such status before the deadline of the tax year in question.
(4) Property does qualify for agricultural status on September 16 of the tax year in question.
(5) Current owner must apply for reclassification and reevaluation to the county assessor within four years from the date the property was regained.

Persons who own agricultural property that met the classification criteria, but did not file a certification of eligibility by September 16 for any tax year may file with the County Assessor by February 15, 1994 for a certificate of revaluation. The County Treasurer shall refund any excess tax paid upon submission of the certificate of revaluation. If the taxes have not been paid, the County Treasurer shall forgive the excess amount and any penalties incurred. The section on retroactive refunds and revaluation and refund is repealed from and after April 1, 1994. (E - April 14, 1993)

Laws 1993, Chapter 188 allowed the Chairman of Division 1 of the State Board of Tax Appeals to appoint 3 member panel for cases involving locally or centrally assessed property. Moreover, for cases that pertain to centrally assessed property a 5 member panel may be appointed to make orders and decisions for the Division. (E - April 21, 1993)

Laws 1993, Chapter 190 provided a Property Tax exemption to property owned by a qualified volunteer nonprofit organization that is operated exclusively to promote social welfare and provide community quasi-governmental

services in an unincorporated area of a county. To qualify as providing quasi-governmental services, a volunteer nonprofit organization must be providing at least six of the following services:

(1) Public information and complaint office.
(2) Voter registration.
(3) Property tax assessment information.
(4) Building permit distribution.
(5) Resident assistance with deed restrictions and violations.
(6) County planning and zoning review.
(7) Water resource planning and management.
(8) Public safety planning oversight and maintenance.
(9) Government liaison for regional planning activities.

The bill also provided a Property Tax exemption for property owned by community arts groups as long as the property is used for those purposes and not used or held for profit. (E - July 17, 1993)

Laws 1993, Chapter 191 restructured the possessory interest tax exemptions that were declared unconstitutional by the Arizona Tax Court in January of 1993. The bill provided exemptions for the following possessory interests:

(1) Property held in trust for an Indian or an Indian tribe by the United States Government.
(2) Leases and permits issued by federal, state county and municipal governments for agriculture, commercial livestock, grazing or mineral development and permits issued by the state for unpatented mining claims.
(3) Property used for government programs including low-income and elderly public housing, government contractor property and property of municipal property corporations.

The bill established a new property Class 12, with a 1% assessment that included:

(1) Leases or permits for lands that are under the jurisdiction of the State Land Department that are not otherwise exempt.
(2) Interests in any publicly-owned facility that is used primarily for athletic, recreational, entertainment, artistic, cultural or convention activities.
(3) (3) Interests in property located on state, city, town or county airports and public airports if the property is used for or in connection with aviation.
(4) Leases issued on lands under the jurisdiction of the Arizona Board of Regents within a research park if the leased is used for either research and development or educational activities or is the regional or national headquarters of the lessee or its subsidiaries engaged in research and development or educational activities.
(5) Leases of property held by a charitable organization that is not otherwise exempt.
(6) Leases of property for private transportation demonstration projects.

The following possessory interest properties are valued on a unit-value basis:

(1) Producing and closed mines, mills and smelters and producing oil, gas and geothermal interest.
(2) Gas, water, sewer and wastewater and electric utilities and pipelines.
(3) Fight property of an airline company.
(4) Property of private car companies.
(5) Property of railroad companies.
(6) Telecommunications property.

The following possessory interest properties shall be taxed based on only the value of the land exclusive of the value of improvements for twenty years:

(1) Leases or agreements entered into before April 1, 1985.
(2) Leases or agreements entered into based on a redevelopment contract before April 1, 1985.
(3) Leases entered into based on an agreement for a redevelopment project for which federal grant monies have been received and was entered into before April 1, 1985.

(4) Leases issued on vacant land located at an airport owned on or before January 1, 1988 by a rural county, city or town if the property is used primarily for manufacturing, retail, distribution, research or commercial purposes.

The act contained a conditional enactment clause for all section except for exemptions related to possessory interest in research park property which was repealed in the bill. The effective date was delayed until judgement was entered in the Princess Resort Case on August 19, 1993 and the act became effective on that date. Maricopa County had previously challenged the constitutionality of several portions of the act and on July 21, 1993, the Arizona Tax Court struck down exemptions from taxation for:

(1) Possessory interests in Indian lands.
(2) Possessory interests in the form of leases of government land for certain purposes.
(3) Possessory interests in property used for enumerated government purposes.

The court voided these exemptions because they exempted property in violation of the Arizona Constitution. The bill also included a severability clause. (E - July 17, 1993)

Laws 1993, Chapter 194 provided that a taxpayer who appeals their property tax valuation, and uses the income approach, shall file a sworn affidavit that the information provided in the petition is true and correct to the best of their knowledge. The taxpayer, an officer of a corporate taxpayer, a general partner or a designated agent may file the affidavit. (E - July 17, 1993)

Laws 1993, Chapter 209 clarified the basis for determining the assessed valuation of modifications intended to restore and rehabilitate Class 9 and 10 historical properties, by stating the assessed valuation is 1% of the full cash value for up to ten years. (E - July 17, 1993)

Laws 1993, Chapter 220 increased the valuation cap from $100,000 to $300,000 of full cash value of real and personal property in determining whether a taxpayer, other than an owner of Class 5 property, may file a dispute in Small Claims Court. The bill also lowers the filing fee in a small claim tax case from $37.50 to $10.00. (EFA - December 31, 1993)

Laws 1993, Chapter 248 classified real and personal property owned or used by a qualified manufacturing business as Class 8 property for up to ten years. Qualified manufacturing business is defined as a manufacturing business in an enterprise zone that meets both of the following requirements: (E - July 17, 1993)

(1) It is operated by a minority business or as a small business as described in 15 United States Code Section 631.
(2) It uses property which is owned by another manufacturing business that after July 1, 1993 has invested at least $2,000,000 in the qualified manufacturing business or made a capital investment which transformed the manufacturing business from a non-productive to productive use.

Laws 1993, Chapter 258 required the Department of Commerce (Commerce) to establish and conduct an environmental technology assistance program to promote business and economic development by recruiting and expanding companies that manufacture, produce, or process solar and other renewable energy products from recycled materials. Commerce has until June 30, 1996 to certify qualified environmental technology manufacturers, producers and processors for purposes of available tax incentives provided in the bill. The bill contains a severability clause. Various sections of this bill are delayed or have retroactive effective dates (for details see Chapter 1 of the 1993 Tax Handbook Supplement). (E - April 22, 1993)

Laws 1994, Chapter 1 continued the state property tax rate for education purposes at $.47 per $100 of assessed valuation for tax year 1994. The State Tax rate for general purposes remained at zero for tax year 1994. (E - July 17, 1994)

Laws 1994, Chapter 20 required that property taxes on Real and Secured Property which total $25 or less are due and payable on October 1. The prior ceiling was $10 or less. (E - July 17, 1994)

Laws 1994, Chapter 41 contained the major components of the Tax Reduction Package known as the Middle Income Tax Relief Act (MITRA) of 1994. The act included the following changes to the classification of property for taxation (E - July 17, 1994):

Class 3 (commercial and industrial) and Class 4 (agricultural) were broken into two subclasses consisting of (R) real property and improvements and (P) personal property.

Phased down by 1% per year, the assessment ratio for Class 1 (mines) and Class 2 (utilities) from 30% of full cash value in tax year 1994 to 25% in tax year 1999 and thereafter.

Increased the maximum thresholds at which Class 3 and Class 4 personal property is assessed at 1%. The threshold is $3,000 in tax year 1995, $6,000 in tax year 1996; and $10,000 in tax year 1997 and thereafter.

Expanded the accelerated depreciation schedule on Class 3 personal property, as passed by Laws 1993, Second Special Session, Chapter 9, to include Class 4 personal property and made the schedule permanent.

The act freezes the phase-out of the Homeowners' Property Tax rebate for school district primary property taxes. The percentage will remain at 35% for 1994 and thereafter (for details see Chapter 1 of the 1994 Tax Handbook Supplement).

NOTE: Laws 1994, Chapters 41, 102, 293, 309 and 359 all makes changes to property tax classification and assessment.

Laws 1994, Chapter 63 provided for a refund or forgiveness of property taxes paid or due on historical society property for the 1992 tax year. The historical society must submit a claim for refund to the County Treasurer within 60 days after the effective date of this act. Property taxes due but not paid by any historical society, that is exempt from taxation, for the 1992 tax year are forgiven and no longer due and payable. (E - July 17, 1994)

Laws 1994, Chapter 65 provided that if the Assessor initially determines the valuation of property, for state property tax purposes, by using a computerized data processing or valuation program, and the change in valuation in any tax year is more than 15% above or below the valuation found for the same parcel of property in the preceding tax year, the Assessor shall review the valuation to determine if the change in valuation reflects the current status and conditions affecting the property before mailing the notice of valuation. This does not apply in the case of parcel splits or consolidations, construction or destruction or improvements, changes in use or classification of the property, or other occurrences that would account for the change in valuation. (E - July 17, 1994)

Laws 1994, Chapter 66 provided that written notices of valuation, required to be sent out to property owners by the County Assessors, include a form with instructions on the procedure and deadlines for appealing the assessed valuation shown on the notice. Class 5 appeal forms shall contain simplified instructions and be separate from the appeal form for other classes of property. (E - July 17, 1994)

Laws 1994, Chapter 70 amended the definitions as to what constitutes an enterprise zone to include:

(1) "Minority Business" -- a business of which a majority is owned by African-Americans, persons of Hispanic or Latin American ancestry and persons of Indian, Asian or other minority origin or descent.
(2) "Small Business" -- a business with a net worth of no more than $6,000,000 or a business with no more than 100 employees within the zone.
(3) "Women-Owned Business" -- a business of which a majority of the business is owned by women.
(4) Clarified the definition of "Qualified Manufacturing Business" in an enterprise zone:

a. A small business, minority-owned business or a woman-owned business.
b. At least a $2,000,000 fixed asset investment has been made after July 1, 1993, by the business or by another entity on behalf of the qualified business in property within an enterprise zone that is used by a qualified business.

The act provided that the increase in valuation resulting from a fixed asset investment of not less than $2,000,000 in property within an enterprise zone which is used or owned by a qualified manufacturing business shall be classified as Class 8 property. (E - July 17, 1994)

Laws 1994, Chapter 74 provided that beginning with the 1995 tax year, the owner of personal property valued by the Assessor may elect to apply a presumptive value to the property for purposes of taxation in lieu of a determination of full cash value. The property value shall not exceed $25,000, and the owner must have reported the personal property in the three immediately preceding tax years. The initial presumptive value is the average value of the personal property reported by the owner for the 3 immediately preceding tax years or, if the value has increased in each of those three years, the value of the personal property in the immediately preceding tax year. The owner may continue to elect the presumptive value for four consecutive tax years if the valuation of the property does not exceed $25,000 in any of those years. In each fifth succeeding tax year, the owner shall return a full property report to the Assessor, showing additions and deletions of personal property, and the valuation derived from this report is the presumptive value for the succeeding four tax years. The property statement issued by the Department of Revenue shall allow the owner of personal property the option of either returning the full property statement with respect to that property, or attesting that the value of the personal property does not exceed $25,000 and electing the presumptive value. (EFA - December 31, 1994)

Laws 1994, Chapter 100 provided that if the ownership of agricultural property changes, an agricultural use application form must be filed by the new owner within 60 days after the change in ownership to maintain the agricultural use status. If all or part of the property ceases to qualify as agricultural property, the owner at the time of the change shall notify the Assessor within 60 days of the change. If the owner fails to provide the notification required, the property shall immediately be classified as nonagricultural property.

In addition, the act allows for certification of property as agricultural property, and a refund of excess taxes paid or the forgiveness of deficient taxes, for tax year 1993, if:

(1) The property was acquired after September 16, 1992, and the property was used for agricultural purposes.
(2) The prior owner failed to file the affidavit or annual certification of eligibility for tax year 1993.
(3) The current owner, based upon information provided by the County Assessor, filed a timely application under Laws 1993, Chapter 100.
(4) The current owner, based upon information provided by the County Assessor, failed to appeal the incorrect classification of the property for tax year 1993 to the Superior Court during the property tax appeal period.
(5) The current owner was left without a remedy when Laws 1993, Chapter 100, Section 2 was determined by the court to be invalid.

If a completed agricultural use application was filed before September 17, 1993, and the property qualified as agricultural use property, a new application does not have to be filed unless the ownership of the property changes. This act is repealed from and after December 31, 1994. (E - July 17, 1994)

NOTE: Section 3 of Laws 1994, Chapter 100, relating to reclassification of property as agricultural property, was included in Laws 1994, Chapter 330 as Section 5. It was passed as an emergency measure and became effective April 26, 1994. Both sections are repealed from and after December 31, 1994.

Laws 1994, Chapter 102 established eleven classes of property for taxation by eliminating the old Class 11 and renumbering Class 12 as the new Class 11. The act exempted for taxation livestock, poultry, aquatic animals, and colonies of bees. For purposes of the act, poultry includes ratites.

NOTE: This act became effective after the Constitution of Arizona was amended by a vote of the people in the November 1994 general election. The act was approved by the Governor on April 13, 1994.

Laws 1994, Chapter 105 clarified that the purchaser of a tax lien may bring action to foreclose the right to redeem in Superior Court in the county in which the property is located. At least 30 days before filing an action to foreclose the right to redeem, the purchaser shall send a Notice of Intent by certified mail to the property owner and to the Treasurer of the county in which the real property is located. The notice shall include the property owner's name,

the real property tax parcel identification number, the legal description of the real property, the certificate of purchase number, and the proposed date of filing the action. (E - July 17, 1994)

Laws 1994, Chapter 112 exempted property owned by a United States veterans' organization that qualifies as a charitable organization and recognized under either Section 501(C)(3) or 501(C)(19) of the Internal Revenue Code, if the property is used exclusively for those purposes, and is not used or held for profit. (E - July 17, 1994)

Laws 1994, Chapter 156 provided for determination of golf course property values. The land shall now be valued at $500 per acre. Improvement value is established by the Department of Revenue's 1988 per hole cost for the grade of golf course as described in the Assessment Practices Manual for Golf Courses Assessment, effective January 1, 1986. The per hole cost shall be multiplied by the number of holes included. The act provided guidelines to uniformly adjust the value for economic obsolescence.

By August 1 of each year, the County Assessor shall mail a form, prescribed by the Department of Revenue to the last known address of each golf course owner or manager. The form shall reflect the number of rounds played by month for the most recent twelve months ending July 31. The form shall be returned to the County Assessor by September 30 to receive the economic obsolescence adjustment.

For tax year 1995, the 1988 per hole improvement cost shall be used in valuing golf courses. Every tax year after 1995, the per hole improvement costs shall be adjusted by the GDP deflator. Per hole improvement cost values include landscaping, bridges, lakes, lake liners, practice ranges, irrigation systems, paths, golf greens and tees. The Legislature shall receive a report every three years from the Valuation Technical Advisory Committee regarding any recommended changes to the golf course valuation formula. (E - July 17, 1994)

Laws 1994, Chapter 167 clarified that any subsequent interest, fees and penalties from a property tax liability does not depend on receipt of the tax statement by either the mortgagor (property owner) or mortgagee (mortgage company). When a mortgagee either continues to receive or possesses an unsatisfied tax statement from the County Treasurer after the satisfaction of the mortgage, the mortgagee shall either:

(1) Return the tax statement to the County Treasurer within 30 working days, together with the last known address of the mortgagor as shown on the records of the mortgagee.
(2) Forward the tax statement or current taxes due information to the mortgagor and notify the County Treasurer of this action.

If a mortgagee fails to comply, and as a result the tax on the mortgagor's property becomes delinquent, the mortgagee is liable to the mortgagor for all interest and penalties for the delinquent tax. (E - July 17, 1994)

Laws 1994, Chapter 187 provided that if the County Assessor believes that any person has not returned a full and complete list of all property in his possession or control, he may make such investigation as he deems necessary to ascertain the extent and value of the property. The Assessor shall conduct the investigation in such a manner that would discover and correct errors in the taxpayer's favor as well as discover and correct any errors not in the taxpayer's favor. The act eliminated the provision that allows the Assessor to charge the property owner for the cost of such an investigation. (E- July 17, 1994)

Laws 1994, Chapter 191 codified in statute the Department of Revenue's current valuation method for operating railroad companies. On or before the first Monday in June each year, the Department of Revenue shall determine the valuations as of January 1, 1994, and each January 1 thereafter, as follows:

(1) Determine the base value.
(2) Compute the value change factor.
(3) Compute the current year system full cash value by multiplying the base value by the value change factor.
(4) Compute the allocation factor.
(5) Multiply the current year system full cash value by the allocation factor.
(6) Compute Arizona's full cash value by subtracting the Arizona licensed transportation equipment value from the value determined in step 5.

Formulas and definitions of all factors and terms used in computing the valuation of railroad property are defined in the act. To accurately assess on-going business operations, income and property adjustments may be necessary to minimize differences. Occurrences that may prompt such an adjustment are (E - July 17, 1994):

(1) Extraordinary, unusual and infrequent events.
(2) Material in nature, of a character different from the typical or customary business operations, not expected to recur frequently and not normally considered in evaluating the operation results of a business.
(3) May include material increases or decreases in income and property as a result of such events as write-offs, write-downs and changes in accounting practices.

Laws 1994, Chapter 232 clarified that the County Attorney shall defend all locally valued and assessed property tax appeals. The act also clarified that the county that values and assesses the property which is subject to a Notice of Appeal shall be responsible for defending all defendants named in the appeal except in specified situations (R - July 17, 1993).

Laws 1994, Chapter 239 required that if the Director of the Department of Revenue extends the mailing date for property tax notices, the extension applies to all property valued by the Assessor. Except for property that is listed as Class 5 property, the notice shall separately list the full cash value of the land and the improvements associated with the land. Also, requires the County Assessor to notify by November 15 all property owners of full cash value and limited value listed on tax rolls regardless of the valuation in the prior year. (E - July 17, 1994)

Laws 1994, Chapter 271 separated the determination of the value of telecommunication companies in the state for property tax purposes between those providing local services and all others. On or before the first Monday in June each year, the Department of Revenue shall determine the following valuations as of January 1, 1994, and each January 1 thereafter:

(1) The valuation of all property, franchises and intangible values of telecommunication companies operating in the state and providing local telecommunication service at their full cash value.
(2) The valuation of the property of other telecommunication companies operating in this state at its full cash value. Real estate shall be valued at market value and personal property shall be valued on a unitary basis at its historical cost less depreciation. For purposes of this paragraph:

a. Depreciation is computed on the table adopted by the Department of Revenue in its <u>Personal Property Manual</u> in effect on January 1, 1993 for the following categories:
   1.) Buildings with a 25-year life.
   2.) Cable with a 15-year life.
   3.) Telecommunication equipment with a 5-year life.
   4.) Any other telecommunication's property not included in items 1, 2 or 3 with a 7-year life.

b. "Historical cost" means the original cost as reported on the company's books and records.
c. "Other telecommunication company" means a telecommunication company that does not provide local telecommunication service in this state.
d. For cellular telecommunication companies, the "taxable unit" shall be the applicable metropolitan statistical area or rural statistical area and shall not include the value of any license issued by the Federal Communications Commission.

The Department of Revenue shall compute the valuation of other telecommunication companies and multiply the determined valuation by 140% for tax year 1994, and by 120% for tax year 1995 for property tax purposes. (R - January 1, 1994)

Laws 1994, Chapter 287 provided that an action involving the imposition, assessment or collection of a tax, including questions of law or fact relating to a dispute about taxes, may be filed in either the Tax Court or the Superior Court. Clarified that if a party to an action described above exercises its right to a change of Judge, the action shall not be reassigned to the Tax Court. The refusal of a taxpayer to obey a subpoena issued by the Director of the Department of Revenue will be handled by the Superior Court. The act also rescinds the right of the Tax Court to publish and distribute decisions of the court which it finds are of general public interest. (E - July 17, 1994)

Laws 1994, Chapter 293 clarified the classification of possessory interest property enacted during the 1993 legislative session. The act compensates for the Tax Court ruling that struck down several of the exemptions passed last year. The act makes clarifying changes to Class 12 property and creates a new Class 13 property for possessory interests located on public land. Classes 12 and 13 have 1% assessment ratios.

The following previously exempt properties were included in Class 12:

(1) To the extent allowed pursuant to federal law, interests in property held in trust for an Indian or an Indian tribe by the United States Government.
(2) Leases and permits issued for agricultural, commercial livestock, grazing or mineral development and permits issued for unpatented mining claims.
(3) Interests in property used for a governmental program or activity to furnish public housing for elderly persons and persons of low or moderate income.
(4) Interests in property for a governmental program or activity used to provide space or facilities for or in connection with a program, activity or function of another government entity.
(5) Interests in property that is defined as "contractor-acquired property" or "government-furnished property" in the Federal Acquisitions Regulations (48 Code of Federal Regulations, Section 45-101, as amended or superseded by a federal law or regulation) and that is owned by the government and used to perform a government contract.

The new Class 13 include the following properties:

(1) Improvements located on public property that are used primarily for athletic, recreational, entertainment, artistic, cultural or convention activities, provided that the improvements become the property of the owner of the public property upon termination of the possessory interest in the property.
(2) Improvements located on public property provided:

a. That the improvements shall become the property of the owner of the public property upon termination of the possessory interest in the property.
b. That both the improvements and the public property are used for or in connection with aviation, including hangers, tie-downs, aircraft maintenance, sales of aviation-related items, charter and rental activities, parking facilities and restaurants, stores and other services located in a terminal.
c. That both the improvements and the public property are located on a state, county, city or town airport or a public airport.

(3) Property that is leased or acquired by the government and used to perform a government contract and that is defined as "contractor-acquired property" or "government-furnished property" in the federal acquisition regulations.
(4) Property of a corporation organized by or at the direction of this state or a county, city or town to develop, construct, improve, repair, replace or own any property, improvements, buildings or other facility to be used for public purposes that the state, county, city or town pledges to lease or lease-purchase with state, county, or municipal special or general revenue and are not otherwise exempt.

The act also included a new section in the statutes that provides a property tax exemption to a possessory interest consisting of property or improvements leased from the state or its political subdivisions and used by an association or institution which has as its purpose educational or charitable activities. The association or institution shall have annual gross revenue of not more than $50,000 and not be operated for profit.

The bill also provides that during FY 1994 and FY 1995, the Department of Revenue may provide technical and professional assistance to County Assessors in establishing the value of commercial, agricultural and vacant, residential and non-owner occupied residential properties for property tax purposes. The act provides Maricopa County with at least twenty full-time equivalent positions for one year, unless some other amount is agreed to by the Director of the Department of Revenue and the Chairmen of the appropriate County Board of Supervisors. The assistance provided for other counties will be determined by the Director of the Department of Revenue.

All possessory interests which were designated as exempt under Laws 1993, Chapter 91, Section 4 shall be assessed and taxed for tax year 1993 in accordance with the new Class 13 property regulations. No assessment shall be made for any tax year prior to 1993 for possessory interests which were previously designated as exempt. Nothing in this act allows this state or local governments to impose a tax on possessory interest in property held in trust for an Indian or an Indian tribe by the United States Government, if a court of competent jurisdiction issues a final order that this state or local government may not impose a tax on possessory interests in property held in trust for an Indian or Indian tribe by the United States Government. (RTYBFA - December 31, 1992)

Laws 1994, Chapter 309 included "ratites" as Class 11 personal property for tax purposes. "Ratites" are defined as ostriches, emus, rheas and cassowaries. "Poultry" is defined as chickens, turkeys, domesticated birds, game birds, fowl and waterfowl but does not include ratites. The act also provided a Transaction Privilege and Use Tax exemption to ratites used as breeding or production stock. The act contains provisions defined in Article IX, Section 22, Constitution of Arizona that requires the affirmative vote of at least 2/3rds of both houses. (E - April 25, 1994)

Laws 1994, Chapter 323 established the State Board of Equalization and provided that the Department of Revenue may contest any proposed valuation or classification or any proposed change in valuations or classifications before any County Board of Equalization, the State Board of Tax Appeals, and the State board of Equalization. If a decision of an Assessor is, in the Director's opinion, erroneous, the Director may appeal the Assessor's decision to the County Board of Equalization or State Board of Equalization within 25 days after the Assessor's decision was mailed to the taxpayer and the Department of Revenue. (EFA - December 31, 1995)

The act also provided for correction of errors occurring in assessing or collecting property taxes, whether they inure to the benefit of the taxpayer or the government. (EFA - October 31, 1994)

For property that is valued by the Assessor, in the case of new construction, additions to or deletions from assessment parcels and changes in property use that occur after January 1 of the valuation year:

(1) The Assessor shall notify the owner of the property of any change in the valuation on or before September 30 of the valuation year.
(2) Within 25 days after the date of the Assessor's notice, the property owner may appeal the valuation to the State Board of Equalization if the property is located in a county with a population of 500,000 persons or more, or to the County Board of Equalization if the property is located in any other county.
(3) The State Board of Equalization and County Board of Equalization shall complete all hearings and issue all decisions with respect to changes in valuations on or before November 15 of the valuation year.
(4) An appeal to the Tax Court relating to changes in assessments must be filed on or before December 15 of the valuation year.

A new owner of property that was valued, and which valuation was not appealed by the former owner of the property, may appeal the valuation to the Tax Court on or before December 15 of the year in which the taxes are levied. For purposes of this section, "valuation year" means the calendar year preceding the year in which the taxes are levied. (EFA - December 31, 1995)

The act provided public assess to the valuation and assessment information and made conforming changes to the statutes required as a result of the creation of the State Board of Equalization. (E - July 17, 1994)

Laws 1994, Chapter 326 established a study committee to study the effect of taxation of non-Indian property located on Indian reservations or in Indian country in this state by both Indian nations or tribes in this state; the laws governing taxation and the policies and economic impacts on this state and on Indian nations and tribes in this state. The act is repealed from and after December 31, 1996. (E - July 17, 1994)

Laws 1994, Chapter 330 clarified that bed and breakfast properties, together with furnishings, consisting of no more than four rooms that are leased or rented to transient lodgers at no more than a 50% average annual occupancy rate, and that serve no more than a breakfast meal by the owner of the property, shall be classified as Class 6 property for tax purposes. (R - January 1, 1994)

The act also provided that if a taxpayer fails to prepare and deliver a correct list of property to the Assessor within the period specified by law, but within 30 days thereafter, the Assessor may abate all or part of the penalty for failing to prepare and deliver the list. Also, the County Board of Equalization shall not consider property at the June meeting that has already been subject of an appeal for the current valuation year unless evidence is presented at the June meeting verifying that improvements to the property were in existence on the lien date, and the valuation of the improvements was not considered at any stage of the appeal prior to the June hearing. If an appeal is pending, any party may request the person or board hearing the appeal to consider any additional issue which could have been presented to the County Board of Equalization in the June meeting had no appeal been filed. Property shall not be considered, and the Board of Supervisors shall not approve, an adjustment in valuation if the property valuation has already been the subject of an appeal for the current valuation year unless it appears that the property was not valued, and/or there was a clerical error of defect in reporting or recording the valuation, or the property was destroyed or damaged prior to the lien date. If an appeal is pending, any party may request the person or board hearing the appeal to consider any additional issue which could have been supplied or corrected by the Assessor or the County Treasurer with prior approval of the Department of Revenue and the County Board of Supervisors had no appeal been filed. (E - April 26, 1994)

Laws 1994, Chapter 359 provided that in tax years 1996, 1997, 1998 and 1999, the Department of Revenue shall reduce the minimum value prescribed for Class 3 (commercial and industrial) personal property by 2.5% each year. This will reduce, from 20 to 10%, the minimum value to which Class 3 personal property may be depreciated for purposes of taxation. (E - July 17, 1994)

Laws 1994, Chapter 375 provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs is effective after December 31, 1994. (E - July 17, 1994)

Laws 1995, 1st Special Session, Chapter 9 established the Property Tax Relief Fund and appropriated $200 million from the General Fund for FY 1997 to reduce the aggregate amount of property taxes levied and collected. Established the Joint Legislative Property Tax Study Committee to study the property tax system and provide written recommendations.

Increased the threshold for the 1% assessment ratio for Class 3 (commercial and industrial) and Class 4 (agricultural) personal property to $50,000 for tax year 1996 and thereafter; superseding the 1994 law which would have raised the thresholds to $6,000 in tax year 1996 and $10,000 in tax year 1997.

Continued the state property tax rate for education purposes at $.47 per $100 of assessed valuation for tax year 1995. The state rate for general purposes remained at zero for tax year 1995. (E - June 15, 1995)

Laws 1995, Chapter 29 clarified that if property taxes are paid prior to becoming delinquent, it is not necessary to designate the payment as under protest in order to test the validity or amount of the tax (EFA - December 31, 1995)

Laws 1995, Chapter 137 allowed the County Assessor to use aerial photography, applicable Department of Revenue records, building permits and other document sources or technology to ascertain all property in the county subject to taxation.

Reduced the minimum value of Class 4 (agricultural) personal property by 2 ½ percentage points in each of the tax years 1996, 1997, 1998 and 1999. The final reduced minimum value in 10%.

Extended for 10 to 30 days the time in which a property owner has to appeal a personal property notice of valuation and the time in which the Assessor must rule on such appeals. If the Assessor delivers a notice of refusal, the person may appeal to the County Board of Supervisors provided that the date of the Assessor's notice is at least 15 days prior to the next monthly meeting. (E - April 17, 1995)

Laws 1995, Chapter 170 authorized refunds and forgiveness of one-half of the property taxes paid by qualified veterans' organizations for tax year 1994. Refund claims must be submitted within 60 days after the effective date of the act. The County Treasurer is directed to pay the refund claim within 30 days after it is submitted. The County Treasurer is entitled to credit for the refund with the state and each of the political subdivisions to which the overpayment may have been transmitted. (E - July 123, 1995)

Laws 1995, Chapter 189 made technical and clarifying changes to the Taxpayers' Bill of Rights including replacing the court with the State Board of Tax Appeals as the ruling authority in matters concerning taxpayer reimbursement for Department of Revenue administrative proceedings. (ER - July 17, 1994)

Laws 1995, Chapter 249 made changes relating to the locally assessed property valuation and administrative appeal process, including:

(1) Modified the personal property presumptive value procedure and increased from $25,000 to $50,000 the value threshold by which the procedure may be used. (EFA - December 31, 1995)
(2) Modified the definition of "valuation date" for the purposes of property on the secured tax roll to mean January 1 of the year preceding the year in which taxes are levied. (EFA - July 31, 1995)

Established a definition of "small flight property" and established a small flight property valuation of 30% of original cost less depreciation. (EFA - December 31, 1994)

Laws 1995, Chapter 252 replaced the requirement that the lessor of agricultural land, that is leased in excess of ninety days, submit an annual agricultural lease affidavit with the requirement that if an agricultural lease changes a new written statement of lease must be filed within 3 months after the change or prior to January 31, whichever is

later. Eliminated the Class 2 misdemeanor charge for persons who knowingly fail to file or knowingly falsify an agricultural lease affidavit. (E - July 13, 1995)

Provided that the County Assessor shall not require a listing of the breed, number, age or location of livestock on hand if the livestock is exempt from taxation. (EFA - December 31, 1995)

Laws 1995, Chapter 294 eliminated the Class 12 property classification relating to possessory interest property and repealed the section in statute relating to possessory interests. Clarified that the Class 13 property classification related to improvements on federal, state, county or municipal property. Made clarifying changes to Class 7 (railroad) property needed because of the elimination of Class 12 property. Renumbered Class 13 property as Class 11 property (elimination of the old Class 11, relating to livestock was approved by voters in the 1994 election).

Added a procedure to deal with delinquent taxes on dwellings on possessory rights. Clarified that "dwellings of possessory rights" means a permanent improvement to real estate listed as Class 5 property where the owner of the improvement is not the owner of the real estate. The term does not include mobile homes. The bill included a non-severability clause and created a Joint Legislative Study Committee on Possessory Interests. (E - July 13, 1995)

Laws 1996, Chapter 21 provided youth shelters that would have been eligible for a property tax exemption for tax year 1994, but which neglected to claim the exemption, with a refund of taxes paid for that year. Any property taxes due, but not paid by a youth shelter, will be forgiven and stricken from the tax roll. The revenue loss associated with this law was estimated to be $(6,000) in FY 1997. (Effective July 20, 1996)

Laws 1996, Chapter 22 eliminated the requirement that a taxpayer file a claim for an exemption of constitutionally exempt inventory, materials, livestock, poultry, aquatic animals, or colonies of bees. (Effective July 20, 1996)

Laws 1996, Chapter 93 expanded military reuse zone property tax incentives to cover firms which provide aviation and aerospace services, in addition to firms engaging in aviation or aerospace manufacturing. The act provided that real and personal property and improvements of qualifying companies are now assessed at a 5% rate (Class 8) instead of the former 25% rate (Class 3). The fiscal impact could not be determined. (Effective April 6, 1996)

Laws 1996, Chapter 100 included interest and penalties in the total amount due on a property that may be compromised by the County Board of Supervisors. The County Board of Supervisors is allowed to compromise property taxes, along with interest and penalties, when the total mount due on a property exceeds the value of a property. (Effective July 20, 1996)

Laws 1996, Chapter 119 altered the payment schedule and delinquent date for property taxes. Taxpayers are allowed the option of making their entire property tax payment by December 31, rather than paying in biannual installments, without becoming delinquent on the first half's payment. (Effective January 1, 1996)

Laws 1996, Chapter 305 continued the property tax exemption for nonprofit charitable community service organizations. It clarified that community service organizations that serve the indigent and afflicted can claim an exemption from the property tax. The act also allowed veterans' organizations that qualify as charitable organizations and use their property predominately for purposes relating to veterans to claim a property tax exemption. The terms *indigent* and *afflicted* were defined. (Effective July 20, 1996)

Laws 1996, Chapter 332 specified that for the purposes of determining constitutional debt limitation, taxable property is defined as the net assessed value of property. The value of a jurisdiction's taxable property is used to calculate its allowable debt limit. (Effective July 20, 1996)

Laws 1996, Chapter 344 reduced the property tax levied on small manufacturing businesses certified by the Department of Revenue and located in enterprise zones from a 25% rate (Class 3) to a 5% rate (Class 8). The act extended this property tax reclassification program to June 30, 2001. (Effective January 1, 1996)

Laws 1996, Chapter 366 modified the procedure for valuing shopping centers by limiting the use of market comparison methods. The cost method (replacement cost less depreciation) is the preferred method for determining the valuation of a shopping center. However, a taxpayer may elect to use the income method to appeal a valuation

computed under the cost method. In this event, the reviewing body is authorized to determine the value of the shopping center by using whichever of the following methods is closest to a fair market value:

1. Income data other than the "straight line building residual" method, if the taxpayer can provide credible data derived from properties that are comparable to his property.
2. The cost method.
3. Market comparisons, if there have been any comparable sales within the past two years. (Effective January 1, 1996)

Laws 1996, 7th Special Session, Chapter 2 made numerous property tax reforms and reductions. The act eliminated the $0.47 per $100 net assessed valuation state rate and the statute authorizing it, and reduced the "qualifying tax rate" (QTR) used in the state school funding formulas from $4.72 per $100 of net assessed valuation to $4.40 for unified districts, and from $2.36 to $2.20 for elementary and high school districts.

It also reduced the base for the minimum QTR tax on school districts that do not receive state aid from 85% of the QTR to 50% of the QTR, but extended the application of the tax from Classes 1 and 2 to all classes of property. In addition, oil and gas producing property was moved from Class C (100% assessment ratio) to Class 2 (27% assessment ratio).

This law also introduced a new property tax deferral program for the elderly, with these characteristics:

1. To defer property tax on a residence, an individual must be at least 70 years old, have lived on the property for the last six years or in Arizona for the last 10, and have no interest in any other real property, and the total taxable income of everyone living in the residence must be $10,000 or less.
2. The residence must: a) be the taxpayer's primary residence, b) not be income-producing, c) not be subject to a mortgage or other security interest, d) be current on all property taxes, and e) have a full cash value of $150,000 or less.
3. The deferred taxes accumulate interest at an annual rate of two points higher than the earnings rate on the local government investment pool (LGIP), rounded up to the next full point (e.g., if the LGIP gets 5.23%, the interest rate on the deferred taxes is 8%). The total amount of deferred taxes plus interest on the property cannot exceed 90% of the property's full cash value. The certificates of deferral must be sold to the County Treasurer or State Treasurer.
4. The total amount of deferred taxes plus interest is due a) within one year if the taxpayer dies without a surviving spouse, or b) within 120 days if the taxpayer moves, if the property becomes income producing, or if the property is sold or transferred to someone else. (Effective October 17, 1996)

Laws 1996, 7th Special Session, Chapter 4 changed the valuation schedule of centrally valued property (CVP), mostly mines, utilities, and railroads, to conform more to the schedule in effect for locally assessed property. Specifically, it required the Department of Revenue (DOR) to send notices of value to CVP owners by June 15. The owner has until July 15 to appeal, and DOR must rule by August 31. The owner has until December 15 to appeal DOR's ruling to the Superior Court, or until October 1 to appeal to the State Board of Equalization. In this case, the State Board of Equalization must rule by November 15.

Among other technical changes and clarifications, the bill allowed taxpayers, county assessors, and DOR to appeal decisions by the County Boards of Equalization in appeals of personal property in the same manner as real property, and established that relevant income data in the valuation of shopping centers (see Chapter 366 above) is for the three most recent fiscal years. (Effective October 17, 1996)

Laws 1996, 7th Special Session, **Chapter 5** was the companion bill to Proposition 101, which passed in November 1996 and amended the State Constitution to allow the Legislature to exempt the first $50,000 of a taxpayer's Class 3 (commercial) and Class 4 (agricultural) personal property from taxation. The assessment ratio on Class 3 and Class 4 properties was reduced from a rate of 1% to 0% (exempt) contingent on the passage of Proposition 101. The Department of Revenue is required to annually adjust the size of the exemption (initially $50,000) based on a price index. (Effective January 1, 1997)