Historical Tax Law Changes
Flight Property Tax

Laws 1951, Chapter 59 levied a separate tax on the full cash value of flight property operated by airline companies in Arizona. The value of flight properties subject to the tax was determined annually by the State Tax Commission. The tax rate equaled the average annual rate of levy for all purposes in the several taxing districts of the state. Payments were made to the State Tax Commission on or before the third Monday in December. Amounts received by the State Tax Commission were deposited in the state General Fund. (E - March 14, 1951)

Laws 1967, Chapter 107 transferred the responsibility for determining the value of flight property to the Department of Property Valuation. (E - October 15, 1967)

Laws 1967, 3rd Special Session, Chapter 6 placed flight property in Property Class 1 (see General Property Tax) and provided that all Class 1 properties were taxed on 60% of their full cash value. (E - March 21, 1968)

Laws 1970, Chapter 82 changed the date for payment of Flight Property Taxes. Under this law, Flight Property Taxes were paid at the same time as the General Property Tax on Real and Secured Personal Property. (E - August 11, 1970)

Laws 1973, Chapter 123 established the Department of Revenue. The responsibility for valuing flight property and for collecting the tax were transferred to the new Department. (E - July 1, 1974)

Laws 1980, 2nd Special Session, Chapter 8 made the following changes to the Flight Property Tax (EFA - December 31, 1979):

(1) Changed the method of determining the taxable value of most properties.
(2) Reduced the assessment ratio for Class 1 properties. For the 1980 tax year, the assessment ratio was set at 52%. This ratio is reduced to 44% in 1983, 36% in 1986, 28% in 1989 and 25% in 1992.
(3) Limited the total tax that could be levied on the property of small airline companies. Under this provision, taxes on property owned by small airlines can not exceed 1% of the property's full cash value.

Enactment of these provisions was conditional on the passage of Laws of 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, Chapter 218 changed the method of determining the tax rate levied each year on flight property. (ERFA - December 31, 1979)

Laws 1980, Chapter 220 increased the interest rate on delinquent payments of the Flight Property Tax to 12% per year. (E - July 31, 1980)

Laws 1981, Chapter 25 changed the basis for determining the portion of flight property value attributable to business transacted in Arizona. This reduced the portion of full cash value allocated to Arizona for tax purposes. (ERTYBFA -December 31, 1980)

Laws 1982, Chapter 228 accelerated the decrease in the assessment ratio for Class 1 property. The assessment ratio was reduced to 38% beginning in tax year 1983. After 1983, the assessment ratio will be reduced by two percentage points each year until 1989. For 1990 and all subsequent years, the assessment ratio will be 25%. (E - July 24, 1982)

Laws 1983, Chapter 4 changed the interest rate on delinquent 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) in order to comply with a federal mandate. 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 1986, Chapter 369 shifted Flight Property Tax revenues from the state General Fund to the State Aviation Fund. This was phased-in over 3 calendar years beginning January 1, 1987 when 33% was deposited in the Aviation Fund, 66% starting January 1, 1988, and all tax collections in January 1, 1989. (E - August 13, 1986)

Laws 1995, Chapter 249 established a definition of "small flight property" and established a small fight property valuation of 30% of original cost less depreciation. (ERFA - December 31, 1994)

Laws 1996, Chapter 275 modified the property tax valuation method for aircraft operating in Arizona. The act required the Department of Revenue to determine the value of flight property tax by applying a 15-year straight-line depreciation schedule. The law also allowed for additional obsolescence when appropriate. Since this law was enacted prior to Laws 1997, 1st Special Session, Chapter 3, it had no impact on the General Fund. (Effective January 1, 1996)

Laws 1997, 1st Special Session, Chapter 3 changed the distribution of revenues from the flight property tax, so that beginning in FY 1998, 50% of revenues were deposited in the state General Fund and the other 50% in the state Aviation Fund. Prior to this law, all revenues from this tax were deposited in the Aviation Fund. The General Fund gained $7,583,000 in FY 1998, while the Aviation Fund lost the same amount. (Effective June 26, 1997)