

HISTORICAL TAX LAW CHANGES

GOVERNMENT PROPERTY LEASE EXCISE TAX

Laws 1996, Chapter 349 established the government property lease excise tax (GPLET) to replace the old possessory interest property tax classification (covering private improvements on public property), which was repealed in 1995 after being ruled unconstitutional. It instituted the basic structure outlined in the overview section. (Effective December 1, 1996.)

Laws 1997, Chapter 150 made changes in statutory references to conform to the reorganization of Title 42 of the Arizona Revised Statutes. (Effective January 1, 1999.)

Laws 1997, Chapter 274 expanded the exemptions from the GPLET to include concession stands directly related and incidental to government owned entertainment or convention facilities. (Effective July 20, 1996.)

Laws 2003, Chapter 246 replaced all references in statute to “redevelopment area” with “slum and blight areas.” (Effective September 18, 2003.)

Laws 2004, Chapter 341 established a new Park Property Lease Excise Tax, which a county is required to levy and collect on each prime lessee of a lease with the National Park Service of a property improvement in the county. The act also provided that the property tax levies used in budget overrides do not include levies of the Government Property Lease Excise Tax or the Park Property Lease Excise Tax. (Effective August 25, 2004)

Laws 2009, 3rd Special Session, Chapter 12 requires county assessors to include all property subject to GPLET on their tax roll and report the assessed valuation of such property to the Arizona Department of Education. The act was estimated to reduce the cost for Basic State Aid to schools by \$(4.0) million in FY 2010.

Laws 2010, Chapter 321 provides new requirements for all leases subject to GPLET entered into on or after June 1, 2010. The act provides new tax rates, as well as new abatement and reporting requirements. Additionally, the act grandfathers all leases that were entered into before June 1, 2010, or that resulted from a development agreement, ordinance, or resolution approved before this date and entered into within 10 years after such approval. A grandfathered lease that is subsequently amended continues to be subject to the provisions under the old law if all of the following conditions are met: (1) the amendment furthers the purpose of the original lease, as determined by the government lessor, (2) any land added under the amendment is contiguous to the land under the original lease and does not increase the land area by more than 50%, and (3) any government property improvement added under the amendment does not increase the area of gross building space by more than 100%.

Chapter 321 requires JLBC to conduct an analysis of the effectiveness of the new excise tax rates by December 15, 2016. The analysis is required to include information regarding: (1) the amount of tax revenue that would be produced by the properties to counties, cities, community college districts, and school districts if the properties were taxed under the ad valorem property tax, (2) the actual amount of GPLET collected and distributed to counties, cities, community college districts, and school districts, (3) the amount of tax revenue previously received from vacant or underutilized property that is being redeveloped, and (4) the estimated average aggregate ad valorem property tax levy per square foot for various property types for purposes of comparing these figures to the comparable new GPLET rates under Chapter 321.

Laws 2012, Chapter 3 makes a technical correction related to the application of Government Property Lease Excise Tax, as modified by Laws 2010, Chapter 321.