

## PROPERTY TAX

### DESCRIPTION

*The property tax in Arizona is divided into two categories: primary and secondary. Primary property taxes are levied to pay for the maintenance and operation of the taxing jurisdiction. Secondary property taxes are levied to pay for bond indebtedness, voter-approved budget overrides and so-called special districts (e.g., fire districts). Both types of taxes (with some minor exceptions) are ad valorem, meaning that a fixed tax rate is applied to the assessed value of a property.*

### TAX YIELD

<u>Fiscal Year</u>	<u>Total Collections</u>	<u>Real &amp; Secured Property Tax Collections</u>	<u>Unsecured Property Tax Collections</u>	<u>Other Property Tax Collections</u>
1997-98	\$38,136,020	\$37,407,309	\$722,806	\$5,905
1998-99 Est.	\$36,121,502	\$36,040,845	\$ 73,588	\$7,069

DISTRIBUTION: State General Fund

### 1999 TAX LAWS

**Laws 1999, Chapter 19** changed the meeting requirements for the Debt Oversight Commission from quarterly to annual meetings. The Debt Oversight Commission was established in 1996 to provide more accurate and meaningful information to the public regarding bond issues. (Effective August 6, 1999)

**Laws 1999, Chapter 76** required all state governmental entities that acquire real or personal property with a tax lien to pay the delinquent taxes on that property, including penalties and interest, to the county treasurer. (Effective August 6, 1999)

**Laws 1999, Chapter 108** established new methods for determining a school district's expenditure base limit and established new procedures for proposed expenditures that exceed the base limit. It repealed current methods of determining a property tax increase for school districts. (Effective August 6, 1999)

**Laws 1999, Chapter 235** expanded property tax exemptions for fraternal societies to also include organizations recognized under Section 501(c)(8) of the Internal Revenue Code with the provision that the property is (1) used predominantly for charitable, religious, or educational purposes, (2) not held for profit, and (3) no part of the property is used for the sale of food or beverage to the general public or for alcohol consumption by nonmembers. Section 501(c)(8) covers fraternal societies that provide for the payment of life, health, or accident insurance to the members or their dependents. (Effective January 1, 2000)

**Laws 1999, Chapter 240** established the Client County Equipment Capitalization Fund consisting of monies collected from intergovernmental agreements between the Department of Revenue and county assessors for the purpose of upgrading and modernizing data processing equipment. It also changed the procedures for issuing, hearing, and appealing equalization orders in order to make the equalization process more timely. (Effective August 6, 1999)

**Laws 1999, Chapter 253** eliminated the "secured" and "unsecured" personal property classifications and replaced them with one personal property tax roll instead. Current law provides for the placement of personal property on either a secured or unsecured property tax roll depending on whether a property owner owns real property in the county with a value of less than \$200. If the value of the real property exceeds \$200, the personal property is considered secured. Practically, this act allows taxpayers to receive one property tax bill annually rather than receiving separate billings for unsecured personal property throughout the year. (Effective December 31, 2000)

**Laws 1999, Chapter 275** changed the classification of citrus packing plants from Class 3 (commercial) property to Class 4

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(agricultural) property. It expanded the definition of agricultural land to also include land and improvements used as produce packing plants where no produce is cut or otherwise physically altered. Dairy cooperatives devoted to high-density use in processing and selling milk and manufactured milk products without the presence of any animals on the land are likewise defined as agricultural land.

The reclassification of such properties from commercial to agricultural property reduced the assessment ratio from 25% to 16%. The provision regarding land used for produce packing plants is effective January 1, 2000, and the dairy provision is effective January 1, 1998.

**Laws 1999, Chapter 314** created a “common areas” classification for property tax purposes for real property that is intended for the exclusive use of owners and residents of a residential subdivision or development, including beautification areas. It provided that land, buildings, and improvements used for common areas should be valued at \$500 per parcel. (Effective January 1, 1999)

**Laws 1999, Chapter 344** created a new nomenclature for property tax classifications by consolidating Class 1 (mining), Class 2 (utilities), and Class 3 (commercial) into one new class, simply referred to as Class 1. The property classifications were renamed as follows:

<u>New Property Classification</u>	<u>Prior Property Classification</u>
Class 1 – Business Property	Class 1, Class 2, Class 3R, Class 3P
Class 2 – Agricultural Property	Class 4R, Class 4P
Class 3 – Residential Property	Class 5
Class 4 – Rented Residential Property	Class 6
Class 5 – Railroads, Private Car Companies, Flight Property	Class 7
Class 6 – Historic Property	Class 8
Class 7 – Commercial Historic Property	Class 9
Class 8 – Commercial/Rental Historic Property	Class 10
Class 9 – Improvements on Governmental Property	Class 11

R = Real Property

P = Personal Property

(Effective January 1, 2000)

**Laws 1999, 1st Special Session, Chapter 5** provided a series of conditional tax cuts that will be enacted if FY 1999 General Fund revenues exceed the current forecast by a prescribed amount. Included in these “triggered” tax cuts is a reduction in the minimum value of commercial, industrial, and agricultural personal property from 10% to 2.5% over a 3-year phase-down period.

(Effective January 1, 2000)

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