

REFERENCE TITLE: **property tax valuation; utilities**

State of Arizona
House of Representatives
Forty-eighth Legislature
Second Regular Session
2008

HB 2796

Introduced by
Representative Chabin, Senator Hale: Representatives Campbell CL, Farley,
Gallardo, Senators Garcia, Rios

AN ACT

AMENDING SECTIONS 15-445, 15-448, 15-459, 15-481, 35-454, 42-11127, 42-12001 AND 42-12007, ARIZONA REVISED STATUTES; RENUMBERING SECTION 42-12010, ARIZONA REVISED STATUTES, AS SECTION 42-12011; AMENDING TITLE 42, CHAPTER 12, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 42-12010; AMENDING SECTIONS 42-12054, 42-12101, 42-13054, 42-13055, 42-13304 AND 42-13351, ARIZONA REVISED STATUTES; RENUMBERING SECTION 42-15010, ARIZONA REVISED STATUTES, AS SECTION 42-15011; AMENDING TITLE 42, CHAPTER 15, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 42-15010; AMENDING SECTIONS 42-15053, 43-1078 AND 43-1166, ARIZONA REVISED STATUTES; RELATING TO PROPERTY TAX VALUATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-445, Arizona Revised Statutes, is amended to
3 read:

4 15-445. Residents of unorganized territory: school district
5 elections

6 A. The county school superintendent, on receiving notification from
7 the state school superintendent pursuant to section 15-825.02, subsection B,
8 shall do all of the following before calling an election:

9 1. Establish the boundaries of the proposed school district, taking
10 into consideration communities of interest and excluding Indian reservations
11 and other federal lands where reasonable to do so. During the period that
12 the county school superintendent is considering the new school district
13 boundaries, the county school superintendent shall conduct at least two
14 public meetings at which public testimony is heard and questions are
15 answered.

16 2. Identify adjacent school districts that accept at least twenty-five
17 per cent of their open enrollment or certificate of educational convenience
18 students from the unorganized territory and that are willing to accept the
19 unorganized territory into the existing school district. If there is only
20 one adjacent school district that meets these criteria, the boundaries of
21 that school district shall be reestablished to include the unorganized
22 territory without an election.

23 3. If there is more than one adjacent school district that meets the
24 criteria prescribed in paragraph 2 of this subsection, prepare a pamphlet and
25 a ballot question that includes the proposed boundaries and identifies
26 existing adjacent school districts that are willing to accept the unorganized
27 territory into the existing school district. The pamphlet shall be mailed to
28 each household with one or more qualified electors. The pamphlet and ballot
29 shall require the voters within the boundaries proposed by the county school
30 superintendent to join an existing adjacent school district. The pamphlet
31 and ballot shall include the full cash value, the assessed valuation and the
32 estimated amount of the primary property taxes and the estimated amount of
33 the secondary property taxes under each of the ballot options for each of the
34 following:

35 (a) An owner occupied residence whose assessed valuation is the
36 average assessed valuation of property classified as class three, as
37 prescribed by section 42-12003 for the current year in the school district.

38 (b) An owner occupied residence whose assessed valuation is one-half
39 of the assessed valuation of the residence in subdivision (a).

40 (c) An owner occupied residence whose assessed valuation is twice the
41 assessed valuation of the residence in subdivision (a).

42 (d) A business whose assessed valuation is the average of the assessed
43 valuation of property classified as class one, as prescribed by section
44 42-12001, paragraphs 11 AND 12 ~~and 13~~ for the current year in the school
45 district.

1 B. The county school superintendent shall schedule the election on the
2 next available general election date allowed by law.

3 C. On a canvass of the vote and a determination by the county school
4 superintendent that a majority of the voters ~~approves~~ APPROVE joining an
5 existing adjacent school district, the county school superintendent shall
6 notify the existing school district of the following:

7 1. That the boundaries of the school district shall be revised to
8 include the property identified in the boundaries established by the county
9 school superintendent.

10 2. That the school district shall provide the same educational
11 services that are currently provided to students who reside in current
12 boundaries of the school district to all students within the revised
13 boundaries at the beginning of the next school year.

14 Sec. 2. Section 15-448, Arizona Revised Statutes, is amended to read:
15 15-448. Formation of unified school district; board membership;
16 budget

17 A. One or more common school districts and a high school district with
18 coterminous or overlapping boundaries may establish a unified school district
19 pursuant to this section. Unification of a common school district and a high
20 school district is not authorized by this section if any of the high school
21 facilities owned by the new unified school district would not be located
22 within its boundaries.

23 B. Formation of a unified school district shall be by resolutions
24 approved by the governing boards of the unifying school districts and
25 certification of approval by such governing boards to the county school
26 superintendent of the county or counties in which such individual school
27 districts are located. A common school district and high school district
28 that unify pursuant to this section shall not exclude from the same
29 unification a common school district that has overlapping boundaries with the
30 high school district and that wishes to unify. The formation of a unified
31 school district shall become effective on July 1 of the next fiscal year
32 following the certification of the county school superintendent. An election
33 shall not be required to form a unified school district pursuant to this
34 section. At least ninety days before the governing boards vote on the
35 resolutions prescribed in this subsection, the governing boards shall mail a
36 pamphlet to each household with one or more qualified electors that shall
37 list the full cash value, the assessed valuation and the estimated amount of
38 the primary property taxes and the estimated amount of the secondary property
39 taxes under the proposed unification for each of the following:

40 1. An owner occupied residence whose assessed valuation is the average
41 assessed valuation of property classified as class three, as prescribed by
42 section 42-12003 for the current year in the school district.

43 2. An owner occupied residence whose assessed valuation is one-half of
44 the assessed valuation of the residence in paragraph 1 of this subsection.

1 3. An owner occupied residence whose assessed valuation is twice the
2 assessed valuation of the residence in paragraph 1 of this subsection.

3 4. A business whose assessed valuation is the average of the assessed
4 valuation of property classified as class one, as prescribed by section
5 42-12001, paragraphs 11 AND 12 ~~and 13~~ for the current year in the school
6 district.

7 C. The boundaries of the unified school district shall be the
8 boundaries of the former common school district or districts that unify. The
9 boundaries of the common school district or districts that are not unifying
10 remain unchanged. The county school superintendent, immediately upon receipt
11 of the approved resolutions prescribed by subsection B of this section, shall
12 file with the board of supervisors, the county assessor and the
13 superintendent of public instruction a transcript of the boundaries of the
14 unified school district. The boundaries shown in the transcript shall become
15 the legal boundaries of the school districts on July 1 of the next fiscal
16 year.

17 D. On formation of the unified school district, the governing board
18 consists of the members of the former school district governing boards and
19 the members shall hold office until January 1 following the first general
20 election after formation of the district.

21 E. Beginning on January 1 following the first general election after
22 formation of the unified school district, the governing board shall have five
23 members. At the first general election after the formation of the district,
24 members shall be elected in the following manner:

25 1. The three candidates receiving the highest, the second highest and
26 the third highest number of votes shall be elected to four year terms.

27 2. The two candidates receiving the fourth and fifth highest number of
28 votes shall be elected to two year terms. Thereafter all offices shall have
29 four year terms.

30 F. The new unified school district may appoint a resident of the
31 remaining common school district to serve as a nonvoting member of the
32 governing board to represent the interests of the high school pupils who
33 reside in the remaining common school district and who attend school in the
34 unified school district.

35 G. For the first year of operation, the unified school district
36 governing board shall prepare a consolidated budget based on the student
37 counts from the school districts comprising the unified school district,
38 except that for purposes of determining budget amounts and equalization
39 assistance, the student count for the former high school district shall not
40 include the prior year average daily membership attributable to high school
41 pupils from a common school district that was part of the former high school
42 district but is not part of the unified school district. The unified school
43 district shall charge the remaining common school district tuition for these
44 pupils as provided in subsection J of this section and shall not include such
45 pupils for the purpose of making any adjustment for rapid decline in student

1 count pursuant to section 15-942. The unified school district may budget for
2 unification assistance pursuant to section 15-912.01.

3 H. The governing board of the unified school district shall prepare
4 policies, curricula and budgets for the district. These policies shall
5 require that:

6 1. The base compensation of each certificated teacher for the first
7 year of operation of the new unified school district shall not be lower than
8 the certificated teacher's base compensation for the prior year in the
9 previously existing school districts.

10 2. The certificated teacher's years of employment in the previously
11 existing school districts shall be included in determining the teacher's
12 certificated years of employment in the new unified school district.

13 I. Upon formation of a unified school district any existing override
14 authorization of the former high school district and the former common school
15 district or districts shall continue until expiration based on the revenue
16 control limit of the school district or districts that had override
17 authorization prior to unification. The unified school district may request
18 new override authorization for the budget year as provided in section 15-481
19 based on the combined revenue control limit of the new district after
20 unification. If the unified school district's request for override
21 authorization is approved, it will replace any existing override for the
22 budget year.

23 J. The unified school district shall admit high school pupils who
24 reside in a common school district that was located within the boundaries of
25 the former high school district. Tuition shall be paid to the unified school
26 district by the common school district in which such pupils reside. Such
27 tuition amount shall be calculated in accordance with section 15-824, subject
28 to the following modifications:

29 1. If the former high school district had outstanding bonded
30 indebtedness at the time of unification, the combined tuition for the group
31 of high school pupils who reside in each common school district shall include
32 a debt service amount for the former high school district's outstanding
33 bonded indebtedness that is determined as follows:

34 (a) Divide the total secondary assessed valuation of the common school
35 district in which the group of pupils ~~reside~~ RESIDES by the total secondary
36 assessed valuation of the former high school district. For the purposes of
37 this subdivision, "secondary assessed valuation" means secondary assessed
38 valuation for the tax year prior to the year when the unification occurs and
39 includes the values used to determine voluntary contributions collected
40 pursuant to title 9, chapter 4, article 3 and title 48, chapter 1, article 8.

41 (b) Multiply the quotient obtained in subdivision (a) by the unified
42 school district's annual debt service expenditure.

43 2. The debt service portion of such tuition payments calculated
44 pursuant to paragraph 1 of this subsection shall be used exclusively for debt
45 service of the outstanding bonded indebtedness of the former high school

1 district. When such indebtedness is fully extinguished, the debt service
2 portion of a pupil's tuition shall be determined in accordance with paragraph
3 3 of this subsection.

4 3. If the former high school district had no outstanding bonded
5 indebtedness at the time of unification, the tuition calculation shall
6 include the actual school district expenditures for the portion of any debt
7 service of the unified school district that pertains to any construction or
8 renovation of high school facilities divided by the school district's student
9 count for the high school portion of the school district.

10 4. The unified school district shall not include in the tuition
11 calculation any debt service that pertains to any construction or renovation
12 of school facilities for preschool through grade eight.

13 5. Notwithstanding section 15-951, subsection H, the revenue control
14 limit of the common school district shall include the full amount of the debt
15 service portion of the tuition calculated pursuant to this subsection.

16 K. All assets and liabilities of the unifying school districts shall
17 be transferred and assumed by the new unified school district. Any existing
18 bonded indebtedness of a common school district or a high school district
19 unifying pursuant to this section shall be assumed by the new unified school
20 district and shall be regarded as an indebtedness of the new unified school
21 district for the purpose of determining the debt incurring authority of the
22 district. Taxes for the payment of such bonded indebtedness shall be levied
23 on all taxable property in the new unified school district, but nothing in
24 this subsection shall be construed to relieve from liability to taxation for
25 the payment of all taxable property of the former high school district if
26 necessary to prevent a default in the payment of any bonded indebtedness of
27 the former high school district. The residents of a common school district
28 that does not unify shall not vote in bond or override elections of the
29 unified school district and shall not be assessed taxes as a result of a bond
30 or override election of the unified school district.

31 L. If the remaining common school district had authorization for an
32 override as provided in section 15-481 or 15-482, the override authorization
33 continues for the remaining common school district or districts in the same
34 manner as before the formation of the unified school district.

35 M. The bonding authorization and bonding limitations continue for the
36 remaining common school district or districts in the same manner as before
37 the formation of the unified school district.

38 N. Nothing in this section shall be construed to relieve a school
39 district formed pursuant to section 15-457 or 15-458 of its liability for any
40 outstanding bonded indebtedness.

41 O. For school districts that become unified after July 1, 2004 and
42 where all of the common schools were eligible for the small school district
43 weight pursuant to section 15-943, paragraph 1, subdivision (a) when
44 computing their base support level and base revenue control limit before

1 unification, the unified school district may continue to use the small school
2 district weight as follows:

3 1. Annually determine the common school student count and the weighted
4 student count pursuant to section 15-943, paragraph 1, subdivision (a) for
5 each common school district before unification.

6 2. Calculate the sum of the common school districts' student counts
7 and weighted student counts determined in paragraph 1 of this subsection.

8 3. Divide the sum of the weighted student counts by the sum of the
9 student counts determined in paragraph 2 of this subsection.

10 4. The amount determined in paragraph 3 of this subsection shall be
11 the weight for the common schools in the unified school district.

12 P. A unified school district may calculate its revenue control limit
13 and district support level by using subsection O of this section as follows:

14 1. Determine the number of individual school districts that existed
15 before unification into a single school district.

16 2. Multiply the amount determined in paragraph 1 of this subsection by
17 six hundred.

18 3. Multiply the amount determined in paragraph 2 of this subsection by
19 0.80.

20 4. If the amount determined in paragraph 3 of this subsection exceeds
21 the student count of the unified school district, the unified school district
22 is eligible to use subsection O of this section.

23 Q. Subsections O and P of this section shall remain in effect until
24 the aggregate student count of the common school districts before unification
25 exceeds the aggregate number of students of the common school districts
26 before unification authorized to utilize section 15-943, paragraph 1,
27 subdivision (a).

28 Sec. 3. Section 15-459, Arizona Revised Statutes, is amended to read:

29 15-459. Consolidation of districts; petition; election; notice;
30 report; ballots; canvass of votes; governing board

31 A. On the request of the governing boards of two or more school
32 districts in the same county or in adjacent counties or on receipt of
33 petitions bearing the signatures of ten per cent or more of the number of
34 qualified electors who voted in whichever of the last two general elections
35 resulted in the higher number of ballots cast and who reside in each of two
36 or more school districts in the same county or in adjacent counties to
37 consolidate the school districts or parts of the districts, the county school
38 superintendent of each of the counties affected, within ten days, shall call
39 an election to determine the question on consolidation.

40 B. Consolidations allowed pursuant to subsection A of this section
41 include:

42 1. To change the boundaries of a school district to include any part
43 of an adjacent school district.

- 1 2. If all the common school districts within the boundaries of an
2 existing union high school district desire to consolidate into one common
3 school district.
- 4 3. If two or more adjacent school districts of like character, either
5 common, high or unified school districts, desire to consolidate into one
6 common, high or unified school district.
- 7 4. If a common school district that is not a part of a union high
8 school district desires to consolidate with an adjacent unified school
9 district.
- 10 5. If two or more common school districts desire to consolidate into
11 one school district and unify the consolidated district with a union high
12 school district to form one unified school district.
- 13 C. Notice of the election to determine consolidation of school
14 districts shall be posted in not less than three public places in each of the
15 school districts proposed to be consolidated at least twenty-five days before
16 the election.
- 17 D. The county school superintendent shall prepare and the governing
18 board shall distribute a report on the proposed boundary changes in a manner
19 similar to that prescribed in section 15-481, subsection B. The report shall
20 contain the following information:
- 21 1. The date of the election.
- 22 2. The polling places and times they are open.
- 23 3. The full cash value, the assessed valuation and the estimated
24 amount of the primary property taxes and the estimated amount of the
25 secondary property taxes under the proposed boundary changes for each of the
26 following:
- 27 (a) An owner occupied residence whose assessed valuation is the
28 average assessed valuation of property classified as class three, as
29 prescribed by section 42-12003 for the current year in the school district.
- 30 (b) An owner occupied residence whose assessed valuation is one-half
31 of the assessed valuation of the residence in subdivision (a) of this
32 paragraph.
- 33 (c) An owner occupied residence whose assessed valuation is twice the
34 assessed valuation of the residence in subdivision (a) of this paragraph.
- 35 (d) A business whose assessed valuation is the average of the assessed
36 valuation of property classified as class one, as prescribed by section
37 42-12001, paragraphs 11 AND 12 ~~and 13~~ for the current year in the school
38 district.
- 39 4. A consolidation plan to include:
- 40 (a) The proposed boundary changes.
- 41 (b) The impact of the proposed boundary changes, including where
42 pupils will attend school, changes in pupil transportation services, changes
43 in availability of special education services, changes in pupil-teacher ratio
44 and operational costs.

1 (c) If subsection P of this section applies to one or more of the
2 existing school districts, a detailed description of desegregation funding
3 and expenses for the resulting school district as set forth in subsection P
4 of this section.

5 (d) Any other information the county school superintendent deems
6 appropriate to include.

7 E. Ballots shall be prepared by the county school superintendent,
8 shall be delivered to the inspector at least forty-eight hours before the
9 opening of the polls as prescribed in section 16-509 and shall contain the
10 information prescribed in subsection D, paragraph 3 of this section and the
11 following statement: "Consolidation includes the assumption of liability by
12 the resulting school district for all indebtedness of existing school
13 districts or those parts of school districts proposed for consolidation. Do
14 you support consolidation under the specified provisions of the consolidation
15 plan? Yes () No ()." If the election is to simultaneously consolidate
16 and unify two or more common school districts, the ballot shall contain: "Do
17 you support the consolidation of the (insert names of common school
18 districts) and the subsequent unification of the consolidated districts with
19 the (insert name of union high school district) to form one unified school
20 district under the consolidation and unification plan? Yes () No ()."

21 F. The county school superintendent shall hold the election during the
22 fiscal year preceding the fiscal year consolidation is proposed to be
23 effective on a date prescribed by section 16-204. The election shall be held
24 in the manner and electors shall possess qualifications as prescribed for the
25 election of governing board members. The results of the election shall be
26 reported to the county school superintendent.

27 G. The county school superintendent and the chairman of the board of
28 supervisors, on the seventh day after the election, shall canvass the vote.
29 If a majority of the votes cast in each district ~~favours~~ FAVOR consolidation,
30 the districts are consolidated and become one district from and after June 30
31 next following the election. If parts of two or more school districts are
32 proposed to be consolidated, a majority of the voters in the part of a school
33 district or districts not affected by the proposed consolidation and a
34 majority of the voters in the part of the school district or districts
35 proposed for consolidation must approve the consolidation.

36 H. If a school district provides only financing for pupils who are
37 instructed by another school district in the same county or in an adjacent
38 county, the school district or any part of the school district may be
39 consolidated with the school district providing the instructional program as
40 follows:

41 1. The governing board of the financing school district approves the
42 consolidation or ten per cent of the qualified electors residing in the
43 school district, or that part of the school district proposed for
44 consolidation, petitions the county school superintendent to call an election
45 to approve the proposed consolidation.

1 2. The governing board of the school district providing instruction
2 approves the consolidation.

3 3. At an election called by the county school superintendent of each
4 of the counties affected, a majority of the persons voting in the school
5 district, or that part of the school district providing financing, approves
6 the proposed consolidation and a majority of the persons voting in the
7 district providing instruction ~~approves~~ APPROVE the proposed consolidation.

8 I. Elections held as provided in subsection H of this section shall be
9 conducted in the same manner as elections prescribed in subsections C through
10 G of this section and shall be held concurrently as prescribed in section
11 15-458.

12 J. If the consolidated district includes territory located in two or
13 more counties, the county of jurisdiction is the county in which the largest
14 number of qualified electors of the consolidated school district resides,
15 except that if all of the existing school buildings are in one county, that
16 county is the county of jurisdiction. The county school superintendent of
17 the jurisdictional county shall perform all duties for and with respect to
18 the consolidated school district as required to be performed by county school
19 superintendents. The board of supervisors of the jurisdictional county shall
20 perform all duties for and with respect to the consolidated school district
21 as required to be performed by boards of supervisors, except that school
22 district taxes to be levied on property in the portion of the consolidated
23 school district lying in another county shall be levied by the board of
24 supervisors of the other county or counties and on receipt shall be
25 transferred to the county of jurisdiction. All school buildings located
26 within the consolidated school district, together with all equipment and
27 furnishings, become the property of the consolidated school district. Any
28 assumed indebtedness is an indebtedness of the consolidated school district
29 for the purpose of determining the debt incurring authority of the
30 consolidated school district.

31 K. Sections 15-457, 15-975 and 15-997 apply to school districts which
32 are consolidated as provided in subsection H of this section.

33 L. Consolidation pursuant to this section is not allowed if the
34 resulting school district would have a student count for the current year of
35 more than ten per cent of the total student count of all school districts in
36 this state.

37 M. The governing board shall prepare policies, curricula and budgets
38 for the new school district. These policies shall require that:

39 1. The base salary and benefits of each employee for the first year of
40 operation of the new school district shall not be lower than the employee's
41 base salary and benefits for the prior year in the previously existing school
42 district.

43 2. The employee's years of employment in the previously existing
44 school district shall be included in determining the employee's years of
45 employment in the new school district. An employee who was entitled to

1 continuing employment contract status in the previously existing school
2 district is entitled to continuing employment contract status in the new
3 school district.

4 3. Notwithstanding paragraphs 1 and 2 of this subsection and pursuant
5 to section 15-544, nothing in this section shall be construed to restrict the
6 ability of the governing board to implement a reduction in force or to scale
7 back salaries of certified teachers, administrators or noncertificated
8 employees for reasons of economy or to improve the efficient conduct of
9 schools within the district following a school district consolidation.

10 N. If all of the districts to be consolidated have authorization for
11 an override as provided in section 15-481 that would have continued after the
12 consolidation, the override authorization continues for the new district and
13 expires at the time that the earliest override would have expired.

14 O. If one or more, but not all, of the districts to be consolidated
15 have authorization for an override as provided in section 15-481 that would
16 have continued after the consolidation, the override authorization shall only
17 apply to the schools included under the terms of the prior override
18 authorization. Consolidation of school districts does not consolidate or
19 pool the liability to be taxed for the override, and only property that was
20 located within the boundaries of the district that approved the override
21 prior to consolidation is to pay taxes to support the override. This
22 subsection also applies if all of the districts to be consolidated have
23 authorization for overrides, but the authorizations are pursuant to different
24 subsections of section 15-481 or the override amounts are not the same
25 percentage of the revenue control limit.

26 P. Notwithstanding section 15-457, consolidation of school districts
27 does not consolidate or pool the liability of the former school districts
28 into the resulting school district. Outstanding indebtedness incurred by a
29 school district before consolidation shall be repaid without interruption
30 according to existing debt schedules as determined by the county board of
31 supervisors. If a school district consolidates after July 1, 2004, the new
32 school district may pay tuition to the district of attendance when a pupil is
33 precluded by distance or lack of transportation from attending school in the
34 district of a pupil's residence.

35 Q. If one or more of the previously existing school districts was
36 authorized to budget for expenses of complying with or continuing to
37 implement activities that were required or permitted by court order of
38 desegregation or administrative agreement with the United States department
39 of education office for civil rights directed toward remediating alleged or
40 proven racial discrimination pursuant to section 15-910, this authorization
41 does not expire on the effective date of consolidation but only applies to
42 schools included in the court order or administrative agreement.

43 R. If one or more of the previously existing school districts was
44 participating in a career ladder program pursuant to chapter 9, article 1.1
45 of this title before consolidation, notwithstanding any other law the state

1 board shall expedite the processing of and may approve an updated application
2 for program reapproval that incorporates the geographic boundaries of the
3 resulting school district and the inclusion of the additional staff in the
4 career ladder program.

5 S. If the formation of a new consolidated and unified school district
6 is authorized, the terms of the governing board members of the common and
7 union high school districts do not expire on the effective date of the
8 unification. The governing board members of the previously existing school
9 districts shall serve as provided in section 15-430, except that the power of
10 the governing board members of the previously existing school districts
11 acting as the governing board of the unified school district is limited to
12 the maintenance and operation of the previously existing school districts and
13 compliance with the consolidation and unification plan.

14 Sec. 4. Section 15-481, Arizona Revised Statutes, is amended to read:
15 15-481. Override election; budget increases; notice; ballot;
16 effect

17 A. If a proposed budget of a school district exceeds the aggregate
18 budget limit for the budget year, at least ninety days before the proposed
19 election the governing board shall order an override election to be held on
20 the first Tuesday following the first Monday in November as prescribed by
21 section 16-204, subsection B, paragraph 1, subdivision (d) for the purpose of
22 presenting the proposed budget to the qualified electors of the school
23 district who ~~shall~~ by a majority of those voting either **SHALL** affirm or
24 reject the budget. In addition, the governing board shall prepare an
25 alternate budget which does not include an increase in the budget of more
26 than the amount permitted as provided in section 15-905. If the qualified
27 electors approve the proposed budget, the governing board of the school
28 district shall follow the procedures prescribed in section 15-905 for
29 adopting a budget that includes the authorized increase. If the qualified
30 electors disapprove the proposed budget, the governing board shall follow the
31 procedures prescribed in section 15-905 for adopting a budget that does not
32 include the proposed increase or the portion of the proposed increase that
33 exceeds the amount authorized by a previously approved budget increase as
34 prescribed in subsection P of this section.

35 B. The county school superintendent shall prepare an informational
36 report on the proposed increase in the budget and a sample ballot and, at
37 least forty days prior to the election, shall transmit the report and the
38 sample ballot to the governing board of the school district. The governing
39 board, upon receipt of the report and the ballot, shall mail or distribute
40 the report and the ballot to the households in which qualified electors
41 reside within the school district at least thirty-five days prior to the
42 election. Any distribution of material concerning the proposed increase in
43 the budget shall not be conducted by children enrolled in the school
44 district. The report shall contain the following information:

- 45 1. The date of the election.

- 1 2. The voter's polling place and the times it is open.
- 2 3. The proposed total increase in the budget which exceeds the amount
- 3 permitted pursuant to section 15-905.
- 4 4. The total amount of the current year's budget, the total amount of
- 5 the proposed budget and the total amount of the alternate budget.
- 6 5. If the override is for a period of more than one year, a statement
- 7 indicating the number of years the proposed increase in the budget would be
- 8 in effect and the percentage of the school district's revenue control limit
- 9 that the district is requesting for the future years.
- 10 6. The proposed total amount of revenues which will fund the increase
- 11 in the budget and the amount which will be obtained from a levy of taxes upon
- 12 the taxable property within the school district for the first year for which
- 13 the budget increase was adopted.
- 14 7. The proposed amount of revenues which will fund the increase in the
- 15 budget and which will be obtained from other than a levy of taxes upon the
- 16 taxable property within the school district for the first year for which the
- 17 budget increase was adopted.
- 18 8. The dollar amount and the purpose for which the proposed increase
- 19 in the budget is to be expended for the first year for which the budget
- 20 increase was adopted.
- 21 9. At least two arguments, if submitted, but no more than ten
- 22 arguments for and two arguments, if submitted, but no more than ten arguments
- 23 against the proposed increase in the budget. The arguments shall be in a
- 24 form prescribed by the county school superintendent, and each argument shall
- 25 not exceed two hundred words. Arguments for the proposed increase in the
- 26 budget shall be provided in writing and signed by the governing board. If
- 27 submitted, additional arguments in favor of the proposed increase in the
- 28 budget shall be provided in writing and signed by those in favor. Arguments
- 29 against the proposed increase in the budget shall be provided in writing and
- 30 signed by those in opposition. The names of those persons other than the
- 31 governing board or superintendent submitting written arguments shall not be
- 32 included in the report without their specific permission, but shall be made
- 33 available only upon request to the county school superintendent. The county
- 34 school superintendent shall review all factual statements contained in the
- 35 written arguments and correct any inaccurate statements of fact. The
- 36 superintendent shall not review and correct any portion of the written
- 37 arguments which are identified as statements of the author's opinion. The
- 38 county school superintendent shall make the written arguments available to
- 39 the public as provided in title 39, chapter 1, article 2. A deadline for
- 40 submitting arguments to be included in the informational report shall be set
- 41 by the county school superintendent.
- 42 10. A statement that the alternate budget shall be adopted by the
- 43 governing board if the proposed budget is not adopted by the qualified
- 44 electors of the school district.

1 11. The full cash value, the assessed valuation, the first year tax
2 rate for the proposed override and the estimated amount of the secondary
3 property taxes if the proposed budget is adopted for each of the following:

4 (a) An owner-occupied residence whose assessed valuation is the
5 average assessed valuation of property classified as class three, as
6 prescribed by section 42-12003 for the current year in the school district.

7 (b) An owner-occupied residence whose assessed valuation is one-half
8 of the assessed valuation of the residence in subdivision (a) of this
9 paragraph.

10 (c) An owner-occupied residence whose assessed valuation is twice the
11 assessed valuation of the residence in subdivision (a) of this paragraph.

12 (d) A business whose assessed valuation is the average of the assessed
13 valuation of property classified as class one, as prescribed by section
14 42-12001, paragraphs 11 AND 12 ~~and 13~~ for the current year in the school
15 district.

16 12. If the election is conducted pursuant to subsection L or M of this
17 section, the following information:

18 (a) An executive summary of the school district's most recent capital
19 improvement plan submitted to the school facilities board.

20 (b) A complete list of each proposed capital improvement that will be
21 funded with the budget increase and a description of the proposed cost of
22 each improvement, including a separate aggregation of capital improvements
23 for administrative purposes as defined by the school facilities board.

24 (c) The tax rate associated with each of the proposed capital
25 improvements and the estimated cost of each capital improvement for the owner
26 of a single family home that is valued at eighty thousand dollars.

27 C. For the purpose of this section, the school district may use its
28 staff, equipment, materials, buildings or other resources only to distribute
29 the informational report at the school district office or at public hearings
30 and to produce such information as required in subsection B of this section,
31 provided that nothing in this subsection shall preclude school districts from
32 holding or participating in any public hearings at which testimony is given
33 by at least one person for the proposed increase and one person against the
34 proposed increase. Any written information provided by the district
35 pertaining to the override election shall include financial information
36 showing the estimated first year tax rate for the proposed budget override
37 amount.

38 D. If any amount of the proposed increase will be funded by a levy of
39 taxes in the district, the election prescribed in subsection A of this
40 section shall be held on the first Tuesday following the first Monday in
41 November as prescribed by section 16-204, subsection B, paragraph 1,
42 subdivision (d). If the proposed increase will be fully funded by revenues
43 from other than a levy of taxes, the elections prescribed in subsection A of
44 this section shall be held on any date prescribed by section 16-204. The
45 elections shall be conducted as nearly as practicable in the manner

1 prescribed in article 1 of this chapter, sections 15-422 through 15-424 and
2 section 15-426, relating to special elections, except that:

3 1. The notices required pursuant to section 15-403 shall be posted not
4 less than twenty-five days before the election.

5 2. Ballots shall be counted pursuant to title 16, chapter 4,
6 article 10.

7 E. If the election is to exceed the revenue control limit and if the
8 proposed increase will be fully funded by a levy of taxes upon the taxable
9 property within the school district, the ballot shall contain the words
10 "budget increase, yes" and "budget increase, no", and the voter shall signify
11 his desired choice. The ballot shall also contain the amount of the proposed
12 increase of the proposed budget over the alternate budget, a statement that
13 the amount of the proposed increase will be based on a percentage of the
14 school district's revenue control limit in future years, if applicable, as
15 provided in subsection P of this section and the following statement:

16 Any budget increase authorized by this election shall be
17 entirely funded by a levy of taxes upon the taxable property
18 within this school district for the year for which adopted and
19 for ____ subsequent years, shall not be realized from monies
20 furnished by the state and shall not be subject to the
21 limitation on taxes specified in article IX, section 18,
22 Constitution of Arizona. Based on an estimate of assessed
23 valuation used for secondary property tax purposes, to fund the
24 proposed increase in the school district's budget would require
25 an estimated tax rate of _____ dollar per one hundred
26 dollars of assessed valuation used for secondary property tax
27 purposes and is in addition to the school district's tax rate
28 which will be levied to fund the school district's revenue
29 control limit allowed by law.

30 F. If the election is to exceed the revenue control limit and if the
31 proposed increase will be fully funded by revenues from other than a levy of
32 taxes upon the taxable property within the school district, the ballot shall
33 contain the words "budget increase, yes" and "budget increase, no", and the
34 voter shall signify the voter's desired choice. The ballot shall also
35 contain:

36 1. The amount of the proposed increase of the proposed budget over the
37 alternate budget.

38 2. A statement that the amount of the proposed increase will be based
39 on a percentage of the school district's revenue control limit in future
40 years, if applicable, as provided in subsection P of this section.

1 3. The following statement:
 2 Any budget increase authorized by this election shall be
 3 entirely funded by this school district with revenues from other
 4 than a levy of taxes on the taxable property within the school
 5 district for the year for which adopted and for _____
 6 subsequent years and shall not be realized from monies furnished
 7 by the state.

8 G. Except as provided in subsection H of this section, the maximum
 9 budget increase which may be requested and authorized as provided in
 10 subsection E or F of this section or the combination of subsections E and F
 11 of this section is ten per cent of the revenue control limit as provided in
 12 section 15-947, subsection A for the budget year.

13 H. Special budget override provisions for school districts with a
 14 student count of less than one hundred fifty-four in kindergarten programs
 15 and grades one through eight or with a student count of less than one hundred
 16 seventy-six in grades nine through twelve are as follows:

17 1. The maximum budget increase that may be requested and authorized as
 18 provided in subsections E and F of this section is the greater of the amount
 19 prescribed in subsection G of this section or a limit computed as follows:

20 (a) For common or unified districts with a student count of less than
 21 one hundred fifty-four in kindergarten programs and grades one through eight,
 22 the limit computed as prescribed in item (i) or (ii) of this subdivision,
 23 whichever is appropriate:

24 (i)

| | | | | |
|--------------|--------------------|-------------------------|-------------------------|---------------|
| | Small School | Support Level Weight | | Phase Down |
| Student | Student | for Small Isolated | | Reduction |
| <u>Count</u> | <u>Count Limit</u> | <u>School Districts</u> | <u>Base Level</u> | <u>Factor</u> |
| _____ | - 125 | x 1.358 + (0.0005 x | x \$ _____ | = \$ _____ |
| | | (500 - Student Count)) | | |
| | Phase Down | Phase Down | Small Isolated | |
| | <u>Base</u> | <u>Reduction Factor</u> | <u>School District</u> | |
| | \$150,000 | - \$ _____ | <u>Elementary Limit</u> | |
| | | | = \$ _____ | |

34 (ii)

| | | | | |
|--------------|--------------------|-------------------------|-------------------------|---------------|
| | Small School | Support Level Weight | | Phase Down |
| Student | Student | for Small | | Reduction |
| <u>Count</u> | <u>Count Limit</u> | <u>School Districts</u> | <u>Base Level</u> | <u>Factor</u> |
| _____ | - 125 | x 1.278 + (0.0003 x | x \$ _____ | = \$ _____ |
| | | (500 - Student Count)) | | |
| | Phase Down | Phase Down | Small | |
| | <u>Base</u> | <u>Reduction Factor</u> | <u>School District</u> | |
| | \$150,000 | - \$ _____ | <u>Elementary Limit</u> | |
| | | | = \$ _____ | |

1 (b) For unified or union high school districts with a student count of
 2 less than one hundred seventy-six in grades nine through twelve, the limit
 3 computed as prescribed in item (i) or (ii) of this subdivision, whichever is
 4 appropriate:

5 (i)

| | | | |
|----|--------------|-------------------------|------------------------|
| 6 | Small School | Support Level Weight | Phase Down |
| 7 | Student | for Small Isolated | Reduction |
| 8 | <u>Count</u> | <u>School Districts</u> | <u>Factor</u> |
| 9 | - <u>100</u> | x 1.468 + (0.0005 x | x \$ _____ = \$ _____ |
| 10 | | (500 - Student Count)) | |
| 11 | | | Small Isolated |
| 12 | Phase Down | Phase Down | District |
| 13 | <u>Base</u> | <u>Reduction Factor</u> | <u>Secondary Limit</u> |
| 14 | \$350,000 | - \$ _____ | = \$ _____ |

15 (ii)

| | | | |
|----|--------------|-------------------------|------------------------|
| 16 | Small School | Support Level Weight | Phase Down |
| 17 | Student | for Small | Reduction |
| 18 | <u>Count</u> | <u>School Districts</u> | <u>Factor</u> |
| 19 | - <u>100</u> | x 1.398 + (0.0004 x | x \$ _____ = \$ _____ |
| 20 | | (500 - Student Count)) | |
| 21 | | | Small |
| 22 | Phase Down | Phase Down | School District |
| 23 | <u>Base</u> | <u>Reduction Factor</u> | <u>Secondary Limit</u> |
| 24 | \$350,000 | - \$ _____ | = \$ _____ |

25 (c) If both subdivisions (a) and (b) of this paragraph apply to a
 26 unified school district, its limit for the purposes of this paragraph is the
 27 combination of its elementary limit and its secondary limit.

28 (d) If only subdivision (a) or (b) of this paragraph applies to a
 29 unified school district, the district's limit for the purposes of this
 30 paragraph is the sum of the limit computed as provided in subdivision (a) or
 31 (b) of this paragraph plus ten per cent of the revenue control limit
 32 attributable to those grade levels that do not meet the eligibility
 33 requirements of this subsection. If a school district budgets monies outside
 34 the revenue control limit pursuant to section 15-949, subsection E, the
 35 district's limit for the purposes of this paragraph is only the ten per cent
 36 of the revenue control limit attributable to those grade levels that are not
 37 included under section 15-949, subsection E. For the purposes of this
 38 subdivision, the revenue control limit is separated into elementary and
 39 secondary components based on the weighted student count as provided in
 40 section 15-971, subsection B, paragraph 2, subdivision (a).

41 2. If a school district utilizes ~~the provisions of~~ this subsection to
 42 request an override of more than one year, the ballot shall include an
 43 estimate of the amount of the proposed increase in the future years in place
 44 of the statement that the amount of the proposed increase will be based on a

1 percentage of the school district's revenue control limit in future years, as
2 prescribed in subsections E and F of this section.

3 3. Notwithstanding subsection P of this section, the maximum period of
4 an override authorized pursuant to this subsection is five years.

5 4. Subsection P, paragraphs 1 and 2 of this section do not apply to
6 overrides authorized pursuant to this subsection.

7 I. If the election is to exceed the revenue control limit as provided
8 in section 15-482 and if the proposed increase will be fully funded by a levy
9 of taxes on the taxable property within the school district, the ballot shall
10 contain the words "budget increase, yes" and "budget increase, no", and the
11 voter shall signify the voter's desired choice. The ballot shall also
12 contain the amount of the proposed increase of the budget over the alternate
13 budget, a statement that the amount of the proposed increase will be based on
14 a percentage of the school district's revenue control limit in future years,
15 if applicable, as provided in subsection Q of this section, and the following
16 statement:

17 Any budget increase authorized by this election shall be
18 entirely funded by a levy of taxes on the taxable property
19 within this school district for the year for which adopted and
20 for _____ subsequent years, shall not be realized from monies
21 furnished by the state and shall not be subject to the
22 limitation on taxes specified in article IX, section 18,
23 Constitution of Arizona. Based on an estimate of assessed
24 valuation used for secondary property tax purposes, to fund the
25 proposed increase in the school district's budget which will be
26 funded by a levy of taxes upon the taxable property within this
27 school district would require an estimated tax rate of
28 _____ dollar per one hundred dollars of assessed valuation
29 used for secondary property tax purposes and is in addition to
30 the school district's tax rate that will be levied to fund the
31 school district's revenue control limit allowed by law.

32 J. If the election is to exceed the revenue control limit as provided
33 in section 15-482 and if the proposed increase will be fully funded by
34 revenues other than a levy of taxes on the taxable property within the school
35 district, the ballot shall contain the words "budget increase, yes" and
36 "budget increase, no", and the voter shall signify the voter's desired
37 choice. The ballot shall also contain the amount of the proposed increase of
38 the proposed budget over the alternate budget, a statement that the amount of
39 the proposed increase will be based on a percentage of the school district's
40 revenue control limit in future years, if applicable, as provided in
41 subsection Q of this section and the following statement:

1 Any budget increase authorized by this election shall be
2 entirely funded by this school district with revenues from other
3 than a levy of taxes on the taxable property within the school
4 district for the year for which adopted and for ____ subsequent
5 years and shall not be realized from monies furnished by the
6 state.

7 K. The maximum budget increase that may be requested and authorized as
8 provided in subsection I or J of this section, or a combination of both of
9 these subsections, is five per cent of the revenue control limit as provided
10 in section 15-947, subsection A for the budget year. For a unified school
11 district, a common school district not within a high school district or a
12 common school district within a high school district that offers instruction
13 in high school subjects as provided in section 15-447, five per cent of the
14 revenue control limit means five per cent of the revenue control limit
15 attributable to the weighted student count in preschool programs for children
16 with disabilities, kindergarten programs and grades one through eight as
17 provided in section 15-971, subsection B.

18 L. If the election is to exceed the capital outlay revenue limit and
19 if the proposed increase will be fully funded by a levy of taxes upon the
20 taxable property within the school district, the ballot shall contain the
21 words "budget increase, yes" and "budget increase, no", and the voter shall
22 signify the voter's desired choice. An election held pursuant to this
23 subsection shall be held on the first Tuesday after the first Monday of
24 November. The ballot shall also contain the amount of the proposed increase
25 of the proposed budget over the alternate budget and the following statement:

26 Any budget increase authorized by this election shall be
27 entirely funded by a levy of taxes upon the taxable property
28 within this school district for the year in which adopted and
29 for ____ subsequent years, shall not be realized from monies
30 furnished by the state and shall not be subject to the
31 limitation on taxes specified in article IX, section 18,
32 Constitution of Arizona. Based on an estimate of assessed
33 valuation used for secondary property tax purposes, to fund the
34 proposed increase in the school district's budget would require
35 an estimated tax rate of _____ dollar per one hundred
36 dollars of assessed valuation used for secondary property tax
37 purposes and is in addition to the school district's tax rate
38 which will be levied to fund the school district's capital
39 outlay revenue limit allowed by law.

40 M. If the election is to exceed the capital outlay revenue limit and
41 if the proposed increase will be fully funded by revenues from other than a
42 levy of taxes upon the taxable property within the school district, the
43 ballot shall contain the words "budget increase, yes" and "budget increase,
44 no", and the voter shall signify the voter's desired choice. An election
45 held pursuant to this subsection shall be held on the first Tuesday after the

1 first Monday of November. The ballot shall also contain the amount of the
2 proposed increase of the proposed budget over the alternate budget and the
3 following statement:

4 Any budget increase authorized by this election shall be
5 entirely funded by this school district with revenues from other
6 than a levy of taxes on the taxable property within the school
7 district for the year in which adopted and for _____ subsequent
8 years and shall not be realized from monies furnished by the
9 state.

10 N. If the election is to exceed a combination of the revenue control
11 limit as provided in subsection E or F of this section, the revenue control
12 limit as provided in subsection I or J of this section or the capital outlay
13 revenue limit as provided in subsection L or M of this section, the ballot
14 shall be prepared so that the voters may vote on each proposed increase
15 separately and shall contain statements required in the same manner as if
16 each proposed increase were submitted separately.

17 O. If the election provides for a levy of taxes on the taxable
18 property within the school district, at least thirty days prior to the
19 election, the department of revenue shall provide the school district
20 governing board and the county school superintendent with an estimate of the
21 school district's assessed valuation used for secondary property tax purposes
22 for the ensuing fiscal year. The governing board and the county school
23 superintendent shall use this estimate to translate the amount of the
24 proposed dollar increase in the budget of the school district over that
25 allowed by law into a tax rate figure.

26 P. If the voters in a school district vote to adopt a budget in excess
27 of the revenue control limit as provided in subsection E or F of this
28 section, any additional increase shall be included in the aggregate budget
29 limit for each of the years authorized. Any additional increase shall be
30 excluded from the determination of equalization assistance. The school
31 district governing board may, however, MAY levy on the assessed valuation
32 used for secondary property tax purposes of the property in the school
33 district the additional increase if adopted under subsection E of this
34 section for the period of one year, two years or five through seven years as
35 authorized. If an additional increase is approved as provided in subsection
36 F of this section, the school district governing board may only use revenues
37 derived from the school district's prior year's maintenance and operation
38 fund ending cash balance to fund the additional increase. If a budget
39 increase was previously authorized and will be in effect for the budget year
40 or budget year and subsequent years, as provided in subsection E or F of this
41 section, the governing board may request a new budget increase as provided in
42 the same subsection under which the prior budget increase was adopted, which
43 shall not exceed the maximum amount permitted under subsection G of this
44 section. If the voters in the school district authorize the new budget
45 increase amount, the existing budget increase no longer is in effect. If the

1 voters in the school district do not authorize the budget increase amount,
2 the existing budget increase remains in effect for the time period for which
3 it was authorized. The maximum additional increase authorized as provided in
4 subsection E or F of this section and the additional increase which is
5 included in the aggregate budget limit is based on a percentage of a school
6 district's revenue control limit in future years, if the budget increase is
7 authorized for more than one year. If the additional increase:

8 1. Is for two years, the proposed increase in the second year is equal
9 to the initial proposed percentage increase.

10 2. Is for five years or more, the proposed increase is equal to the
11 initial proposed percentage increase in the following years of the proposed
12 increase, except that in the next to last year it is two-thirds of the
13 initial proposed percentage increase and it is one-third of the initial
14 proposed percentage increase in the last year of the proposed increase.

15 Q. If the voters in a school district vote to adopt a budget in excess
16 of the revenue control limit as provided in subsection I or J of this
17 section, any additional increase shall be included in the aggregate budget
18 limit for each of the years authorized. Any additional increase shall be
19 excluded from the determination of equalization assistance. The school
20 district governing board, however, may levy on the assessed valuation used
21 for secondary property tax purposes of the property in the school district
22 the additional increase if adopted under subsection I of this section for the
23 period of one year, two years or five through seven years as authorized. If
24 an additional increase is approved as provided in subsection J of this
25 section, the increase may only be budgeted and expended if sufficient monies
26 are available in the maintenance and operation fund of the school district.
27 If a budget increase was previously authorized and will be in effect for the
28 budget year or budget year and subsequent years, as provided in subsection I
29 or J of this section, the governing board may request a new budget increase
30 as provided in the same subsection under which the prior budget increase was
31 adopted that does not exceed the maximum amount permitted under subsection K
32 of this section. If the voters in the school district authorize the new
33 budget increase amount, the existing budget increase no longer is in effect.
34 If the voters in the school district do not authorize the budget increase
35 amount, the existing budget increase remains in effect for the time period
36 for which it was authorized. The maximum additional increase authorized as
37 provided in subsection I or J of this section and the additional increase
38 that is included in the aggregate budget limit is based on a percentage of a
39 school district's revenue control limit in future years, if the budget
40 increase is authorized for more than one year. If the additional increase:

41 1. Is for two years, the proposed increase in the second year is equal
42 to the initial proposed percentage increase.

1 2. Is for five years or more, the proposed increase is equal to the
 2 initial proposed percentage increase in the following years of the proposed
 3 increase, except that in the next to last year it is two-thirds of the
 4 initial proposed percentage increase and it is one-third of the initial
 5 proposed percentage increase in the last year of the proposed increase.

6 R. If the voters in a school district vote to adopt a budget in excess
 7 of the capital outlay revenue limit as provided in subsection L of this
 8 section, any additional increase shall be included in the aggregate budget
 9 limit for each of the years authorized. The additional increase shall be
 10 excluded from the determination of equalization assistance. The school
 11 district governing board ~~may~~, however, MAY levy on the assessed valuation
 12 used for secondary property tax purposes of the property in the school
 13 district the additional increase for the period authorized but not to exceed
 14 ten years. For overrides approved by a vote of the qualified electors of the
 15 school district at an election held from and after October 31, 1998, the
 16 period of the additional increase prescribed in this subsection shall not
 17 exceed seven years for any capital override election.

18 S. If the voters in a school district vote to adopt a budget in excess
 19 of the capital outlay revenue limit as provided in subsection M of this
 20 section, any additional increase shall be included in the aggregate budget
 21 limit for each of the years authorized. The additional increase shall be
 22 excluded from the determination of equalization assistance. The school
 23 district governing board may only use revenues derived from the school
 24 district's prior year's maintenance and operation fund ending cash balance
 25 and capital outlay fund ending cash balance to fund the additional increase
 26 for the period authorized but not to exceed ten years. For overrides
 27 approved by a vote of the qualified electors of the school district at an
 28 election held from and after October 31, 1998, the period of the additional
 29 increase prescribed in this subsection shall not exceed seven years for any
 30 capital override election.

31 T. In addition to subsections P and S of this section, from the
 32 maintenance and operation fund and capital outlay fund ending cash balances,
 33 the school district governing board shall first use any available revenues to
 34 reduce its primary tax rate to zero and shall use any remaining revenues to
 35 fund the additional increase authorized as provided in subsections F and M of
 36 this section.

37 U. If the voters in a school district disapprove the proposed budget,
 38 the alternate budget which, except for any budget increase authorized by a
 39 prior election, does not include an increase in the budget in excess of the
 40 amount provided in section 15-905 shall be adopted by the governing board as
 41 provided in section 15-905.

42 V. The governing board may request that any override election be
 43 cancelled if any change in chapter 9 of this title changes the amount of the
 44 aggregate budget limit as provided in section 15-905. The request to cancel

1 the override election shall be made to the county school superintendent at
2 least ten days prior to the date of the scheduled override election.

3 W. For any election conducted pursuant to subsection L or M of this
4 section:

5 1. The ballot shall include the following statement in addition to any
6 other statement required by this section:

7 The capital improvements that are proposed to be funded
8 through this override election are to exceed the state standards
9 and are in addition to monies provided by the state.

10 _____ school district is proposing to increase its
11 budget by \$_____ to fund capital improvements over and
12 above those funded by the state. Under the students first
13 capital funding system, _____ school district is entitled to
14 state monies for building renewal, new construction and
15 renovation of school buildings in accordance with state law.

16 2. The ballot shall contain the words "budget increase, yes" and
17 "budget increase, no", and the voter shall signify the voter's desired
18 choice.

19 3. At least eighty-five days before the election, the school district
20 shall submit proposed ballot language to the director of the Arizona
21 legislative council. The director of the Arizona legislative council shall
22 review the proposed ballot language to determine whether the proposed ballot
23 language complies with this section. If the director of the Arizona
24 legislative council determines that the proposed ballot language does not
25 comply with this section, the director, within ten calendar days of the
26 receipt of the proposed ballot language, shall notify the school district of
27 the director's objections and the school district shall resubmit revised
28 ballot language to the director for approval.

29 X. If the voters approve the budget increase pursuant to subsection L
30 or M of this section, the school district shall not use the override proceeds
31 for any purposes other than the proposed capital improvements listed in the
32 publicity pamphlet, except that up to ten per cent of the override proceeds
33 may be used for general capital expenses, including cost overruns of proposed
34 capital improvements.

35 Y. Each school district that currently increases its budget pursuant
36 to subsection L or M of this section is required to hold a public meeting
37 each year between September 1 and October 31 at which an update of the
38 progress of capital improvements financed through the override is discussed
39 and at which the public is permitted an opportunity to comment. At a
40 minimum, the update shall include a comparison of the current status and the
41 original projections on the construction of capital improvements, the costs
42 of capital improvements and the costs of capital improvements in progress or
43 completed since the prior meeting and the future capital plans of the school
44 district. The school district shall include in the public meeting a

1 discussion of the school district's use of state capital aid and
2 voter-approved bonding in funding capital improvements, if any.

3 Z. If a budget in excess of the capital outlay revenue limit was
4 previously adopted by the voters in a school district and will be in effect
5 for the budget year or budget year and subsequent years, as provided in
6 subsection L or M of this section, the governing board may request an
7 additional budget in excess of the capital outlay revenue limit. If the
8 voters in a school district authorize the additional budget in excess of the
9 capital outlay revenue limit, the existing capital outlay revenue limit
10 budget increase remains in effect.

11 Sec. 5. Section 35-454, Arizona Revised Statutes, is amended to read:
12 35-454. Informational pamphlet for election; review; election;
13 return; canvass of vote; certificate of election

14 A. The governing body or board of the political subdivision shall:

15 1. Not less than thirty-five days before the bond election, mail a
16 copy of an informational pamphlet to every household within the political
17 subdivision that contains a registered voter. The pamphlet shall contain
18 information on the:

19 (a) Amount of the bond authorization.

20 (b) Maximum interest rate of the bonds.

21 (c) Estimated debt retirement schedule for the current amount of bonds
22 outstanding, showing both principal and interest payments, the current
23 secondary assessed valuation as reported by the department of revenue or the
24 county assessor and the current adopted and estimated tax rates. ~~IN~~ FOR THE
25 PURPOSES OF this paragraph, "secondary assessed valuation" may include the
26 values used to determine voluntary contributions collected pursuant to title
27 9, chapter 4, article 3 and title 48, chapter 1, article 8.

28 (d) Estimated debt retirement schedule for the proposed bond
29 authorization, showing both the estimated principal and interest payments and
30 the estimated average annual tax rate for the proposed bond authorization. In
31 preparing this information and the information prescribed by subdivision (c),
32 the projected total annual increase in secondary assessed valuation for any
33 future year shall not exceed:

34 (i) For the first five years of the estimated debt retirement
35 schedule, the average of the annual percentage growth for the previous ten
36 years in the secondary assessed valuation of the political subdivision.

37 (ii) For the remaining years of the estimated debt retirement
38 schedule, twenty per cent of the average of the annual percentage growth for
39 the previous ten years in the secondary assessed valuation of the political
40 subdivision.

41 (e) Source of repayment.

42 (f) Estimated issuance costs.

43 (g) Estimated tax impact of debt service for the bonds on an
44 owner-occupied residence classified as class three pursuant to section
45 42-12003 and on commercial property classified as class one pursuant to

1 section 42-12001, paragraph ~~12~~ 11, assuming the assessed valuation of the
2 property remains constant over the term of the bonds using the same average
3 annual tax rate as under subdivision (d), as follows:

4 The tax impact over the term of the bonds on an
5 owner-occupied residence valued by the county assessor at
6 \$250,000 is estimated to be \$___ per year for __ years, or \$___
7 total cost.

8 The tax impact over the term of the bonds on commercial
9 property valued by the county assessor at \$2,500,000 is
10 estimated to be \$___ per year for __ years, or \$_____ total
11 cost.

12 (h) In bold-faced type, estimated total cost of the proposed bond
13 authorization, including principal and interest.

14 (i) Current outstanding general obligation debt and constitutional
15 debt limitation.

16 (j) Purpose for which the bonds are to be issued.

17 (k) Polling location for the addressee.

18 (l) Hours during the day when the polls will be open.

19 (m) Arguments for and against the authorization of one or more of the
20 bond propositions.

21 2. Submit a copy of the informational pamphlet to the department of
22 revenue within thirty days after the bond election. The department of
23 revenue shall maintain copies of the pamphlets.

24 B. The failure of any one or more electors to receive the
25 informational pamphlet shall not be grounds to invalidate the election. The
26 election shall conform with the general election laws of the state. The
27 return of the election held in a county shall be made to the board of
28 supervisors and, in any other case, to the governing body or board of the
29 municipal corporation or district within twelve days after the election.

30 C. For any proposed general obligation bond authorization where the
31 principal and interest will be paid by a levy of property taxes, the ballot
32 shall contain the phrase "the issuance of these bonds will result in an
33 annual levy of property taxes sufficient to pay the debt on the bonds". Any
34 written information provided by the political subdivision pertaining to the
35 bond election shall include financial information showing the estimated
36 average tax rate for the proposed bond authorization.

37 D. If the governing body intends to use revenues other than property
38 taxes to pay the debt on proposed general obligation bonds, the ballot shall
39 contain the phrase "the issuance of these bonds will result in an annual levy
40 of property taxes sufficient to pay the debt on the bonds, unless the
41 governing body provides for payment from other sources".

42 E. The board of supervisors, governing body or governing board shall
43 hold a special meeting within twenty days after the election to canvass the
44 votes cast and certify the result. The certificate of the result shall be

1 prima facie evidence of full performance of all conditions and requirements
2 precedent to holding the election.

3 F. The governing board or body shall file and record in the office of
4 the county recorder a certificate disclosing the purpose of the election, the
5 total number of votes cast and the total number of votes for and against
6 creating the indebtedness, and stating whether or not the indebtedness is
7 ordered. Upon filing and recording the certificate, the governing board or
8 body shall carry out the purpose of the election.

9 G. Variations between the estimates required by subsection A **OF THIS**
10 **SECTION** and the actual debt retirement schedules, issuance costs, annual and
11 total costs and tax rates shall not invalidate either the election or the
12 bonds.

13 Sec. 6. Section 42-11127, Arizona Revised Statutes, is amended to
14 read:

15 42-11127. Exempt personal property; definition

16 A. Pursuant to article IX, section 2, subsection (6), Constitution of
17 Arizona, personal property that is class two property pursuant to section
18 42-12002, paragraph 2, subdivision (a) or (b) that is used for agricultural
19 purposes or personal property that is class one property pursuant to section
20 42-12001 that is used in a trade or business as described in section
21 42-12001, paragraphs ~~8- 7~~ through ~~11 10~~ or ~~13 12~~ is exempt from taxation up
22 to a maximum amount of fifty thousand dollars of full cash value for each
23 taxpayer.

24 B. On or before December 31 **OF** each year, the department shall
25 increase the maximum amount of the exemption for the following tax year based
26 on the average annual percentage increase, if any, in the GDP price deflator
27 in the two most recent complete state fiscal years.

28 C. ~~In~~ **FOR THE PURPOSES OF** this section, "GDP price deflator" means the
29 average of the four implicit price deflators for the gross domestic product
30 reported by the United States department of commerce or its successor for the
31 four quarters of the state fiscal year.

32 Sec. 7. Section 42-12001, Arizona Revised Statutes, is amended to
33 read:

34 42-12001. Class one property

35 For purposes of taxation, class one is established consisting of the
36 following subclasses:

37 1. Producing mines and mining claims, personal property used on mines
38 and mining claims, improvements to mines and mining claims and mills and
39 smelters operated in conjunction with mines and mining claims that are valued
40 at full cash value pursuant to section 42-14053.

41 2. Standing timber that is valued at full cash value.

42 ~~3. Real and personal property of gas distribution companies, electric~~
43 ~~transmission companies, electric distribution companies, combination gas and~~
44 ~~electric transmission and distribution companies, companies engaged in the~~

1 ~~generation of electricity and electric cooperatives that are valued at full~~
2 ~~cash value pursuant to section 42-14151.~~

3 ~~4-~~ 3. Real and personal property of airport fuel delivery companies
4 that are valued pursuant to section 42-14503.

5 ~~5-~~ 4. Real and personal property that is used by producing oil, gas
6 and geothermal resource interests that are valued at full cash value pursuant
7 to section 42-14102.

8 ~~6-~~ 5. Real and personal property of water, sewer and wastewater
9 utility companies that are valued at full cash value pursuant to section
10 42-14151.

11 ~~7-~~ 6. Real and personal property of pipeline companies that are
12 valued at full cash value pursuant to section 42-14201.

13 ~~8-~~ 7. Real and personal property of shopping centers that are valued
14 at full cash value or pursuant to chapter 13, article 5 of this title, as
15 applicable.

16 ~~9-~~ 8. Real and personal property of golf courses that are valued at
17 full cash value or pursuant to chapter 13, article 4 of this title.

18 ~~10-~~ 9. All property, both real and personal, of manufacturers,
19 assemblers or fabricators valued under ~~the provisions of~~ this title.

20 ~~11-~~ 10. Real and personal property that is used in communications
21 transmission facilities and that provides public telephone or
22 telecommunications exchange or interexchange access for compensation to
23 effect two-way communication to, from, through or within this state.

24 ~~12-~~ 11. Real property and improvements that are devoted to any other
25 commercial or industrial use, other than property that is specifically
26 included in another class described in this article, and that are valued at
27 full cash value.

28 ~~13-~~ 12. Personal property that is devoted to any other commercial or
29 industrial use, other than property that is specifically included in another
30 class described in this article, and that is valued at full cash value.

31 Sec. 8. Section 42-12007, Arizona Revised Statutes, is amended to
32 read:

33 42-12007. Class seven property

34 For purposes of taxation, class seven is established consisting of real
35 and personal property and improvements that meet the criteria for property
36 included in class one, paragraphs 11 AND 12 ~~and 13~~ and also the criteria for
37 commercial historic property as defined in section 42-12101.

38 Sec. 9. Renumber

39 Section 42-12010, Arizona Revised Statutes, is renumbered as section
40 42-12011.

41 Sec. 10. Title 42, chapter 12, article 1, Arizona Revised Statutes, is
42 amended by adding a new section 42-12010, to read:

43 42-12010. Class ten property

44 FOR PURPOSES OF TAXATION, CLASS TEN IS ESTABLISHED CONSISTING OF REAL
45 AND PERSONAL PROPERTY OF GAS DISTRIBUTION COMPANIES, ELECTRIC TRANSMISSION

1 COMPANIES, ELECTRIC DISTRIBUTION COMPANIES, COMBINATION GAS AND ELECTRIC
2 TRANSMISSION AND DISTRIBUTION COMPANIES, COMPANIES ENGAGED IN THE GENERATION
3 OF ELECTRICITY AND ELECTRIC COOPERATIVES THAT ARE VALUED AT FULL CASH VALUE
4 PURSUANT TO SECTION 42-14151.

5 Sec. 11. Section 42-12054, Arizona Revised Statutes, is amended to
6 read:

7 42-12054. Change in classification of owner-occupied residence

8 A. If a person purchases or converts property that is listed as class
9 one, paragraph ~~10~~ 10, class two or class four pursuant to article 1 of this
10 chapter and occupies the property as a residence, the person may have the
11 classification reviewed for change to class three from the date of conversion
12 and may appeal from the decision resulting from the review in the same manner
13 as provided by law for review of a valuation for ad valorem property taxes
14 and appeal from that review.

15 B. If a person makes such a conversion or appeals the classification
16 after the county assessor has closed the rolls, the person may petition the
17 county board of supervisors to change the classification and reduce the
18 assessed valuation from the date of conversion.

19 C. The board of supervisors shall entertain the petition in the same
20 manner as a board of equalization hears a request for reduction in valuation.

21 D. The petitioner may appeal the board of supervisors' decision in the
22 same manner as provided in section 42-16111, except that the petitioner shall
23 file the notice of appeal within fifteen days after the board's finding.

24 E. If the board of supervisors finds that the property is in fact
25 being used for residential purposes and should be listed as class three
26 property, it shall change the classification on the roll and fix the assessed
27 valuation from the date of conversion. The amount of taxes that is assessed
28 against the property shall be computed by applying the current tax rate to
29 the original assessed valuation prorated for the portion of the tax year
30 before the property was converted plus the current tax rate applied to the
31 reassessed value of the property prorated for the balance of the year.

32 F. The board of supervisors shall notify the department, assessor and
33 county treasurer of the change in classification, the change in assessed
34 valuation and the amount of tax assessed. The department and the assessor
35 may appeal any such decision in the same manner as provided in section
36 42-16111. The assessor and treasurer shall note the change on their records,
37 and the treasurer may issue a future tax credit, endorsed by the board, to
38 the person whose property is liable for the tax. The tax credit shall be
39 used on the next or several succeeding property tax assessments that the
40 person may owe thereafter.

41 Sec. 12. Section 42-12101, Arizona Revised Statutes, is amended to
42 read:

43 42-12101. Definitions

44 In this article, unless the context otherwise requires:

- 45 1. "Commercial historic property" means real property that:

1 (a) Meets the criteria for classification as class one, paragraph ~~12~~
2 ~~11~~ pursuant to section 42-12001 or class four pursuant to section 42-12004.

3 (b) Is listed in the national register of historic places established
4 and maintained under the national historic preservation act (P.L. 89-665; 80
5 Stat. 915; 16 United States Code section 470 et seq.), as amended.

6 (c) Meets the minimum standards of maintenance established by rule by
7 the Arizona state parks board.

8 2. "Noncommercial historic property" means real property:

9 (a) That is listed in the national register of historic places
10 established and maintained under the national historic preservation act
11 (P.L. 89-665; 80 Stat. 915; 16 United States Code section 470 et seq.), as
12 amended.

13 (b) That meets the minimum standards of maintenance established by
14 rule by the Arizona state parks board.

15 (c) On which no business or enterprise is conducted with the intent of
16 earning a profit.

17 Sec. 13. Section 42-13054, Arizona Revised Statutes, is amended to
18 read:

19 ~~42-13054.~~ Taxable value of personal property; depreciated
20 values of personal property in class one and class
21 two (P)

22 A. The taxable value of personal property that is valued by the county
23 assessor is the result of acquisition cost less any appropriate depreciation
24 as prescribed by tables adopted by the department. The taxable value shall
25 not exceed the market value.

26 B. Except as provided in subsection C of this section and
27 notwithstanding any other statute, the assessor shall adjust the depreciation
28 schedules prescribed by the department as follows to determine the valuation
29 of personal property:

30 1. For personal property that is initially classified during tax year
31 1994 through tax year 2007 as class one, paragraph 7, 8, 9, ~~10~~ or ~~13~~ ~~12~~
32 pursuant to section 42-12001 and personal property that is initially
33 classified during tax year 1995 through tax year 2007 as class two (P)
34 pursuant to section 42-12002:

35 (a) For the first tax year of assessment, the assessor shall use
36 thirty-five per cent of the scheduled depreciated value.

37 (b) For the second tax year of assessment, the assessor shall use
38 fifty-one per cent of the scheduled depreciated value.

39 (c) For the third tax year of assessment, the assessor shall use
40 sixty-seven per cent of the scheduled depreciated value.

41 (d) For the fourth tax year of assessment, the assessor shall use
42 eighty-three per cent of the scheduled depreciated value.

43 (e) For the fifth and subsequent tax years of assessment, the assessor
44 shall use the scheduled depreciated value as prescribed in the department's
45 guidelines.

1 2. For personal property that is initially classified during or after
2 tax year 2008 as class one, paragraph 7, 8, 9, ~~10~~ or ~~13~~ 12 pursuant to
3 section 42-12001 and as class two (P) pursuant to section 42-12002:

4 (a) For the first tax year of assessment, the assessor shall use
5 thirty per cent of the scheduled depreciated value.

6 (b) For the second tax year of assessment, the assessor shall use
7 forty-six per cent of the scheduled depreciated value.

8 (c) For the third tax year of assessment, the assessor shall use
9 sixty-two per cent of the scheduled depreciated value.

10 (d) For the fourth tax year of assessment, the assessor shall use
11 seventy-eight per cent of the scheduled depreciated value.

12 (e) For the fifth tax year of assessment, the assessor shall use
13 ninety-four per cent of the scheduled depreciated value.

14 (f) For the sixth and subsequent tax years of assessment, the assessor
15 shall use the scheduled depreciated value as prescribed in the department's
16 guidelines.

17 C. The additional depreciation prescribed in subsection B of this
18 section:

19 1. Does not apply to any property valued by the department.

20 2. Shall not reduce the valuation below the minimum value prescribed
21 by the department for property in use.

22 Sec. 14. Section 42-13055, Arizona Revised Statutes, is amended to
23 read:

24 42-13055. Reducing minimum value for property in use

25 A. Beginning in valuation year 2000, the department shall reduce the
26 minimum value prescribed for class one, paragraphs 7, 8, 9, ~~10~~ and ~~13~~ 12 and
27 class two (P) valued by the assessor by 2.5 per cent good each year.

28 B. This section does not require the department to reduce the minimum
29 value for any property in use below 2.5 per cent good.

30 Sec. 15. Section 42-13304, Arizona Revised Statutes, is amended to
31 read:

32 42-13304. Exemptions from limitation

33 A. The limitations prescribed by this article do not apply to:

34 1. Personal property, other than permanently affixed mobile homes that
35 are subject to chapter 15, article 5 of this title. The full cash value of
36 personal property, other than permanently affixed mobile homes, shall be used
37 for all purposes in lieu of limited property value.

38 2. Property included in property class one, paragraphs 1 through ~~7~~ 6
39 and ~~11~~ 10 under section 42-12001 OR CLASS TEN UNDER SECTION 42-12010. The
40 full cash value of that property shall be used for all purposes in lieu of
41 limited property value.

42 B. This section does not restrict the determination of full cash value
43 of all parcels or items or property in this state pursuant to article 2 of
44 this chapter for purposes of levying a tax rate for secondary property tax
45 purposes and for all other lawful purposes.

1 Sec. 16. Section 42-13351, Arizona Revised Statutes, is amended to
2 read:

3 42-13351. Method and procedures for valuing property of
4 manufacturers, assemblers or fabricators:
5 confidentiality

6 A. Real or personal property that is subject to valuation for property
7 tax purposes and that is used by any manufacturer, assembler or fabricator of
8 tangible personal property, except property that is included in class one,
9 paragraphs 1 through ~~9~~ 8 and paragraphs 10, 11, ~~AND 12 and 13~~, and classes
10 two, three, four, five, six, seven, eight, ~~or~~ nine OR TEN, shall be valued
11 pursuant to this article.

12 B. All information that a taxpayer submits pursuant to this article is
13 confidential pursuant to chapter 2, article 1 of this title.

14 Sec. 17. Renumber

15 Section 42-15010, Arizona Revised Statutes, is renumbered as section
16 42-15011.

17 Sec. 18. Title 42, chapter 15, article 1, Arizona Revised Statutes, is
18 amended by adding a new section 42-15010, to read:

19 42-15010. Assessed valuation of class ten property

20 THE ASSESSED VALUATION OF CLASS TEN PROPERTY DESCRIBED IN SECTION
21 42-12010 IS FORTY PER CENT OF ITS FULL CASH VALUE OR LIMITED VALUATION, AS
22 APPLICABLE.

23 Sec. 19. Section 42-15053, Arizona Revised Statutes, is amended to
24 read:

25 42-15053. Duty to report personal property; confidentiality

26 A. On or before February 1 of each year, the assessor shall mail a
27 form, notice or demand to each person who owns or has charge or control of
28 taxable personal property in the state. Each person shall prepare and
29 deliver to the assessor a correct report of property on or before April 1 of
30 each year, except for property that is not required to be reported as
31 provided by subsection C of this section. On written request and for good
32 cause shown, the assessor may extend for up to thirty days the time for
33 filing the report.

34 B. The duty to report taxable property pursuant to this section
35 applies regardless of whether the person or entity that owns or has charge or
36 control of the personal property also owns real property in the county with a
37 value of two hundred dollars or more.

38 C. The assessor shall not require a report of:

39 1. The breed, number, age or location of livestock on hand from
40 individuals, corporations, partnerships or any other business if the
41 livestock is exempt from taxation pursuant to article IX, section 13,
42 Constitution of Arizona.

43 2. The personal property that is class two (P) property used for
44 agricultural purposes or that is class one, ~~subclasses 8~~ PARAGRAPHS 7 through
45 ~~11~~ 10 and ~~13~~ 12 property used in a trade or business that is exempt from

1 taxation pursuant to article IX, section 2, subsection (6), Constitution of
2 Arizona.

3 D. Every assessment made against property subject to taxation is valid
4 whether or not the form, notice or demand was sent or received.

5 E. The department shall prescribe in detail the contents of property
6 reports, including the specific wording to be used by county assessors and
7 the method of reporting property. The report shall not include any question
8 that is not germane to the valuation function.

9 F. A report that is furnished under this section:

10 1. Is not open to public inspection, but the report may be used as
11 evidence in any prosecution brought under section 42-15055.

12 2. May be subject to audit. On completing an audit or on discovering
13 property that has not been reported, any property that was found to have
14 escaped taxation is liable for the amount of taxes due determined under
15 chapter 16, article 6 of this title, plus a penalty equal to ten per cent of
16 that amount. The county treasurer shall credit monies received as penalties
17 under this paragraph to the county general fund.

18 Sec. 20. Section 43-1078, Arizona Revised Statutes, is amended to
19 read:

20 43-1078. Credit for property taxes paid by qualified defense
21 contractor

22 A. A credit is allowed against the taxes imposed by this title equal
23 to a portion of the amount paid as taxes during the taxable year by a
24 qualified defense contractor that is certified by the department of commerce
25 under section 41-1508, on property in this state that is classified as class
26 one, paragraphs 11 AND 12 and 13 pursuant to section 42-12001.

27 B. The amount of the credit is determined as follows:

28 1. Multiply the amount paid as taxes on property classified as class
29 one, paragraphs 11 AND 12 and 13 pursuant to section 42-12001 in this state
30 during the taxable year by a percentage based on net new defense related
31 employment, determined by subtracting the employment baseline determined
32 pursuant to section 43-1077, subsection D, paragraph 1, from average annual
33 employment as reported to the department of economic security for the taxable
34 year, as follows:

| <u>New employment</u> | <u>Credit percentage</u> |
|-----------------------|--------------------------|
| 35 More than 900 | 40% |
| 36 601 - 900 | 30% |
| 37 301 - 600 | 20% |
| 38 1 - 300 | 10% |

40 2. Multiply the amount determined under paragraph 1 of this subsection
41 by a percentage determined by dividing the taxpayer's total gross income from
42 United States department of defense contracts apportioned to this state by
43 the taxpayer's total gross income from all sources apportioned to this state.

44 C. If the allowable tax credit exceeds the taxes otherwise due under
45 this title on the claimant's income, or if there are no taxes due under this

1 title, the taxpayer may carry the amount of the claim not used to offset the
2 taxes under this title forward until taxable years beginning from and after
3 December 31, 2011 as a credit against subsequent years' income tax liability,
4 regardless of continuing certification as a qualified defense contractor.

5 D. The credit allowed by this section is in lieu of a deduction for
6 property taxes under section 43-1042 with respect to the same taxes paid.

7 E. Co-owners of a business, including partners in a partnership and
8 shareholders of an S corporation, as defined in section 1361 of the internal
9 revenue code, may each claim only the pro rata share of the credit allowed
10 under this section based on the ownership interest. The total of the credits
11 allowed all such owners may not exceed the amount that would have been
12 allowed for a sole owner of the business.

13 Sec. 21. Section 43-1166, Arizona Revised Statutes, is amended to
14 read:

15 43-1166. Credit for property taxes paid by qualified defense
16 contractor

17 A. A credit is allowed against the taxes imposed by this title equal
18 to a portion of the amount paid as taxes during the taxable year by a
19 qualified defense contractor that is certified by the department of commerce
20 under section 41-1508 on property in this state that is classified as class
21 one, paragraphs 11 AND 12 ~~and 13~~ pursuant to section 42-12001.

22 B. The amount of the credit is determined as follows:

23 1. Multiply the amount paid as taxes on property classified as class
24 one, paragraphs 11 AND 12 ~~and 13~~ pursuant to section 42-12001 in this state
25 during the taxable year by a percentage based on net new defense related
26 employment, determined by subtracting the employment baseline determined
27 pursuant to section 43-1165, subsection D, paragraph 1 from average annual
28 employment as reported to the department of economic security for the taxable
29 year, as follows:

| <u>New employment</u> | <u>Credit percentage</u> |
|-----------------------|--------------------------|
| 30 More than 900 | 31 40% |
| 32 601 - 900 | 33 30% |
| 33 301 - 600 | 34 20% |
| 34 1 - 300 | 35 10% |

36 2. Multiply the amount determined under paragraph 1 of this subsection
37 by a percentage determined by dividing the taxpayer's total gross income from
38 United States department of defense contracts apportioned to this state by
39 the taxpayer's total gross income from all sources apportioned to this state.

40 C. If the allowable tax credit exceeds the taxes otherwise due under
41 this title on the claimant's income, or if there are no taxes due under this
42 title, the taxpayer may carry the amount of the claim not used to offset the
43 taxes under this title forward until taxable years beginning from and after
44 December 31, 2011 as a credit against subsequent years' income tax liability,
regardless of continuing certification as a qualified defense contractor.

1 D. Co-owners of a business, including corporate partners in a
2 partnership, may each claim only the pro rata share of the credit allowed
3 under this section based on the ownership interest. The total of the credits
4 allowed all such owners may not exceed the amount that would have been
5 allowed for a sole owner of the business.

6 Sec. 22. Effective date

7 This act is effective from and after December 31, 2008.