

State of Arizona
Senate
Forty-ninth Legislature
First Regular Session
2009

SENATE BILL 1421

AN ACT

AMENDING SECTIONS 42-17001, 42-17003, 42-17004, 42-17005, 42-17052, 42-17054, 42-17055 AND 48-807, ARIZONA REVISED STATUTES; RELATING TO SECONDARY PROPERTY TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-17001, Arizona Revised Statutes, is amended to
3 read:

4 42-17001. Definitions

5 In this chapter, unless the context otherwise requires:

6 1. "Commission" means the property tax oversight commission
7 established by section 42-17002.

8 2. "FIRE DISTRICT" MEANS A FIRE DISTRICT ESTABLISHED PURSUANT TO TITLE
9 48, CHAPTER 5.

10 ~~2-~~ 3. "Political subdivision" means a county, charter county, city,
11 charter city, town or community college district.

12 Sec. 2. Section 42-17003, Arizona Revised Statutes, is amended to
13 read:

14 42-17003. Duties

15 A. The commission shall:

16 1. Establish procedures for deriving the information required by
17 sections 15-905.01, 15-1461.01 and 42-17107 and article 2 of this chapter.

18 2. Review the primary property tax levy of each political subdivision
19 to determine violations of sections 15-905.01, 15-1461.01 and 42-17107 and
20 article 2 of this chapter.

21 3. REVIEW THE SECONDARY PROPERTY TAX LEVY OF EACH FIRE DISTRICT TO
22 DETERMINE VIOLATIONS OF SECTION 48-807.

23 ~~3-~~ 4. Review the reports made by the department concerning valuation
24 accuracy.

25 ~~4-~~ 5. Hold hearings to determine the adequacy of compliance with
26 articles 2 and 3 of this chapter.

27 ~~5-~~ 6. Upon the request of a county, city, town or community college
28 district, hold hearings as prescribed in section 42-17004 regarding the
29 calculation of the maximum allowable primary property tax levy limits
30 prescribed in section 42-17051, subsection A.

31 B. If the commission determines that a political subdivision has
32 violated section 15-905.01, 15-1461.01 or 42-17107 or article 2 of this
33 chapter, OR THAT A FIRE DISTRICT HAS VIOLATED SECTION 48-807, then on or
34 before September 15 the commission shall notify the political subdivision OR
35 DISTRICT, and the county board of supervisors, in writing, of:

36 1. The nature of the violation.

37 2. The necessary adjustment to:

38 (a) The primary property tax levy and tax rate to comply with section
39 15-905.01, 15-1461.01 or 42-17107 or article 2 of this chapter.

40 (b) THE SECONDARY PROPERTY TAX LEVY AND TAX RATE TO COMPLY WITH
41 SECTION 48-807.

1 Sec. 3. Section 42-17004, Arizona Revised Statutes, is amended to
2 read:

3 42-17004. Hearing and appeals of commission findings

4 A. If the commission notifies a political subdivision of a violation
5 of section 15-905.01, 15-1461.01 or 42-17107 or article 2 of this chapter, **OR**
6 **NOTIFIES A FIRE DISTRICT OF A VIOLATION OF SECTION 48-807**, and the political
7 subdivision **OR DISTRICT** disputes the commission's findings, then on or before
8 October 1 the political subdivision **OR DISTRICT** may request a hearing before
9 the commission to attempt to resolve the dispute.

10 B. A governing ~~board~~ **BODY** of a county, city, town, ~~or~~ community
11 college district **OR FIRE DISTRICT** may request a hearing before the commission
12 regarding the calculation of the maximum allowable primary **OR SECONDARY**
13 property tax levy limits prescribed in section 42-17051 **OR 48-807**. The
14 commission may resolve any disputes.

15 C. The commission shall conduct the hearing as prescribed in title 41,
16 chapter 6, article 10.

17 D. If the dispute is resolved at the hearing, the commission shall
18 immediately notify the county board of supervisors of the proper primary **OR**
19 **SECONDARY** tax levy and tax rate.

20 E. If a political subdivision **OR FIRE DISTRICT** continues to dispute
21 the commission's findings after the hearing under this section, the political
22 subdivision **OR DISTRICT** may:

23 1. Appeal the matter to tax court within thirty days after the
24 commission renders the decision.

25 2. Levy primary **OR SECONDARY** property taxes in the amount that the
26 political subdivision **OR DISTRICT** considers to be proper, pending the outcome
27 of the appeal.

28 Sec. 4. Section 42-17005, Arizona Revised Statutes, is amended to
29 read:

30 42-17005. Adjustments to levy

31 A. If a governing body of a political subdivision **OR A FIRE DISTRICT**
32 receives written notice of a violation of its allowable levy limit or truth
33 in taxation limit under section 42-17003, and has not appealed the
34 commission's decision pursuant to section 42-17004, the governing body shall
35 correct its ~~primary~~ property tax levy and tax rate to properly reflect the
36 allowable levy for the current year. The county board of supervisors shall
37 make the necessary adjustments to the political subdivision's **OR DISTRICT'S**
38 ~~primary~~ property tax levy and tax rate to ensure that the corrected
39 information is contained in the assessment and tax roll that is transmitted
40 to the county treasurer pursuant to section 42-18003. If the governing body
41 receives the notice after it is too late to correct the levy in the current
42 year, the difference between the amount actually levied and the allowable
43 ~~primary~~ property tax levy shall be set aside in a special fund and used to
44 reduce the ~~primary~~ property taxes levied in the following year.

1 B. If, after a hearing under section 42-17004, the commission
2 determines that errors were made in the calculation of the maximum allowable
3 primary property tax levy limit pursuant to section 42-17051, subsection A,
4 **OR SECONDARY PROPERTY TAX LEVY LIMIT PURSUANT TO SECTION 48-807**, the
5 commission shall have five days to notify the governing ~~board of a~~ **BODY OF**
6 **THE** county, city, town, ~~or~~ community college district **OR FIRE DISTRICT** of the
7 corrected levy limit. The commission shall also notify the county board of
8 supervisors within five days. The corrected maximum allowable primary
9 property tax levy shall be used in section 42-17051, subsection A, paragraph
10 1 in determining the following year's levy limit. **THE CORRECTED MAXIMUM**
11 **ALLOWABLE SECONDARY PROPERTY TAX LEVY SHALL BE USED IN SECTION 48-807 IN**
12 **DETERMINING THE FOLLOWING YEAR'S LEVY LIMIT.**

13 C. If, after a hearing under section 42-17004, it is impossible for
14 the board of supervisors to correct a property tax levy in the current year,
15 the political subdivision **OR FIRE DISTRICT** shall hold the difference between
16 the amount the political subdivision **OR DISTRICT** actually levied and the
17 allowable ~~primary~~ property tax levy prescribed by the commission in a
18 separate fund to be used to reduce the ~~primary~~ property taxes levied by the
19 political subdivision **OR DISTRICT** in the following year.

20 D. If the commission discovers that it has made an error in computing
21 the levy limit after September 15, it shall notify the political
22 subdivision's **OR FIRE DISTRICT'S** governing body about the error. The error
23 shall be corrected as prescribed in subsection A of this section. If the
24 error results in the maximum allowable ~~primary~~ property tax levy being
25 raised: ~~—~~

26 1. The corrected maximum allowable primary property tax levy shall be
27 used in section 42-17051, subsection A, paragraph 1 in determining the
28 following year's levy limit.

29 2. **THE CORRECTED MAXIMUM ALLOWABLE SECONDARY PROPERTY TAX LEVY SHALL**
30 **BE USED FOR THE PURPOSES OF SECTION 48-807 IN DETERMINING THE FOLLOWING**
31 **YEAR'S LEVY LIMIT.**

32 E. If, on appeal under section 42-17004, subsection E, the ruling of
33 the court provides for a ~~primary~~ property tax levy in an amount that is less
34 than the amount levied by the political subdivision **OR FIRE DISTRICT**, the
35 political subdivision **OR DISTRICT** shall hold the difference between the
36 amounts in a separate fund to be used to reduce the ~~primary~~ property taxes
37 levied by the political subdivision **OR DISTRICT** in the following year.

38 Sec. 5. Section 42-17052, Arizona Revised Statutes, is amended to
39 read:

40 42-17052. Values furnished by county assessor and fire
41 districts

42 A. On or before February 10 of the tax year, the county assessor shall
43 transmit and certify to the property tax oversight commission and to the
44 governing body of the political subdivision or district in the county the
45 values that are required to compute the levy limit prescribed by ~~section~~

1 SECTIONS 42-17051 AND 48-807. For the purposes of this section, these values
2 shall not be changed for the official calculation of levy limits and tax
3 rates after February 10 without the approval of the property tax oversight
4 commission. These values shall include:

5 1. The finally equalized valuation of all property, less estimated
6 exemptions, appearing on the tax roll for the current tax year to be used to
7 fix, levy and assess the political subdivision's taxes.

8 2. The value of the property on the personal property tax roll
9 determined pursuant to section 42-17053.

10 B. On or before February 10 of the tax year, the county assessor shall
11 determine the limited property value for the current tax year of each school
12 district in the county and shall transmit the values to the county school
13 superintendent to assist the superintendent in computing equalization
14 assistance for education as provided in section 15-991.

15 C. On or before February 10 of the tax year, the county assessor shall
16 transmit to the staff of the joint legislative budget committee and to the
17 governor's office of strategic planning and budgeting the values that are
18 required to compute the truth in taxation rates prescribed by section
19 41-1276.

20 D. ON OR BEFORE FEBRUARY 10 OF THE TAX YEAR, THE GOVERNING BOARD OF
21 EACH FIRE DISTRICT SHALL TRANSMIT TO THE PROPERTY TAX OVERSIGHT COMMISSION
22 THE TOTAL ASSESSED VALUE OF ALL PROPERTY ANNEXED BY THE DISTRICT IN THE
23 PRECEDING CALENDAR YEAR.

24 Sec. 6. Section 42-17054, Arizona Revised Statutes, is amended to
25 read:

26 42-17054. Levy limit worksheet

27 A. When the county assessor transmits valuations under section
28 42-17052, the assessor shall prepare and transmit a final levy limit
29 worksheet to each city, town and community college district that imposes a
30 primary property tax, TO EACH FIRE DISTRICT THAT IMPOSES A SECONDARY PROPERTY
31 TAX and to the property tax oversight commission.

32 B. Each city, town, ~~and~~ community college district AND FIRE DISTRICT
33 shall notify the property tax oversight commission in writing within ten days
34 of its agreement or disagreement with the final levy limit worksheet.

35 Sec. 7. Section 42-17055, Arizona Revised Statutes, is amended to
36 read:

37 42-17055. Public inspection of values used in computing levy
38 limitation

39 A. On or before February 15 of the tax year, the governing body of
40 each county, city, town, ~~and~~ community college district AND FIRE DISTRICT
41 shall make available for public inspection the values determined in each
42 numbered paragraph of section 42-17051, subsection A AND IN SECTION 48-807.

43 B. The property tax oversight commission shall not alter the values
44 that have been determined and made available for public inspection under this
45 section unless the county assessor transmits and certifies new values to the

1 governing body. The new values shall be made available for public inspection
2 on the request of any individual.

3 Sec. 8. Section 48-807, Arizona Revised Statutes, is amended to read:
4 48-807. County fire district assistance tax; annual budget

5 A. The board of supervisors of a county shall levy, at the time of
6 levying other property taxes, a county fire district assistance tax on the
7 taxable property in the county of not more than ten cents per one hundred
8 dollars of assessed valuation. The tax levy provided for in this subsection
9 shall be a levy of secondary property taxes and shall not be subject to title
10 42, chapter 17, article 2. The county treasurer shall pay to each fire
11 district, including a fire district formed pursuant to section 48-851, in the
12 county from the proceeds of the tax an amount equal to twenty per cent of the
13 property tax levy adopted by the district for the fiscal year in which the
14 tax will be levied, except that:

15 1. The amount of assistance from the county to a fire district shall
16 be reduced as follows:

17 (a) By the dollar amount that the fire district receives from the fire
18 district assistance tax that exceeds three hundred thousand dollars from and
19 after June 30 of each fiscal year.

20 (b) Except as provided in paragraph 2 **OF THIS SUBSECTION**, if the total
21 amount to be paid to all districts in the county under this paragraph exceeds
22 the amount to be raised by the levy of ten cents per one hundred dollars
23 assessed valuation, then the county treasurer shall pay an amount less than
24 twenty per cent of the property tax levy of each district. The amount to be
25 paid by the county treasurer to each district shall be determined by
26 multiplying the proceeds of the county fire district assistance tax against
27 the proportion that twenty per cent of the property tax levy of each district
28 bears to the total of twenty per cent of the property tax levies of all fire
29 districts in the county.

30 2. For fiscal years beginning from and after July 1, 1992, the amount
31 of assistance from the county to a fire district shall not be less than the
32 assistance provided from and after June 30, 1991 through June 30, 1992, if,
33 for the fiscal year in which the tax will be levied, the district levies a
34 tax, in addition to any tax levied under section 48-806, of three dollars per
35 one hundred dollars of assessed valuation and the assessed valuation is at
36 least ninety per cent of the assessed valuation for the 1991 tax year. This
37 paragraph does not apply to fire districts subject to paragraph 1,
38 subdivision (a) **OF THIS SUBSECTION**.

39 B. For the purpose of subsection A of this section, the property tax
40 levy of the fire district shall include in lieu contributions pursuant to
41 chapter 1, article 8 of this title but shall not include property tax levies
42 to be applied to the payment of principal and interest on bonds issued
43 pursuant to section 48-806.

44 C. Notwithstanding subsection A of this section, if two or more fire
45 districts merge to form a consolidated district, the last amount received by

1 each fire district from the fire district assistance tax prior to the merger
2 shall be combined, and if the combined amount exceeds three hundred thousand
3 dollars, the consolidated district may continue to receive that amount from
4 the fire district assistance tax.

5 D. If two or more fire districts merge to form a consolidated district
6 and the total of the amounts received by each fire district from the fire
7 district assistance tax is less than three hundred thousand dollars, the
8 consolidated district may continue to receive monies until its receipts total
9 three hundred thousand dollars, as prescribed in subsection A of this
10 section.

11 E. Not more than ten days after the perfection of the organization of
12 a fire district, and thereafter not later than August 1 of each year, the
13 chief and the secretary-treasurer of the district, or if there is a district
14 board, the chairman of the board, shall submit to the board of supervisors an
15 estimate, certified by items, of the amount of money required for the
16 equipment and maintenance of the district for the ensuing year.

17 F. The board, based on the budget submitted by the district, shall
18 levy, in addition to any tax levied as provided in section 48-806, a tax not
19 to exceed three dollars twenty-five cents per one hundred dollars of assessed
20 valuation, OR THE AMOUNT OF THE LEVY IN THE PRECEDING TAX YEAR MULTIPLIED BY
21 1.08, WHICHEVER LEVY IS LESS, AND MINUS ANY AMOUNTS REQUIRED TO REDUCE THE
22 LEVY PURSUANT TO SUBSECTION I OF THIS SECTION, against all property situated
23 within the district boundaries and appearing on the last assessment roll.
24 The levy shall be made and the taxes collected in the manner, at the time and
25 by the officers provided by law for the collection of general county taxes.

26 G. THE QUALIFIED ELECTORS OF THE DISTRICT, VOTING IN AN ELECTION AS
27 PRESCRIBED BY SUBSECTION H OF THIS SECTION, MAY AUTHORIZE THE BOARD TO LEVY A
28 TAX EXCEEDING THE LIMITS PRESCRIBED BY SUBSECTION F OF THIS SECTION UNDER
29 ONE, BUT NOT BOTH, OF THE FOLLOWING OPTIONS:

30 1. THE ELECTORS MAY AUTHORIZE A PERMANENT OVERRIDE ALLOWING ANNUAL
31 LEVIES WITHOUT REFERENCE TO THE LEVY IN THE PRECEDING TAX YEAR, BUT REMAINING
32 SUBJECT TO THE TAX RATE LIMIT OF THREE DOLLARS TWENTY-FIVE CENTS PER ONE
33 HUNDRED DOLLARS OF ASSESSED VALUATION. AN ELECTION FOR THE PURPOSES OF THIS
34 PARAGRAPH MUST BE HELD AT A REGULARLY SCHEDULED GENERAL ELECTION HELD ON THE
35 FIRST TUESDAY FOLLOWING THE FIRST MONDAY IN NOVEMBER AS PRESCRIBED BY SECTION
36 16-204, SUBSECTION B, PARAGRAPH 1, SUBDIVISION (d).

37 2. IF THE NET ASSESSED VALUATION OF ALL PROPERTY IN THE DISTRICT
38 DECLINES BY A COMBINED TOTAL OF TWENTY PER CENT OR MORE OVER TWO CONSECUTIVE
39 VALUATION YEARS, THE ELECTORS VOTING AT THE NEXT REGULARLY SCHEDULED GENERAL
40 ELECTION HELD ON THE FIRST TUESDAY FOLLOWING THE FIRST MONDAY IN NOVEMBER AS
41 PRESCRIBED BY SECTION 16-204, SUBSECTION B, PARAGRAPH 1, SUBDIVISION (d) MAY
42 AUTHORIZE AN OVERRIDE FOR FIVE CONSECUTIVE TAX YEARS ALLOWING ANNUAL LEVIES
43 THAT ARE EXEMPT FROM THE TAX RATE LIMIT OF THREE DOLLARS TWENTY-FIVE CENTS,
44 BUT SUBJECT TO AN ANNUAL LEVY LIMIT OF THE AMOUNT OF THE LEVY IN THE
45 PRECEDING TAX YEAR MULTIPLIED BY 1.05. AFTER THE FIFTH TAX YEAR, THE

1 DISTRICT IS AGAIN SUBJECT TO THE LIMITS PRESCRIBED BY SUBSECTION F OF THIS
2 SECTION, COMPUTED BY MULTIPLYING THE LEVY BEGINNING IN THE YEAR PRECEDING THE
3 OVERRIDE BY 1.08 FOR EACH YEAR THROUGH THE CURRENT TAX YEAR.

4 H. THE CALL FOR AN OVERRIDE ELECTION HELD FOR THE PURPOSES OF
5 SUBSECTION G OF THIS SECTION MUST STATE:

6 1. THE PURPOSE FOR REQUESTING ADDITIONAL SECONDARY PROPERTY TAX
7 REVENUE FOR THE DISTRICT.

8 2. IF THE VOTERS APPROVE THE LEVY:

9 (a) THE MAXIMUM DOLLAR AMOUNT OF SECONDARY PROPERTY TAX THAT MAY BE
10 COLLECTED IN THE FIRST YEAR COMPARED TO THE EXISTING MAXIMUM SECONDARY
11 PROPERTY TAX LEVY PRESCRIBED IN SUBSECTION F OF THIS SECTION.

12 (b) THE ESTIMATED SECONDARY PROPERTY TAX RATE TO FUND THE PROPOSED
13 LEVY UNDER SUBDIVISION (a) IN THE FIRST TAX YEAR COMPARED TO THE SECONDARY
14 PROPERTY TAX RATE LEVIED IN THE CURRENT YEAR.

15 I. IF THE DISTRICT ANNEXES ADDITIONAL TERRITORY, THE LIMIT UNDER
16 SUBSECTION F OF THIS SECTION SHALL BE ADJUSTED BY APPLYING THE DISTRICT'S TAX
17 RATE TO THE ASSESSED VALUATION OF THE ANNEXED PROPERTY IN THE PRECEDING TAX
18 YEAR. IF DISTRICTS ARE MERGED OR CONSOLIDATED UNDER THIS CHAPTER, THE
19 LIMITATION UNDER THIS SUBSECTION IN THE FIRST YEAR AFTER THE DISTRICTS ARE
20 MERGED OR CONSOLIDATED IS THE TOTAL OF THE LEVIES OF THE MERGED OR
21 CONSOLIDATED DISTRICTS IN THE PRECEDING TAX YEAR MULTIPLIED BY 1.08 OR THE
22 AMOUNT OF THE LEVIES ALLOWED BY THE MAXIMUM RATE PRESCRIBED BY SUBSECTION F
23 OF THIS SECTION, WHICHEVER IS LESS.

24 J. THE DISTRICT SHALL MAINTAIN ANY PROPERTY TAX REVENUES COLLECTED IN
25 EXCESS OF THE SUM OF THE AMOUNTS OF TAXES COLLECTIBLE PURSUANT TO SECTION
26 42-17054 AND THE ALLOWABLE LEVY DETERMINED UNDER SUBSECTION F OF THIS SECTION
27 IN A SEPARATE FUND AND USED TO REDUCE THE PROPERTY TAX LEVY IN THE FOLLOWING
28 TAX YEAR.

29 K. THE LEVY LIMIT UNDER THIS SECTION IS CONSIDERED TO BE INCREASED
30 EACH YEAR TO THE MAXIMUM LIMIT PERMISSIBLE UNDER SUBSECTION F OF THIS SECTION
31 REGARDLESS OF WHETHER THE DISTRICT ACTUALLY LEVIES TAXES UP TO THE MAXIMUM
32 PERMISSIBLE AMOUNT IN THAT YEAR.

33 ~~G.~~ L. The county treasurer shall keep the money received from taxes
34 levied pursuant to subsection F of this section in a separate fund known as
35 the "fire district fund" of the district for which collected. Any surplus
36 remaining in the fund at the end of the fiscal year shall be credited to the
37 fire district fund of the district for which collected for the succeeding
38 fiscal year.

39 ~~H.~~ M. When a fire district has adopted a budget and the board of
40 supervisors has levied a fire district tax as provided in subsection F of
41 this section and the district has insufficient money in its fund with the
42 county treasurer to operate the district, the elected chief and the
43 secretary-treasurer, or if there is a district board, the chairman of the
44 board, on or after August 1 of each year, may draw warrants for the purposes
45 prescribed in section 48-805 on the county treasurer, payable on November 1

1 of that year or on April 1 of the succeeding year. The aggregate amounts of
2 the warrants may not exceed ninety per cent of the taxes levied by the county
3 for the district's current fiscal year. If the treasurer cannot pay a
4 warrant for lack of funds in the fire district fund, the warrant shall be
5 endorsed, be registered, bear interest and be redeemed as provided by law for
6 county warrants, except that the warrants are payable only from the fire
7 district fund.

8 Sec. 9. Fire district levy limit; tax year 2010

9 Notwithstanding section 48-807, subsection F, Arizona Revised Statutes,
10 as amended by this act, for the 2010 tax year a fire district shall not fix,
11 levy or assess an amount of property taxes that exceeds the amount levied in
12 the 2008 tax year multiplied by 1.16, plus any amounts attributable to
13 annexations.G