

REFERENCE TITLE: property tax classification; historic residences

State of Arizona  
Senate  
Forty-ninth Legislature  
Second Regular Session  
2010

# SB 1166

Introduced by  
Senator Gray L

AN ACT

AMENDING SECTIONS 41-1511, 41-1527, 42-12006, 42-12057, 42-12101, 42-12102, 42-12105, 42-12107 AND 42-15006, ARIZONA REVISED STATUTES; RELATING TO PROPERTY TAX CLASSIFICATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 41-1511, Arizona Revised Statutes, is amended to  
3 read:

4 41-1511. Renewable energy tax incentives; qualification;  
5 definitions

6 A. Tax incentives are allowed for expanding or locating qualified  
7 renewable energy operations in this state, including income tax credits  
8 pursuant to sections 43-1083.01 and 43-1164.01 and property tax  
9 classification pursuant to section 42-12006, paragraph ~~9~~ 8.

10 B. To be eligible for the tax incentives, a renewable energy business  
11 must apply to the department of commerce, on a form prescribed by the  
12 department, for certification of the business as qualifying for the  
13 incentives. The application must include:

14 1. The applicant's name, address, telephone number and federal  
15 taxpayer identification number or numbers.

16 2. The name, address, telephone number and e-mail address of a contact  
17 person for the applicant.

18 3. The address of the site where the qualifying facility will be  
19 located.

20 4. A detailed description of the qualifying facility and fixed capital  
21 assets.

22 5. An estimate of the capital investment and number of employment  
23 positions at the qualifying facility, including:

24 (a) A schedule of qualifying investments.

25 (b) A list of employment positions, the estimated number of employees  
26 to be hired for the positions each year during the first five years of  
27 operation and the annual wages for each position, calculated without  
28 employee-related benefits.

29 6. A nonrefundable processing fee in an amount established by rule.

30 7. Other information as required by the department to determine  
31 eligibility for the tax incentives, and the amount of income tax credits, as  
32 prescribed by this section.

33 8. An affirmation, signed by an authorized executive representing the  
34 business, that the applicant:

35 (a) Agrees to furnish records of expenditures for qualifying  
36 investments to the department of commerce on request.

37 (b) Will continue in business at the qualifying facility for ten full  
38 calendar years after postapproval for a tax incentive, other than for reasons  
39 beyond the control of the applicant.

40 (c) Agrees to furnish to the department of commerce on request  
41 information regarding the amount of tax benefits claimed each year.

42 (d) Authorizes the department of revenue to provide tax information to  
43 the department of commerce pursuant to section 42-2003 for the purpose of  
44 determining any inconsistency in information furnished by the applicant.

1 (e) Consents to the disclosure by the department of commerce of the  
2 amount of tax benefits received each year in composite form, without specific  
3 identification of any taxpayer.

4 (f) Agrees to allow site visits and audits to verify the applicant's  
5 continuing qualification and the accuracy of information submitted to the  
6 department of commerce.

7 (g) Consents to the adjustment or recapture of any amount of income  
8 tax credit due to noncompliance with this section.

9 9. Letters of good standing from the department of revenue and the  
10 county assessor of the county in which the project is located stating that  
11 the applicant is in good standing and is not delinquent in the payment of  
12 taxes.

13 C. To be eligible for the tax incentives, the applicant must make new  
14 capital investment in this state in a manufacturing facility or headquarters  
15 facility or any combination of qualifying facilities, as follows:

16 1. The applicant may qualify for income tax credits pursuant to  
17 section 43-1083.01 or 43-1164.01, as applicable, if:

18 (a) At least fifty-one per cent of the net new full-time employment  
19 positions at the facility pay a wage that equals or exceeds one hundred  
20 twenty-five per cent of the median annual wage in this state, as determined  
21 by the most recent annual department of commerce occupational wage and  
22 employment estimates.

23 (b) All net new full-time employment positions include health  
24 insurance coverage for the employees for which the applicant pays at least  
25 eighty per cent of the premium or membership cost, or an equivalent  
26 percentage of the cost for alternative health benefit models that offer  
27 standard comprehensive coverage.

28 2. The fixed capital assets shall be classified as class six for the  
29 purposes of property taxation pursuant to section 42-12006, paragraph ~~9~~ 8 if  
30 the qualifying investment amounts to at least twenty-five million dollars.  
31 If at least fifty-one per cent of the net new full-time employment positions  
32 at the qualifying facility pay a wage that equals:

33 (a) At least one hundred twenty-five, but less than two hundred, per  
34 cent of the median annual wage in this state, as determined by the most  
35 recent annual department of commerce occupational wage and employment  
36 estimates, the property may be classified as class six for ten tax years.

37 (b) At least two hundred per cent of the median annual wage in this  
38 state, as determined by the most recent annual department of commerce  
39 occupational wage and employment estimates, the property may be classified as  
40 class six for fifteen tax years.

41 D. Final eligibility for the tax incentives is subject to any  
42 additional requirements prescribed by sections 42-12006, 43-1083.01 and  
43 43-1164.01, as applicable.

44 E. An applicant may separately apply and qualify with respect to  
45 investments for:

1           1. Facilities in separate locations.

2           2. Separate expansions of a facility.

3           F. To determine the amount of income tax credit to be preapproved to a  
4 qualifying applicant, the department shall use one of the following  
5 computations:

6           1. Ten per cent of the amount the applicant has projected in total  
7 qualifying investment in facilities meeting the following minimum employment  
8 requirements:

9           (a) For renewable energy manufacturing operations, at least one and  
10 one-half new full-time employment positions projected by the applicant for  
11 each five hundred thousand dollar increment of capital investment.

12           (b) For renewable energy business headquarters, at least one new  
13 full-time employment position projected by the applicant for each two hundred  
14 thousand dollar increment of capital investment.

15           2. For other qualifying renewable energy investment, ten per cent of  
16 the amount computed as follows:

17           (a) Five hundred thousand dollars for each one and one-half new  
18 full-time employment positions projected by the applicant in new renewable  
19 energy manufacturing operations.

20           (b) Two hundred thousand dollars for each new full-time employment  
21 position projected by the applicant at a new renewable energy business  
22 headquarters.

23           G. Beginning with income tax credits allocated for 2010, an approved  
24 income tax credit:

25           1. Offsets income tax liability for any taxable year within the  
26 taxpayer's applicable carryforward period pursuant to section 43-1083.01 or  
27 43-1164.01.

28           2. Must be claimed on a timely filed original income tax return,  
29 including extensions.

30           3. Must be claimed in five equal installments as provided in section  
31 43-1083.01 or 43-1164.01.

32           H. The department shall establish a process for qualifying and  
33 preapproving applicants for the tax incentives. The department shall not  
34 preapprove an applicant as qualifying for tax incentives under this section  
35 after December 31, 2014. Preapproval is based on:

36           1. Priority placement established by the date that the applicant files  
37 its initial application with the department.

38           2. The availability of income tax credit capacity under the dollar  
39 limit prescribed by subsection J of this section.

40           I. Within thirty days after receiving a complete and correct  
41 application, the department shall review the application to determine whether  
42 the applicant satisfies all of the criteria prescribed by this section and  
43 either preapprove the project as qualifying for the purposes of the tax  
44 incentives or provide reasons for its denial. The department of commerce

1 shall send copies of the preapproval to the department of revenue and the  
2 applicable county assessor.

3 J. The department shall not preapprove income tax credits exceeding  
4 seventy million dollars in any calendar year, except as provided by this  
5 subsection and subsection K of this section. A preapproved amount applies  
6 against the dollar limit for the year in which the application was submitted  
7 regardless of whether the initial preapproval period extends into the  
8 following year or years. If, at the end of any year, an unused balance  
9 occurs under the dollar limit prescribed by this subsection:

10 1. The balance shall be allocated to renewable energy businesses that  
11 successfully appeal the denial of approval under this section. Any amount of  
12 income tax credits due to successful appeals that are not paid from an unused  
13 balance at the end of any year shall be paid against the dollar limit in the  
14 following year.

15 2. Any remaining unused balance shall be reallocated for the purposes  
16 of this section in the following year.

17 K. The department shall reallocate the amount of income tax credits  
18 that are voluntarily relinquished under subsection L of this section, that  
19 lapse under subsection M of this section or that lapse under subsection O of  
20 this section. The reallocation shall be to other renewable energy businesses  
21 that applied in the original credit year based on priority placement. Once  
22 reallocated, the amount of the credit applies against the dollar limit of the  
23 original credit year regardless of the year in which the reallocation occurs.

24 L. A taxpayer may voluntarily relinquish unused credit amounts.

25 M. Preapproval under this section lapses, the application is void and  
26 the amount of the preapproved income tax credits ~~do~~ DOES not apply against  
27 the dollar limit prescribed by subsection J of this section if, within twelve  
28 months after preapproval, the renewable energy business fails to provide to  
29 the department documentation of its expenditure of two hundred fifty thousand  
30 dollars in qualifying investment or, if the period over which the qualifying  
31 investment will be made exceeds twelve months, documentation of additional  
32 expenditures as required in this subsection for each twelve month period.

33 N. Beginning in 2010, after October 31 of each year, if the department  
34 has preapproved the maximum calendar year income tax credit amount pursuant  
35 to subsection J of this section, the department may accept initial  
36 applications for the next calendar year, but the preapproval of any  
37 application pursuant to this subsection shall not be effective before the  
38 first business day of the following calendar year.

39 O. When the facility begins operations, a renewable energy business  
40 that was preapproved for income tax credits under this section shall apply to  
41 the department in writing for postapproval of the credits, ~~AND~~ AND submit  
42 documentation certifying the total amount and dates of the qualifying  
43 investments and identifying the fixed capital assets associated with the  
44 facility incurred from the date of preapproval. From and after December 31,  
45 2009, the department shall provide postapproval to a renewable energy

1 business that it has met the eligibility requirements of this section and  
2 shall notify the department of revenue that the renewable energy business may  
3 claim the tax credits pursuant to sections 43-1083.01 and 43-1164.01. If the  
4 amount of qualifying investment actually spent is less than the amount  
5 preapproved for income tax credits, the preapproved amount not incurred  
6 lapses and does not apply against the dollar limit prescribed by subsection J  
7 of this section for that year.

8 P. The department of commerce may rescind the business' certification  
9 if the business no longer meets the terms and conditions required for  
10 qualifying for the tax incentives. The department may give special  
11 consideration, or allow temporary exemption from recapture of tax benefits,  
12 in the case of extraordinary hardship due to factors beyond the control of  
13 the qualifying business.

14 Q. If the department of commerce rescinds an applicant's preapproval  
15 under subsection P of this section, it shall notify the department of revenue  
16 and the county assessor of the action and the conditions of noncompliance.  
17 If the department of revenue obtains information indicating a possible  
18 failure to qualify and comply, it shall provide that information to the  
19 department of commerce. The department of revenue may require the business  
20 to file appropriate amended tax returns reflecting any recapture of income  
21 tax credits under section 43-1083.01 or 43-1164.01.

22 R. Preapproval and postapproval of a business for the purposes of tax  
23 incentives under this section do not constitute or imply compliance with any  
24 other provision of law or any regulatory rule, order, procedure, permit or  
25 other measure required by law. To maintain qualification for tax incentives  
26 under this section, a business must separately comply with all environmental,  
27 employment and other regulatory measures.

28 S. For five years after postapproval for tax incentives under this  
29 section, in any action involving the liquidation of the business assets or  
30 relocation out of state this state claims the position of a secured creditor  
31 of the business in the amount of income tax credits the business received  
32 pursuant to section 43-1083.01 or 43-1164.01.

33 T. Any information gathered from A renewable energy business for the  
34 purposes of this section is considered to be confidential taxpayer  
35 information and shall be disclosed only as provided in section 42-2003,  
36 subsection B, paragraph 12, except that the department shall publish the  
37 following information in its annual report:

38 1. The name of each renewable energy business and the amount of income  
39 tax credits preapproved for each qualifying investment.

40 2. The amount of credits ~~that were~~ postapproved with respect to each  
41 qualifying investment.

42 U. The department shall:

43 1. Keep annual records of the information provided on applications for  
44 renewable energy businesses. These records shall reflect a percentage  
45 comparison of the annual amount of monies exempted or credited to qualifying

1 renewable energy businesses to the estimated amount of monies spent in this  
2 state in the form of qualifying investments.

3 2. Maintain annual data on growth in this state of renewable energy  
4 businesses and industry employment and wages.

5 3. Not later than April 30 of each year, prepare and publish a report  
6 summarizing the information collected pursuant to this subsection. The  
7 department shall make copies of the annual report available to the public on  
8 request.

9 V. The department of commerce shall adopt rules and prescribe forms  
10 and procedures as necessary for the purposes of this section. The department  
11 of commerce and the department of revenue shall collaborate in adopting rules  
12 as necessary to avoid duplication and inconsistencies while accomplishing the  
13 intent and purposes of this section.

14 W. For the purposes of this section:

15 1. "Capital investment" means an expenditure to acquire, lease or  
16 improve property that is used in operating a business, including land,  
17 buildings, machinery and fixtures.

18 2. "Headquarters" means a principal central administrative office  
19 where primary headquarters related functions and services are performed,  
20 including financial, personnel, administrative, legal, planning and similar  
21 business functions ~~are performed~~.

22 3. "Manufacturing" means fabricating, producing or manufacturing raw  
23 or prepared materials into usable products, imparting new forms, qualities,  
24 properties and combinations. Manufacturing does not include generating  
25 electricity for off-site consumption.

26 4. "Qualifying investment" means investment in land, buildings,  
27 machinery and fixtures for expansion of an existing facility or establishment  
28 of a new facility in this state. Qualifying investment does not include  
29 relocating an existing facility in this state to another location in this  
30 state without additional capital investment.

31 5. "Renewable energy operations" are limited to manufacturers of, and  
32 headquarters for, systems and components that are used or useful in  
33 manufacturing renewable energy equipment for the generation, storage, testing  
34 and research and development, transmission or distribution of electricity  
35 from renewable resources, including specialized crates necessary to package  
36 the renewable energy equipment manufactured at the facility.

37 Sec. 2. Section 41-1527, Arizona Revised Statutes, is amended to read:  
38 41-1527. Annual reports; department of commerce; department of  
39 revenue

40 A. On or before September 30 of each year the department of commerce  
41 shall transmit a report to the governor, the president of the senate, the  
42 speaker of the house of representatives and the chairpersons of the senate  
43 finance committee and the house of representatives ways and means committee,  
44 or their successor committees, and shall provide a copy of this report to the

1 secretary of state and the director of the Arizona state library, archives  
2 and public records. The report shall contain the following information:

3 1. The number, size and location of all enterprise zones established  
4 as of the end of the preceding fiscal year pursuant to this article.

5 2. The business names, ~~AND~~ AND locations, number of employees and amount  
6 of compensation paid to employees qualifying for income tax credits as  
7 reported to the department pursuant to section 41-1525 in each enterprise  
8 zone.

9 3. The amount of capital investment, made during the preceding fiscal  
10 year and cumulatively, in each enterprise zone.

11 4. The number of minority owned businesses, woman owned businesses and  
12 other small manufacturing businesses certified for property tax incentives  
13 pursuant to section 41-1525.01 in the preceding fiscal year and cumulatively,  
14 in each enterprise zone, and for each such business:

15 (a) The name and location.

16 (b) The number of employees.

17 (c) The full cash value of the property qualifying for classification  
18 as class six pursuant to section 42-12006.

19 B. On or before September 30 of each year the department of revenue  
20 shall transmit a report to the governor, the president of the senate, the  
21 speaker of the house of representatives and the chairpersons of the senate  
22 finance committee and the house of representatives ways and means committee,  
23 or their successor committees, and shall provide a copy of this report to the  
24 secretary of state and the director of the Arizona state library, archives  
25 and public records. The report shall contain the following information:

26 1. The full cash value and assessed valuation of property classified  
27 as class six pursuant to section 42-12006, paragraph ~~4- 3~~ 3 in each enterprise  
28 zone and the assessed valuation of that property if it was not classified as  
29 class six.

30 2. The fiscal impact on each taxing jurisdiction for the current tax  
31 year of classifying property in enterprise zones as class six rather than in  
32 the classification in which it would otherwise be classified.

33 3. The total amount of income tax credits allowed for the preceding  
34 taxable year pursuant to sections 43-1074 and 43-1161.

35 Sec. 3. Section 42-12006, Arizona Revised Statutes, is amended to  
36 read:

37 42-12006. Class six property

38 For purposes of taxation, class six is established consisting of:

39 ~~1. Noncommercial historic property as defined in section 42-12101 and~~  
40 ~~valued at full cash value.~~

41 ~~2.~~ 1. Real and personal property that is located within the area of a  
42 foreign trade zone or subzone established under 19 United States Code section  
43 81 and title 44, chapter 18, that is activated for foreign trade zone use by  
44 the district director of the United States customs service pursuant to  
45 19 Code of Federal Regulations section 146.6 and that is valued at full cash

1 value. Property that is classified under this paragraph shall not thereafter  
2 be classified under paragraph ~~7- 6~~ of this section.

3 ~~3-~~ 2. Real and personal property and improvements that are located in  
4 a military reuse zone that is established under title 41, chapter 10, article  
5 3 and that is devoted to providing aviation or aerospace services or to  
6 manufacturing, assembling or fabricating aviation or aerospace products,  
7 valued at full cash value and subject to the following terms and conditions:

8 (a) Property may not be classified under this paragraph for more than  
9 five tax years.

10 (b) Any new addition or improvement to property already classified  
11 under this paragraph qualifies separately for classification under this  
12 paragraph for not more than five tax years.

13 (c) If a military reuse zone is terminated, the property in that zone  
14 that was previously classified under this paragraph shall be reclassified as  
15 prescribed by this article.

16 (d) Property that is classified under this paragraph shall not  
17 thereafter be classified under paragraph ~~4- 3~~ or ~~7- 6~~ of this section.

18 ~~4-~~ 3. Real and personal property and improvements that are located in  
19 an enterprise zone, that are owned or used by a small manufacturing or small  
20 commercial printing business that is certified by the department of commerce  
21 pursuant to section 41-1525.01 and that are valued at full cash value,  
22 subject to the following terms and conditions:

23 (a) Property may not be classified under this paragraph for more than  
24 five tax years.

25 (b) Property that is classified under this paragraph shall not  
26 thereafter be classified under paragraph ~~3- 2~~ or ~~7- 6~~ of this section.

27 ~~5-~~ 4. Real and personal property and improvements or a portion of  
28 such property comprising a qualified environmental technology manufacturing,  
29 producing or processing facility as described in section 41-1514.02, valued  
30 at full cash value and subject to the following terms and conditions:

31 (a) Property shall be classified under this paragraph for twenty tax  
32 years from the date placed in service.

33 (b) Any addition or improvement to property already classified under  
34 this paragraph qualifies separately for classification under this subdivision  
35 for an additional twenty tax years from the date placed in service.

36 (c) After revocation of certification under section 41-1514.02,  
37 property that was previously classified under this paragraph shall be  
38 reclassified as prescribed by this article.

39 (d) Property that is classified under this paragraph shall not  
40 thereafter be classified under paragraph ~~7- 6~~ of this section.

41 ~~6-~~ 5. That portion of real and personal property that is used on or  
42 after January 1, 1999 specifically and solely for remediation of the  
43 environment by an action that has been determined to be reasonable and  
44 necessary to respond to the release or threatened release of a hazardous  
45 substance by the department of environmental quality pursuant to section

1 49-282.06 or pursuant to its corrective action authority under rules adopted  
2 pursuant to section 49-922, subsection B, paragraph 4 or by the United States  
3 environmental protection agency pursuant to the national contingency plan (40  
4 Code of Federal Regulations part 300) and that is valued at full cash value.  
5 Property that is not being used specifically and solely for the remediation  
6 objectives described in this paragraph shall not be classified under this  
7 paragraph. For the purposes of this paragraph, "remediation of the  
8 environment" means one or more of the following actions:

9 (a) Monitoring, assessing or evaluating the release or threatened  
10 release.

11 (b) Excavating, removing, transporting, treating and disposing of  
12 contaminated soil.

13 (c) Pumping and treating contaminated water.

14 (d) Treatment, containment or removal of contaminants in groundwater  
15 or soil.

16 ~~7-~~ 6. Real and personal property and improvements constructed or  
17 installed from and after December 31, 2004 through December 31, 2010 and  
18 owned by a qualified business under section 41-1516 and used solely for the  
19 purpose of harvesting, transporting or the initial processing of qualifying  
20 forest products removed from qualifying projects as defined in section  
21 41-1516. The classification under this paragraph is subject to the following  
22 terms and conditions:

23 (a) Property may be initially classified under this paragraph only in  
24 valuation years 2005 through 2010.

25 (b) Property may not be classified under this paragraph for more than  
26 five years.

27 (c) Any new addition or improvement, constructed or installed from and  
28 after December 31, 2004 through December 31, 2010, to property already  
29 classified under this paragraph qualifies separately for classification and  
30 assessment under this paragraph for not more than five years.

31 (d) Property that is classified under this paragraph shall not  
32 thereafter be classified under paragraph ~~2, 3, 4~~ 1, 2, 3 or ~~5~~ 4 of this  
33 section.

34 ~~8-~~ 7. Real and personal property and improvements to the property  
35 that are used specifically and solely to manufacture from and after December  
36 31, 2006 through December 31, 2016 biodiesel fuel that is one hundred per  
37 cent biodiesel and its by-products and that are valued at full cash value.  
38 This paragraph applies only to the portion of property that is used  
39 specifically for manufacturing and processing one hundred per cent biodiesel  
40 fuel, or its related by-products, from raw feedstock obtained from off-site  
41 sources, including necessary on-site storage facilities that are  
42 intrinsically associated with the manufacturing process. Any other  
43 commercial or industrial use disqualifies the entire property from  
44 classification under this paragraph.

1           ~~9-~~ 8. Real and personal property and improvements that are certified  
 2 pursuant to section 41-1511, subsection C, paragraph 2 and that are used for  
 3 renewable energy manufacturing or headquarters operations as provided by  
 4 section 42-12057. This paragraph applies only to property that is used in  
 5 manufacturing and headquarters operations of renewable energy companies,  
 6 including necessary on-site research and development, testing and storage  
 7 facilities that are associated with the manufacturing process. Up to ten per  
 8 cent of the aggregate full cash value of the property may be derived from  
 9 uses that are ancillary to and intrinsically associated with the  
 10 manufacturing process or headquarters operation. Any additional ancillary  
 11 property is not qualified for classification under this paragraph. No new  
 12 properties may be classified pursuant to this paragraph from and after  
 13 December 31, 2014. Classification under this paragraph is limited to the  
 14 time periods determined by the department of commerce pursuant to section  
 15 41-1511, subsection C, paragraph 2, subdivision (a) or (b). Property that is  
 16 classified under this paragraph shall not thereafter be classified under any  
 17 other paragraph of this section.

18           Sec. 4. Section 42-12057, Arizona Revised Statutes, is amended to  
 19 read:

20           42-12057. Criteria for renewable energy property

21           A. To qualify for the classification as class six pursuant to section  
 22 42-12006, paragraph ~~9-~~ 8, the owner of a manufacturing facility or  
 23 headquarters facility must be certified pursuant to section 41-1511,  
 24 subsection C, paragraph 2 and must provide documentation to the county  
 25 assessor each year that the facility is exclusively dedicated to renewable  
 26 energy manufacturing or regional, national or global renewable energy  
 27 business headquarters operations.

28           B. For the purposes of this section, renewable energy projects are  
 29 limited to manufacturers of, and headquarters for, systems and components  
 30 that are used or useful in manufacturing renewable energy equipment for the  
 31 generation, storage, testing and research and development, transmission or  
 32 distribution of electricity from renewable resources, including specialized  
 33 crates necessary to package the renewable energy equipment manufactured at  
 34 the facility.

35           Sec. 5. Section 42-12101, Arizona Revised Statutes, is amended to  
 36 read:

37           42-12101. Definition of commercial historic property

38           In this article, unless the context otherwise requires~~+-~~

39           ~~1-~~ "commercial historic property" means real property that:

40           ~~(a)~~ 1. Meets the criteria for classification as class one, paragraph  
 41 12 pursuant to section 42-12001 or class four pursuant to section 42-12004.

42           ~~(b)~~ 2. Is listed in the national register of historic places  
 43 established and maintained under the national historic preservation act (P.L.  
 44 89-665; 80 Stat. 915; 16 United States Code section 470 et seq.), as amended.

1           ~~(e)~~ 3. Meets the minimum standards of maintenance established by rule  
2 by the Arizona state parks board.

3           ~~2. "Noncommercial historic property" means real property:~~

4           ~~(a) That is listed in the national register of historic places~~  
5 ~~established and maintained under the national historic preservation act (P.L.~~  
6 ~~89-665; 80 Stat. 915; 16 United States Code section 470 et seq.), as amended.~~

7           ~~(b) That meets the minimum standards of maintenance established by~~  
8 ~~rule by the Arizona state parks board.~~

9           ~~(c) On which no business or enterprise is conducted with the intent of~~  
10 ~~earning a profit.~~

11           Sec. 6. Section 42-12102, Arizona Revised Statutes, is amended to  
12 read:

13           42-12102. Application for classification as historic property;  
14 period of classification

15           A. An owner of property who desires that it be classified as historic  
16 property for purposes of taxation shall:

17           1. Apply to the county assessor on forms that are approved by the  
18 department.

19           2. Consent in writing to allow the state historic preservation officer  
20 to view the property.

21           B. Applications shall be filed with the assessor during the valuation  
22 year preceding the first tax year for which classification is requested.

23           ~~C. Classification as class six property under section 42-12006 may be~~  
24 ~~granted only for the fifteen consecutive tax years immediately following the~~  
25 ~~calendar year in which the application is filed. The assessor may accept an~~  
26 ~~application by the owner during the final year of each fifteen year~~  
27 ~~assessment period for continuation of the classification for a succeeding~~  
28 ~~period of fifteen years.~~

29           ~~D.~~ C. Classification as class seven property under section 42-12007  
30 or class eight property under section 42-12008 may be granted only for the  
31 ten consecutive tax years immediately following the calendar year in which  
32 the application is filed.

33           ~~E.~~ D. Within ten days after receiving each application, the county  
34 assessor shall refer the application to the state historic preservation  
35 officer.

36           Sec. 7. Section 42-12105, Arizona Revised Statutes, is amended to  
37 read:

38           42-12105. Disqualification

39           ~~A. Property shall remain classified and assessed as noncommercial~~  
40 ~~historic property until it becomes disqualified through either:~~

41           ~~1. Notice by the taxpayer to the assessor to remove the assessment as~~  
42 ~~noncommercial historic property.~~

43           ~~2. Sale or transfer to an ownership that makes it exempt from property~~  
44 ~~taxation.~~

1           ~~3. Notification by the state historic preservation officer to the~~  
2 ~~assessor that the property no longer qualifies as noncommercial historic~~  
3 ~~property.~~

4           ~~B.~~ Property shall remain classified and assessed as commercial  
5 historic property until it becomes disqualified through either:

6           1. Notice by the taxpayer to the assessor to remove the assessment as  
7 commercial historic property.

8           2. Sale or transfer to an ownership that makes it exempt from property  
9 taxation.

10          3. Notification by the state historic preservation officer to the  
11 assessor that the property no longer qualifies as commercial historic  
12 property.

13          4. The failure to maintain the property in a manner consistent with  
14 the minimum standards of maintenance established by rule by the Arizona state  
15 parks board.

16          Sec. 8. Section 42-12107, Arizona Revised Statutes, is amended to  
17 read:

18           42-12107. Penalties

19          A. If property that is classified as historic property becomes  
20 disqualified for that classification, a penalty shall be added to the tax  
21 levied against the property on the next tax roll equal to the lesser of:

22           1. Fifty per cent of the total amount by which property taxes on the  
23 property were reduced during the years the property had been classified as  
24 historic property.

25           2. Fifty per cent of the market value of the property.

26          B. If property that is classified as historic property becomes  
27 disqualified for that classification and the owner fails to give the notice  
28 required by section 42-12106, subsection B:

29           1. The county assessor shall determine the date that the notice should  
30 have been given and shall notify the owner and the county treasurer.

31           2. The treasurer shall add to the tax levied against the property on  
32 the next tax roll in addition to the penalty prescribed by subsection A of  
33 this section an amount equal to fifteen per cent of that penalty. The  
34 treasurer shall deposit monies collected pursuant to this paragraph in the  
35 taxpayers' information fund established by section 11-495.

36          C. Before assessing a penalty under this section in the case of  
37 disqualification pursuant to section 42-12105, ~~subsection A, paragraph 3 or~~  
38 ~~subsection B,~~ paragraph 3 or 4, the assessor shall notify the property owner  
39 of the disqualification by mail, return receipt requested.

40          D. A penalty shall not be imposed under this section:

41           1. On the sale or transfer of the property to an ownership that makes  
42 the property exempt from taxation.

43           2. If the historic property is destroyed by fire or act of God unless  
44 the fire was the result of an intentional act by the owner or by an agent of  
45 the owner acting on the owner's behalf.

1 E. A penalty that is determined to be due under this section shall be  
2 paid to the county treasurer before the next tax roll is completed. Except  
3 as provided in subsection B of this section, the county treasurer shall  
4 distribute the penalty under this section among the respective taxing  
5 jurisdictions in proportion to their current primary property tax levies on  
6 the property.

7 F. The penalties prescribed by this section apply only to:  
8 ~~1. The current fifteen year assessment period with respect to~~  
9 ~~noncommercial historic property.~~  
10 ~~2.~~ the current ten year assessment period with respect to commercial  
11 historic property.

12 Sec. 9. Section 42-15006, Arizona Revised Statutes, is amended to  
13 read:

14 42-15006. Assessed valuation of class six property

15 The assessed valuation of class six property described in  
16 section 42-12006 is based on the following percentages to the full cash value  
17 or limited valuation of class six property, as applicable:

18 1. Property described in section 42-12006, paragraphs 1, 2, ~~3- 4~~, 5,  
19 6, 7, ~~AND 8 and 9~~, five per cent.

20 2. Property described in section 42-12006, paragraph ~~4- 3~~:

21 (a) For primary property tax purposes, five per cent.

22 (b) Except as provided in subdivision (c), for secondary property tax  
23 purposes:

24 (i) Twenty-five per cent through December 31, 2006.

25 (ii) Twenty-four per cent beginning from and after December 31, 2006  
26 through December 31, 2007.

27 (iii) Twenty-three per cent beginning from and after December 31, 2007  
28 through December 31, 2008.

29 (iv) Twenty-two per cent beginning from and after December 31, 2008  
30 through December 31, 2009.

31 (v) Twenty-one per cent beginning from and after December 31, 2009  
32 through December 31, 2010.

33 (vi) Twenty per cent beginning from and after December 31, 2010.

34 (c) If subdivision (b) is finally adjudicated to be invalid, for  
35 secondary property tax purposes, five per cent.

36 Sec. 10. Requirements for enactment; two-thirds vote

37 Pursuant to article IX, section 22, Constitution of Arizona, this act  
38 is effective only on the affirmative vote of at least two-thirds of the  
39 members of each house of the legislature and is effective immediately on the  
40 signature of the governor or, if the governor vetoes this act, on the  
41 subsequent affirmative vote of at least three-fourths of the members of each  
42 house of the legislature.