

REFERENCE TITLE: special districts; secondary levy limits

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

# **SB 1402**

Introduced by  
Senator Pearce R

AN ACT

AMENDING SECTIONS 42-17001, 42-17003, 42-17004, 42-17005, 42-17052, 42-17054, 42-17055, 48-3903, 48-4023, 48-4023.01 AND 48-5805, 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 ~~3.~~ 2. "Political subdivision" means a county, charter county, city,  
11 charter city, town or community college district.

12 3. "SPECIAL TAXING DISTRICT" MEANS:

13 (a) A FIRE DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 5.

14 (b) A COUNTY FREE LIBRARY DISTRICT ESTABLISHED PURSUANT TO TITLE 48,  
15 CHAPTER 24.

16 (c) A COUNTY JAIL DISTRICT ESTABLISHED PURSUANT TO TITLE 48,  
17 CHAPTER 25.

18 (d) A PUBLIC HEALTH SERVICES DISTRICT ESTABLISHED PURSUANT TO TITLE  
19 48, CHAPTER 33.

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

22 42-17003. Duties

23 A. The commission shall:

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

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

29 3. Review the secondary property tax levy of each ~~fire~~ SPECIAL TAXING  
30 district to determine violations of ~~section~~ SECTIONS 48-807, 48-3903,  
31 48-4023, 48-4023.01 AND 48-5805.

32 4. Review the reports made by the department concerning valuation  
33 accuracy.

34 5. Hold hearings to determine the adequacy of compliance with articles  
35 2 and 3 of this chapter.

36 6. ~~Upon~~ ON the request of a county, city, town or community college  
37 district, hold hearings as prescribed in section 42-17004 regarding the  
38 calculation of the maximum allowable primary property tax levy limits  
39 prescribed in section 42-17051, subsection A.

40 B. If the commission determines that a political subdivision has  
41 violated section 15-905.01, 15-1461.01 or 42-17107 or article 2 of this  
42 chapter, or that a ~~fire~~ SPECIAL TAXING district has violated section 48-807,  
43 48-3903, 48-4023, 48-4023.01 OR 48-5805, then on or before September 15 the  
44 commission shall notify the political subdivision or district, and the county  
45 board of supervisors, in writing, of:

- 1           1. The nature of the violation.
- 2           2. The necessary adjustment to:
  - 3           (a) The primary property tax levy and tax rate to comply with section
  - 4 15-905.01, 15-1461.01 or 42-17107 or article 2 of this chapter.
  - 5           (b) The secondary property tax levy and tax rate to comply with
  - 6 section 48-807, ~~48-3903, 48-4023, 48-4023.01 OR 48-5805.~~

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

9           42-17004. Hearing and appeals of commission findings

10           A. If the commission notifies a political subdivision of a violation  
11 of section 15-905.01, 15-1461.01 or 42-17107 or article 2 of this chapter, or  
12 notifies a ~~fire~~ SPECIAL TAXING district of a violation of section 48-807,  
13 ~~48-3903, 48-4023, 48-4023.01 OR 48-5805~~ and the political subdivision or  
14 district disputes the commission's findings, ~~then~~ on or before October 1 the  
15 political subdivision or district may request a hearing before the commission  
16 to attempt to resolve the dispute.

17           B. A governing body of a county, city, town, community college  
18 district or ~~fire~~ SPECIAL TAXING district may request a hearing before the  
19 commission regarding the calculation of the maximum allowable primary or  
20 secondary property tax levy limits prescribed in section 42-17051, ~~or~~ 48-807,  
21 ~~48-3903, 48-4023, 48-4023.01 OR 48-5805.~~ The commission may resolve any  
22 disputes.

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

25           D. If the dispute is resolved at the hearing, the commission shall  
26 immediately notify the county board of supervisors of the proper primary or  
27 secondary tax levy and tax rate.

28           E. If a political subdivision or ~~fire~~ SPECIAL TAXING district  
29 continues to dispute the commission's findings after the hearing under this  
30 section, the political subdivision or district may:

31           1. Appeal the matter to tax court within thirty days after the  
32 commission renders the decision.

33           2. Levy primary or secondary property taxes in the amount that the  
34 political subdivision or district considers to be proper, pending the outcome  
35 of the appeal.

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

38           42-17005. Adjustments to levy

39           A. If a governing body of a political subdivision or a ~~fire~~ SPECIAL  
40 TAXING district receives written notice of a violation of its allowable levy  
41 limit or truth in taxation limit under section 42-17003, and has not appealed  
42 the commission's decision pursuant to section 42-17004, the governing body  
43 shall correct its property tax levy and tax rate to properly reflect the  
44 allowable levy for the current year. The county board of supervisors shall  
45 make the necessary adjustments to the political subdivision's or district's

1 property tax levy and tax rate to ensure that the corrected information is  
2 contained in the assessment and tax roll that is transmitted to the county  
3 treasurer pursuant to section 42-18003. If the governing body receives the  
4 notice after it is too late to correct the levy in the current year, the  
5 difference between the amount actually levied and the allowable property tax  
6 levy shall be set aside in a special fund and used to reduce the property  
7 taxes levied in the following year.

8 B. If, after a hearing under section 42-17004, the commission  
9 determines that errors were made in the calculation of the maximum allowable  
10 primary property tax levy limit pursuant to section 42-17051, subsection A,  
11 or secondary property tax levy limit pursuant to section 48-807, [48-3903](#),  
12 [48-4023](#), [48-4023.01](#) OR [48-5805](#), the commission shall have five days to notify  
13 the governing body of the county, city, town, community college district or  
14 ~~fire~~ SPECIAL TAXING district of the corrected levy limit. The commission  
15 shall also notify the county board of supervisors within five days. The  
16 corrected maximum allowable primary property tax levy shall be used in  
17 section 42-17051, subsection A, paragraph 1 in determining the following  
18 year's levy limit. The corrected maximum allowable secondary property tax  
19 levy shall be used in section 48-807, [48-3903](#), [48-4023](#), [48-4023.01](#) OR [48-5805](#)  
20 in determining the following year's levy limit.

21 C. If, after a hearing under section 42-17004, it is impossible for  
22 the board of supervisors to correct a property tax levy in the current year,  
23 the political subdivision or ~~fire~~ SPECIAL TAXING district shall hold the  
24 difference between the amount the political subdivision or district actually  
25 levied and the allowable property tax levy prescribed by the commission in a  
26 separate fund to be used to reduce the property taxes levied by the political  
27 subdivision or district in the following year.

28 D. If the commission discovers that it has made an error in computing  
29 the levy limit after September 15, it shall notify the political  
30 subdivision's or ~~fire~~ SPECIAL TAXING district's governing body about the  
31 error. The error shall be corrected as prescribed in subsection A of this  
32 section. If the error results in the maximum allowable property tax levy  
33 being raised:

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

37 2. The corrected maximum allowable secondary property tax levy shall  
38 be used for the purposes of section 48-807, [48-3903](#), [48-4023](#), [48-4023.01](#) OR  
39 [48-5805](#) in determining the following year's levy limit.

40 E. If, on appeal under section 42-17004, subsection E, the ruling of  
41 the court provides for a property tax levy in an amount that is less than the  
42 amount levied by the political subdivision or ~~fire~~ SPECIAL TAXING district,  
43 the political subdivision or district shall hold the difference between the  
44 amounts in a separate fund to be used to reduce the property taxes levied by  
45 the political subdivision or district in the following year.

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

3           42-17052. Values furnished by county assessor

4           A. On or before February 10 of the tax year, the county assessor shall  
5 transmit and certify to the property tax oversight commission and to the  
6 governing body of the political subdivision or district in the county the  
7 values that are required to compute the levy limit prescribed by sections  
8 42-17051, ~~and~~ 48-807, 48-3903, 48-4023, 48-4023.01 AND 48-5805. For the  
9 purposes of this section, these values shall not be changed for the official  
10 calculation of levy limits and tax rates after February 10 without the  
11 approval of the property tax oversight commission. These values shall  
12 include:

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

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

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

23           C. On or before February 10 of the tax year, the county assessor shall  
24 transmit to the staff of the joint legislative budget committee and to the  
25 governor's office of strategic planning and budgeting the values that are  
26 required to compute the truth in taxation rates prescribed by section  
27 41-1276.

28           D. On or before February 10 of the tax year, the governing board of  
29 each fire district shall transmit to the property tax oversight commission  
30 the total assessed value of all property annexed by the district in the  
31 preceding calendar year.

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

34           42-17054. Levy limit worksheet

35           A. When the county assessor transmits valuations under section  
36 42-17052, the assessor shall prepare and transmit a final levy limit  
37 worksheet to each city, town and community college district that imposes a  
38 primary property tax, to each ~~fire~~ SPECIAL TAXING district that imposes a  
39 secondary property tax and to the property tax oversight commission.

40           B. Each city, town, community college district and ~~fire~~ SPECIAL TAXING  
41 district shall notify the property tax oversight commission in writing within  
42 ten days of its agreement or disagreement with the final levy limit  
43 worksheet.



1 maintenance and operation expenses of the district in carrying out the  
2 objects and purposes of this chapter.

3 B. The board of supervisors shall levy a secondary property tax on the  
4 taxable property in the district, at the same time and in the same manner as  
5 county taxes are levied, sufficient to provide the amount certified under  
6 subsection A of this section, but the tax ~~rate~~ is limited to, and shall not  
7 exceed in any event, THE LESSER OF:

8 1. Twenty cents per one hundred dollars of assessed valuation, except  
9 as provided in subsection ~~D~~ E of this section.

10 2. BEGINNING IN TAX YEAR 2010, THE AMOUNT OF THE LEVY IN THE PRECEDING  
11 TAX YEAR, ADJUSTED ANNUALLY BY A PERCENTAGE EQUAL TO THE RATE OF CHANGE IN  
12 THE LEVY LIMIT BETWEEN THE CURRENT YEAR AND THE PRECEDING YEAR FOR THE COUNTY  
13 IN WHICH THE DISTRICT IS LOCATED AS DETERMINED PURSUANT TO SECTION 42-17051.  
14 THE LIMITATION UNDER THIS PARAGRAPH SHALL BE INCREASED EACH YEAR TO THE  
15 MAXIMUM PERMISSIBLE LIMIT REGARDLESS OF WHETHER THE DISTRICT ACTUALLY LEVIES  
16 THAT AMOUNT. FOR A DISTRICT THAT IS ESTABLISHED FROM AND AFTER DECEMBER 31,  
17 2009, THE LIMIT SHALL BE BASED ON THE INITIAL LEVY OF THE DISTRICT AS  
18 APPROVED BY THE QUALIFIED ELECTORS PURSUANT TO SECTION 48-4021.

19 C. The tax revenues collected pursuant to this section shall be paid  
20 to the district treasurer and deposited in the county jail district general  
21 fund and used solely for the purposes for which they were collected.

22 ~~C~~ D. The tax shall be levied on all of the taxable property in the  
23 district.

24 ~~D~~ E. Notwithstanding subsection B of this section, for tax years  
25 2006, 2007 and 2008, the district may certify and the board of supervisors  
26 shall levy a secondary property tax on the taxable property in the district  
27 in an amount equal to the amount levied in tax year 2005.

28 Sec. 10. Section 48-4023.01, Arizona Revised Statutes, is amended to  
29 read:

30 48-4023.01. Property tax levy for juvenile detention  
31 facilities; limitation

32 A. If a majority of the qualified electors voting at an election held  
33 pursuant to section 48-4021 ~~approves~~ APPROVE an ad valorem property tax for  
34 the district that includes juvenile detention facilities or if a majority of  
35 the qualified electors voting at an election held pursuant to section 48-4004  
36 ~~approves~~ APPROVE the inclusion of juvenile detention facilities in a district  
37 that was created by an election held pursuant to section 48-4021, the  
38 district may impose an ad valorem property tax pursuant to this section. The  
39 district shall certify to the county board of supervisors on or before the  
40 third Monday in August of each year the amount of taxes to be levied in  
41 addition to the levy in section 48-4023 for the taxable year on the taxable  
42 property in the district. The amount certified together with unexpended  
43 balances carried forward from the previous fiscal year and revenues from all  
44 other sources shall be the amount necessary to pay the maintenance and

1 operation expenses of the district in carrying out this chapter in relation  
2 to juvenile detention facilities.

3 B. The board of supervisors may levy a secondary property tax on the  
4 taxable property in the district at the same time and in the same manner as  
5 county taxes are levied in an amount that is sufficient to provide the amount  
6 certified pursuant to subsection A of this section. The tax ~~rate~~ is limited  
7 to **THE LESSER OF:**

8 1. Ten cents per one hundred dollars of assessed valuation, except as  
9 provided in subsection ~~D~~ E of this section.

10 2. **BEGINNING IN TAX YEAR 2010, THE AMOUNT OF THE LEVY IN THE PRECEDING**  
11 **TAX YEAR, ADJUSTED ANNUALLY BY A PERCENTAGE EQUAL TO THE RATE OF CHANGE IN**  
12 **THE LEVY LIMIT BETWEEN THE CURRENT YEAR AND THE PRECEDING YEAR FOR THE COUNTY**  
13 **IN WHICH THE DISTRICT IS LOCATED AS DETERMINED PURSUANT TO SECTION 42-17051.**  
14 **THE LIMITATION UNDER THIS PARAGRAPH SHALL BE INCREASED EACH YEAR TO THE**  
15 **MAXIMUM PERMISSIBLE LIMIT REGARDLESS OF WHETHER THE DISTRICT ACTUALLY LEVIES**  
16 **THAT AMOUNT. FOR A DISTRICT THAT IS ESTABLISHED FROM AND AFTER DECEMBER 31,**  
17 **2009, THE LIMIT SHALL BE BASED ON THE INITIAL LEVY OF THE DISTRICT AS**  
18 **APPROVED BY THE QUALIFIED ELECTORS PURSUANT TO SECTION 48-4021.**

19 C. The tax revenues collected pursuant to this section shall be paid  
20 to the district treasurer for deposit in the county jail district general  
21 fund and shall be used solely for juvenile detention facilities.

22 ~~C~~ D. The tax shall be levied on all of the taxable property in the  
23 district.

24 ~~D~~ E. Notwithstanding subsection B of this section, for tax years  
25 2006, 2007 and 2008, the district may certify and the board of supervisors  
26 shall levy a secondary property tax on the taxable property in the district  
27 in an amount equal to the amount levied in tax year 2005.

28 Sec. 11. Section 48-5805, Arizona Revised Statutes, is amended to  
29 read:

30 **48-5805. Transaction privilege tax; property tax; limitation**

31 A. The board of directors of the district by resolution may levy, and  
32 if levied, the department of revenue shall collect, a transaction privilege  
33 tax pursuant to this section to be used and spent for the purposes described  
34 in section 48-5804. The board shall set the rate of the tax at not more than  
35 two per cent of the tax rate that applies to each business in the district  
36 that is subject to taxation under title 42, chapter 5, article 1. The board  
37 shall levy the tax on each person engaging in the district in a business  
38 taxed under title 42, chapter 5, article 1.

39 B. Each month the state treasurer shall remit to the district  
40 treasurer the net revenues collected under subsection A of this section  
41 during the second preceding month. The district treasurer shall deposit the  
42 monies in the public health services district's accounts and shall account  
43 for all expenditures.

44 C. In lieu of a transaction privilege tax pursuant to subsection A of  
45 this section, the board by resolution may levy in the same manner and at the

1 same time as other county secondary property taxes are levied a public health  
2 services district tax. The tax shall not exceed THE LESSER OF:

3 1. Twenty-five cents per one hundred dollars of assessed valuation and  
4 shall be levied on all property in the county and on all property within  
5 incorporated cities and towns in the county.

6 2. BEGINNING IN TAX YEAR 2010, THE AMOUNT OF THE LEVY IN THE PRECEDING  
7 TAX YEAR, ADJUSTED ANNUALLY BY A PERCENTAGE EQUAL TO THE RATE OF CHANGE IN  
8 THE LEVY LIMIT BETWEEN THE CURRENT YEAR AND THE PRECEDING YEAR FOR THE COUNTY  
9 IN WHICH THE DISTRICT IS LOCATED AS DETERMINED PURSUANT TO SECTION 42-17051.  
10 THE LIMITATION UNDER THIS PARAGRAPH SHALL BE INCREASED EACH YEAR TO THE  
11 MAXIMUM PERMISSIBLE LIMIT REGARDLESS OF WHETHER THE DISTRICT ACTUALLY LEVIES  
12 THAT AMOUNT. FOR A DISTRICT THAT IS ESTABLISHED FROM AND AFTER DECEMBER 31,  
13 2009, THE LIMIT SHALL BE BASED ON THE INITIAL LEVY OF THE DISTRICT PURSUANT  
14 TO SECTION 48-5802, SUBSECTION B.

15 D. The district shall deposit all monies collected pursuant to this  
16 subsection in a separate account and shall account for all expenditures.