

REFERENCE TITLE: special districts; secondary levy limits

State of Arizona
House of Representatives
Fiftieth Legislature
First Regular Session
2011

HB 2338

Introduced by
Representative Olson

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. "Political subdivision" means a county, charter county, city,
11 charter city, town or community college district.
12 4. "SPECIAL TAXING DISTRICT" MEANS:
13 (a) A COUNTY FREE LIBRARY DISTRICT ESTABLISHED PURSUANT TO TITLE 48,
14 CHAPTER 24.
15 (b) A COUNTY JAIL DISTRICT ESTABLISHED PURSUANT TO TITLE 48,
16 CHAPTER 25.
17 (c) A PUBLIC HEALTH SERVICES DISTRICT ESTABLISHED PURSUANT TO TITLE
18 48, CHAPTER 33.
19 Sec. 2. Section 42-17003, Arizona Revised Statutes, is amended to
20 read:
21 42-17003. Duties
22 A. The commission shall:
23 1. Establish procedures for deriving the information required by
24 sections 15-905.01, 15-1461.01 and 42-17107 and article 2 of this chapter.
25 2. Review the primary property tax levy of each political subdivision
26 to determine violations of sections 15-905.01, 15-1461.01 and 42-17107 and
27 article 2 of this chapter.
28 3. Review the secondary property tax levy of each fire district AND
29 SPECIAL TAXING DISTRICT to determine violations of ~~section~~ SECTIONS 48-807,
30 48-3903, 48-4023, 48-4023.01 AND 48-5805.
31 4. Review the reports made by the department concerning valuation
32 accuracy.
33 5. Hold hearings to determine the adequacy of compliance with articles
34 2 and 3 of this chapter.
35 6. ~~Upon~~ ON the request of a county, city, town or community college
36 district, hold hearings as prescribed in section 42-17004 regarding the
37 calculation of the maximum allowable primary property tax levy limits
38 prescribed in section 42-17051, subsection A.
39 B. If the commission determines that a political subdivision has
40 violated section 15-905.01, 15-1461.01 or 42-17107 or article 2 of this
41 chapter, or that a fire district OR SPECIAL TAXING DISTRICT has violated
42 section 48-807, 48-3903, 48-4023, 48-4023.01 OR 48-5805 then on or before
43 September 15 the commission shall notify the political subdivision or
44 district, and the county board of supervisors, in writing, of:
45 1. The nature of the violation.

1 2. The necessary adjustment to:

2 (a) The primary property tax levy and tax rate to comply with section
3 15-905.01, 15-1461.01 or 42-17107 or article 2 of this chapter.

4 (b) The secondary property tax levy and tax rate to comply with
5 section 48-807, 48-3903, 48-4023, 48-4023.01 OR 48-5805.

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

8 42-17004. Hearing and appeals of commission findings

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

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

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

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

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

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

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

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

37 42-17005. Adjustments to levy

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

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

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

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

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

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

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

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

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

3 42-17052. Values furnished by county assessor and fire
4 districts

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

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

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

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

24 C. On or before February 10 of the tax year, the county assessor shall
25 transmit to the staff of the joint legislative budget committee and to the
26 governor's office of strategic planning and budgeting the values that are
27 required to compute the truth in taxation rates prescribed by section
28 41-1276.

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

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

35 42-17054. Levy limit worksheet

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

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

1 and operation expenses of the district in carrying out the objects and
2 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 of this section.~~

10 2. **BEGINNING IN TAX YEAR 2011, 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 **2010, 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.~~ D. The tax shall be levied on all of the taxable property in the
23 district.

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

10 2. BEGINNING IN TAX YEAR 2011, 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 2010, 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. Notwithstanding subsection B of this section, for tax years 2006,~~
25 ~~2007 and 2008, the district may certify and the board of supervisors shall~~
26 ~~levy a secondary property tax on the taxable property in the district in an~~
27 ~~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.

1 C. In lieu of a transaction privilege tax pursuant to subsection A of
2 this section, the board by resolution may levy in the same manner and at the
3 same time as other county secondary property taxes are levied a public health
4 services district tax. The tax shall not exceed **THE LESSER OF:**
5 **1.** Twenty-five cents per one hundred dollars of assessed valuation and
6 shall be levied on all property in the county and on all property within
7 incorporated cities and towns in the county.
8 **2.** **BEGINNING IN TAX YEAR 2011, THE AMOUNT OF THE LEVY IN THE PRECEDING**
9 **TAX YEAR, ADJUSTED ANNUALLY BY A PERCENTAGE EQUAL TO THE RATE OF CHANGE IN**
10 **THE LEVY LIMIT BETWEEN THE CURRENT YEAR AND THE PRECEDING YEAR FOR THE COUNTY**
11 **IN WHICH THE DISTRICT IS LOCATED AS DETERMINED PURSUANT TO SECTION 42-17051.**
12 **THE LIMITATION UNDER THIS PARAGRAPH SHALL BE INCREASED EACH YEAR TO THE**
13 **MAXIMUM PERMISSIBLE LIMIT REGARDLESS OF WHETHER THE DISTRICT ACTUALLY LEVIES**
14 **THAT AMOUNT. FOR A DISTRICT THAT IS ESTABLISHED FROM AND AFTER DECEMBER 31,**
15 **2010, THE LIMIT SHALL BE BASED ON THE INITIAL LEVY OF THE DISTRICT PURSUANT**
16 **TO SECTION 48-5802, SUBSECTION B.**
17 D. The district shall deposit all monies collected pursuant to this
18 subsection in a separate account and shall account for all expenditures.