REFERENCE TITLE: personal property tax; exemption; depreciation

State of Arizona
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SB 1161

Introduced by
Senators Yarbrough, Allen, Barto, Bundgaard, Gould, McComish, Murphy, Pierce S, Reagan, Smith: Biggs

AN ACT

AMENDING SECTIONS 42-11127 AND 42-13054, ARIZONA REVISED STATUTES; RELATING TO PERSONAL PROPERTY TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 42-11127, Arizona Revised Statutes, is amended to read:

42-11127. Exempt personal property

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

B. On or before December 31 each year THROUGH 2010, the department shall increase the maximum amount of the exemption for the following tax year THROUGH 2011 based on the average annual percentage increase, if any, in the GDP price deflator in the two most recent complete state fiscal years.

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

C. ON OR BEFORE DECEMBER 31 OF EACH YEAR BEGINNING IN 2011, THE DEPARTMENT SHALL INCREASE THE MAXIMUM AMOUNT OF THE EXEMPTION FOR THE FOLLOWING TAX YEAR BEGINNING IN 2012 BASED ON THE AVERAGE ANNUAL PERCENTAGE INCREASE, IF ANY, IN THE EMPLOYMENT COST INDEX IN THE TWO MOST RECENT COMPLETE STATE FISCAL YEARS. FOR THE PURPOSES OF THIS SUBSECTION, "EMPLOYMENT COST INDEX" MEANS THE AVERAGE OF THE FOUR EMPLOYMENT COST INDICES REPORTED BY THE BUREAU OF LABOR STATISTICS OF THE UNITED STATES DEPARTMENT OF LABOR OR ITS SUCCESSOR FOR THE FOUR QUARTERS OF THE STATE FISCAL YEAR.

Sec. 2. Section 42-13054, Arizona Revised Statutes, is amended to read:

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

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

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

1. For personal property that is initially classified during tax year 1994 through tax year 2007 as class one, paragraph 8, 9, 10 or 13 pursuant to section 42-12001 and personal property that is initially classified during

tax year 1995 through tax year 2007 as class two (P) pursuant to section 42-12002:

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

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

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

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

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

2. For personal property that is initially classified during ~~or after~~ tax year 2008 THROUGH TAX YEAR 2011 as class one, paragraph 8, 9, 10 or 13 pursuant to section 42-12001 and personal property that is initially classified during ~~or after~~ tax year 2008 THROUGH TAX YEAR 2011 as class two (P) pursuant to section 42-12002:

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

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

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

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

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

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

3. FOR PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER TAX YEAR 2012 AS CLASS ONE, PARAGRAPH 8, 9, 10 OR 13 PURSUANT TO SECTION 42-12001 AND PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER TAX YEAR 2012 AS CLASS TWO (P) PURSUANT TO SECTION 42-12002:

(a) FOR THE FIRST TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE TWENTY PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

(b) FOR THE SECOND TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE THIRTY-SIX PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

(c) FOR THE THIRD TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE FIFTY-TWO PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

(d) FOR THE FOURTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE SIXTY-EIGHT PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

(e) FOR THE FIFTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE EIGHTY-FOUR PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

(f) FOR THE SIXTH AND SUBSEQUENT TAX YEARS OF ASSESSMENT, THE ASSESSOR SHALL USE THE SCHEDULED DEPRECIATED VALUE AS PRESCRIBED IN THE DEPARTMENT'S GUIDELINES.

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

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

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