HOUSE OF REPRESENTATIVES

HB 2395

property tax calculations; school districts
Sponsor: Representative Lesko

DP	Committee on Ways and Means
DPA	Caucus and COW
X	House Engrossed

OVERVIEW

HB 2395 requires a county school superintendent to report primary property tax calculations to the Property Tax Oversight Commission (PTOC) and requires the PTOC to review, and correct if necessary, such estimates which are then reported by the County School Superintendent to the County Board of Supervisors.

HISTORY

Property Tax Oversight Commission

Arizona Revised Statutes (A.R.S.) § 42-17002 establishes the Property Tax Oversight Commission (PTOC). The PTOC is statutorily tasked with furthering the public confidence in property tax limitations, providing a uniform methodology for determining such limitations, and providing a continuing review of practices to ensure a fair and equitable administration of the property tax laws. The PTOC consists of the Arizona Department of Revenue (DOR) Director as chair and four persons knowledgeable in the area of property tax assessment and levy, one appointed by the Governor and three appointed jointly by the president of the Senate and Speaker of the House of Representatives.

County Board of Supervisors

According to statute, each county with a population of 175,000 persons *or greater* must have a board of supervisors consisting of five members who are qualified electors of their supervisorial district and elected at the same general election during which the president of the United States is elected. Each county with a population of *less than* 175,000 persons is required to have a board of supervisors consisting of three members, except as provided by statute.

A county board of supervisors is authorized to supervise the official conduct of all county officers and officers of all districts and other subdivisions of the county charged with assessing, collecting, safekeeping, managing or disbursing public revenues. (A.R.S. §11-251).

Equalization Assistance

The state does not levy property taxes due to the 1996 state property tax repeal, however counties transmit primary property taxes levied and collected in certain districts to the state General Fund for school financial assistance. These monies come from property not located within any school district or located in certain school districts ineligible for state aid, referred to as minimum qualifying tax rate (MQTR) districts (A.R.S. §§ 15-991.01, 992). The qualifying tax rate (QTR) is a statutory property tax rate used in equalization assistance, better known as Basic State Aid. QTR is adjusted each year in compliance with truth-in-taxation (TNT) provisions. The

purpose of the Basic State Aid formula is to offset property wealth and cost differences so that each district can establish a comparable funding amount per pupil, thus providing more equalized access to education for all students. Basic State Aid monies consist of a local share and a state share appropriated from the GF revenues. The state share covers spending not covered by a district's property tax; therefore a decrease in the local share, such as a reduction in QTR, will cause the state share to increase by the same amount (A.R.S. § 15-971). The Basic State Aid formula also includes revenues from the mandated State Equalization Assistance Property Tax, which was called the County Equalization Tax prior to 2006 (A.R.S. §15-994). In FY 2013, the QTR is set at $3.9170 for unified school districts and $1.9585 for non-unified school districts (per $100 of Net Assessed Valuation).

When the valuation of property changes, and the tax rate remains the same, the property owner's tax liability changes, as well. Truth-in-taxation (TNT) is designed to prevent such changes in tax liability by adjusting the tax rate proportionately. (A.R.S. § 41-1276)

The state requires compliance with TNT in regard to the QTR and the state (formerly county) equalization rate that is mandated by state statute. The Joint Legislative Budget Committee is responsible for determining the adjustment to the QTR and the equalization rate by March 15 of each year.

Levy Limits

A.R.S. § 42-17051 provides the method by which the allowable primary property tax levy limit is determined. A.R.S. § 42-17052 requires the county assessor to transmit and certify all values used to compute the levy limit to the PTOC by February 10 of the tax year.

PROVISIONS

- Rewrites and reorganizes statutory provisions governing the actions of the county school superintendent in calculating and reporting school monies needed from primary property taxes.
- Removes requirement that a county school superintendent do the following with regards to the County Board of Supervisors:
  - File the estimated amount of school monies required by each district for the ensuing year, based on each school district budget, by August 1 of each year.
  - Certify the amount of Equalization Assistance and the amount needed for each school district from primary property tax.
  - Certify an estimate of the amount of monies required by each school district in the ensuing year, based on each school district budget, with the governing board of each school district
- Removes requirement that the county school superintendent and County Board of Supervisors concurrently file a finalized estimate of school monies required by each district for the ensuing year, based on each school district's budget, with the PTOC.
- Requires the county school superintendent to:
  - Certify the amount of Equalization Assistance and additional amount to be levied, from primary property tax, to the PTOC by July 25 of each year.
  - File an estimate of the amount of monies required by each school district in the ensuing year, based on each school district budget, with the governing board of each school district and the PTOC by July 25 of each year.
- Requires the PTOC to review the primary property tax calculations.

- Requires the county school superintendent to file the amount required to be levied for each school district, for primary property taxes, with the County Board of Supervisors and PTOC by the third Monday in August of each year.
- Adds school district to the definition of *political subdivision* within the statutory provisions governing the PTOC.
- Provides for a hearing before the PTOC if the PTOC notifies a school district of an incorrect calculation and the school district disputes the finding.
- Makes technical and conforming changes.