



NEWS RELEASE

Arizona House of Representatives
Office of Representative Michelle Ugenti-Rita (R-23)
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FOR IMMEDIATE RELEASE

House Passes Representative Ugenti-Rita's Bill to Stop Municipalities from Over Taxing Residents

STATE CAPITOL, PHOENIX – The Arizona House of Representatives voted 35-25 Wednesday to pass HB 2011, sponsored by Representative Michelle Ugenti-Rita (R-23), which prohibits local governments from over taxing residents by stockpiling large amounts of property taxes levied on bonds that exceeds their annual debt obligations.

Current law caps the annual amount of secondary property taxes that can be levied from exceeding the net amount necessary to meet annual payments of principal and interest, projected payments of principal and interest on new debt planned for the ensuing year, a reasonable delinquency factor, including an amount necessary to correct prior year errors or shortages in the levy. However, some municipalities are routinely exceeding this amount, contrary to the law, resulting in large amounts of cash reserves funded by property taxes. For example, the City of Phoenix has an estimated \$100 million in reserve in their debt service account and a debt service payment this year of approximately \$130 million.

HB 2011 requires municipalities to net all cash remaining from the previous year in excess of 10% of the annual payments of principal and interest in the current fiscal year. If a municipality currently has cash in excess of 10%, they must drain these excess reserves during FY2018 and FY2019.

“Without this clarification to limit the annual amount of property taxes levied to pay for bonds, some local governments will continue to stockpile funds, while ignoring the law and taking advantage of taxpayers,” said Representative Ugenti-Rita. **“I voted for legislation in 2013 which was intended to address this very issue. However, the abuse of taxpayers continues in some places so I introduced HB 2011 to further clarify the law and establish a much clearer and transparent standard for local governments to be held to.”**

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