

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

HOUSE BILL 2055

AN ACT

AMENDING SECTIONS 32-1131 AND 42-12006, ARIZONA REVISED STATUTES; RELATING TO RESIDENTIAL REAL PROPERTY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 32-1131, Arizona Revised Statutes, is amended to
3 read:

4 32-1131. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Assessment" means the contribution by a contractor to the
7 residential contractors' recovery fund.

8 2. "Fund" means the residential contractors' recovery fund.

9 3. "Person injured" means any owner of residential real property which
10 is classified as class three property under section 42-12003 OR RESIDENTIAL
11 REAL PROPERTY THAT IS CLASSIFIED AS CLASS SIX UNDER SECTION 42-12006,
12 PARAGRAPH 9 and which is actually occupied or intended to be occupied by the
13 owner as a residence including community property, tenants in common or joint
14 tenants who are damaged by the failure of a residential contractor or a dual
15 licensed contractor to adequately build or improve a residential structure or
16 appurtenance on that real property. Included in this definition are lessees
17 of residential real property who contract directly with a residential
18 contractor or indirectly with a subcontractor of that contractor and
19 homeowners' or unit owners' associations after transfer of control from the
20 builder or developer for damages to the common elements within the complex.

21 4. "Residential contractor" means a contractor as defined in section
22 32-1101 who is licensed to perform work on residential property pursuant to
23 this chapter and who engages in residential contracting.

24 Sec. 2. Section 42-12006, Arizona Revised Statutes, is amended to
25 read:

26 42-12006. Class six property

27 For purposes of taxation, class six is established consisting of:

28 1. Noncommercial historic property as defined in section 42-12101 and
29 valued at full cash value.

30 2. Real and personal property that is located within the area of a
31 foreign trade zone or subzone established under 19 United States Code section
32 81 and title 44, chapter 18, that is activated for foreign trade zone use by
33 the district director of the United States customs service pursuant to
34 19 Code of Federal Regulations section 146.6 and that is valued at full cash
35 value. Property that is classified under this paragraph shall not thereafter
36 be classified under paragraph 6 of this section.

37 3. Real and personal property and improvements that are located in a
38 military reuse zone that is established under title 41, chapter 10, article 3
39 and that is devoted to providing aviation or aerospace services or to
40 manufacturing, assembling or fabricating aviation or aerospace products,
41 valued at full cash value and subject to the following terms and conditions:

42 (a) Property may not be classified under this paragraph for more than
43 five tax years.

1 (b) Any new addition or improvement to property already classified
2 under this paragraph qualifies separately for classification under this
3 paragraph for not more than five tax years.

4 (c) If a military reuse zone is terminated, the property in that zone
5 that was previously classified under this paragraph shall be reclassified as
6 prescribed by this article.

7 (d) Property that is classified under this paragraph shall not
8 thereafter be classified under paragraph 6 of this section.

9 4. Real and personal property and improvements or a portion of such
10 property comprising an environmental technology manufacturing, producing or
11 processing facility that qualified under section 41-1514.02, valued at full
12 cash value and subject to the following terms and conditions:

13 (a) Property shall be classified under this paragraph for twenty tax
14 years from the date placed in service.

15 (b) Any addition or improvement to property already classified under
16 this paragraph qualifies separately for classification under this subdivision
17 for an additional twenty tax years from the date placed in service.

18 (c) After revocation of certification under section 41-1514.02,
19 property that was previously classified under this paragraph shall be
20 reclassified as prescribed by this article.

21 (d) Property that is classified under this paragraph shall not
22 thereafter be classified under paragraph 6 of this section.

23 5. That portion of real and personal property that is used on or after
24 January 1, 1999 specifically and solely for remediation of the environment by
25 an action that has been determined to be reasonable and necessary to respond
26 to the release or threatened release of a hazardous substance by the
27 department of environmental quality pursuant to section 49-282.06 or pursuant
28 to its corrective action authority under rules adopted pursuant to section
29 49-922, subsection B, paragraph 4 or by the United States environmental
30 protection agency pursuant to the national contingency plan (40 Code of
31 Federal Regulations part 300) and that is valued at full cash value.
32 Property that is not being used specifically and solely for the remediation
33 objectives described in this paragraph shall not be classified under this
34 paragraph. For the purposes of this paragraph, "remediation of the
35 environment" means one or more of the following actions:

36 (a) Monitoring, assessing or evaluating the release or threatened
37 release.

38 (b) Excavating, removing, transporting, treating and disposing of
39 contaminated soil.

40 (c) Pumping and treating contaminated water.

41 (d) Treatment, containment or removal of contaminants in groundwater
42 or soil.

43 6. Real and personal property and improvements constructed or
44 installed from and after December 31, 2004 through December 31, 2024 and
45 owned by a qualified business under section 41-1516 and used solely for the

1 purpose of harvesting, transporting or processing qualifying forest products
2 removed from qualifying projects as defined in section 41-1516. The
3 classification under this paragraph is subject to the following terms and
4 conditions:

5 (a) Property may be initially classified under this paragraph only in
6 valuation years 2005 through 2024.

7 (b) Property may not be classified under this paragraph for more than
8 five years.

9 (c) Any new addition or improvement, constructed or installed from and
10 after December 31, 2004 through December 31, 2024, to property already
11 classified under this paragraph qualifies separately for classification and
12 assessment under this paragraph for not more than five years.

13 (d) Property that is classified under this paragraph shall not
14 thereafter be classified under paragraph 2, 3 or 4 of this section.

15 7. Real and personal property and improvements to the property that
16 are used specifically and solely to manufacture from and after December 31,
17 2006 through December 31, 2023 biodiesel fuel that is one hundred ~~per cent~~
18 PERCENT biodiesel and its by-products or motor vehicle biofuel and its
19 by-products and that are valued at full cash value. This paragraph applies
20 only to the portion of property that is used specifically for manufacturing
21 and processing one hundred ~~per cent~~ PERCENT biodiesel fuel, or its related
22 by-products, or motor vehicle biofuel, or its related by-products, from raw
23 feedstock obtained from off-site sources, including necessary on-site storage
24 facilities that are intrinsically associated with the manufacturing process.
25 Any other commercial or industrial use disqualifies the entire property from
26 classification under this paragraph. For the purposes of this paragraph,
27 "motor vehicle biofuel" means a solid, liquid or gaseous fuel that is derived
28 from biological material such as plant or animal matter, excluding organic
29 material that has been transformed by geological processes into substances
30 such as coal or petroleum or derivatives thereof, and that:

31 (a) Contains fuel additives in compliance with federal and state law.

32 (b) Is manufactured exclusively for use in a motor vehicle.

33 8. Real and personal property and improvements that are certified
34 pursuant to section 41-1511, subsection C, paragraph 2 and that are used for
35 renewable energy manufacturing or headquarters operations as provided by
36 section 42-12057. This paragraph applies only to property that is used in
37 manufacturing and headquarters operations of renewable energy companies,
38 including necessary on-site research and development, testing and storage
39 facilities that are associated with the manufacturing process. Up to ten ~~per~~
40 cent PERCENT of the aggregate full cash value of the property may be derived
41 from uses that are ancillary to and intrinsically associated with the
42 manufacturing process or headquarters operation. Any additional ancillary
43 property is not qualified for classification under this paragraph. No new
44 properties may be classified pursuant to this paragraph from and after
45 December 31, 2014. Classification under this paragraph is limited to the

1 time periods determined by the Arizona commerce authority pursuant to section
2 41-1511, subsection C, paragraph 2, subdivision (a) or (b). Property that is
3 classified under this paragraph shall not thereafter be classified under any
4 other paragraph of this section.

5 9. REAL PROPERTY AND IMPROVEMENTS TO THE PROPERTY THAT ARE USED AS THE
6 OWNER'S PRIMARY RESIDENCE, THAT ARE OWNED BY AN INDIVIDUAL WHO QUALIFIES FOR
7 PROPERTY VALUATION PROTECTION UNDER ARTICLE IX, SECTION 18, SUBSECTION (7),
8 CONSTITUTION OF ARIZONA, AND THAT ARE VALUED AT FULL CASH VALUE. TO QUALIFY
9 UNDER THIS PARAGRAPH, THE INDIVIDUAL MAY NOT OWN OR HAVE ANY LEGAL,
10 EQUITABLE, BENEFICIAL OR SECURITY INTEREST IN ANY OTHER REAL PROPERTY,
11 WHEREVER IT MAY BE LOCATED, EXCEPT INDIRECTLY THROUGH AN INVESTMENT SECURITY,
12 SUCH AS A MUTUAL FUND, THAT INCLUDES REAL PROPERTY AMONG ITS ASSETS. THIS
13 PARAGRAPH DOES NOT APPLY TO ANY REAL PROPERTY AND IMPROVEMENTS WITH A FULL
14 CASH VALUE OF SIX HUNDRED THOUSAND DOLLARS OR MORE UNLESS THE PROPERTY
15 QUALIFIED FOR VALUATION PROTECTION PURSUANT TO ARTICLE IX, SECTION 18,
16 SUBSECTION (7), CONSTITUTION OF ARIZONA, AS OF DECEMBER 31, 2016.