

REFERENCE TITLE: **property tax valuation**

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

HB 2439

Introduced by
Representatives Petersen, Mitchell

AN ACT

AMENDING SECTIONS 42-11001, 42-11053, 42-11054, 42-12009, 42-12104, 42-12157, 42-13204, 42-13205, 42-13352, 42-16051, 42-16109, 42-16207, 42-16212, 42-16213, 42-16215, 42-16251, 42-16252 AND 42-19152, ARIZONA REVISED STATUTES; RELATING TO PROPERTY TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 42-11001, Arizona Revised Statutes, is amended to
3 read:
4 42-11001. Definitions
5 In chapters 11 through 19 of this title, unless the context otherwise
6 requires:
7 1. "Assessed valuation" means the value derived by applying the
8 applicable percentage prescribed by chapter 15, article 1 of this title to
9 the ~~full cash value or~~ limited property value of the property, ~~as applicable~~.
10 2. "Board" or "state board" means the state board of equalization.
11 3. "County board" means the county board of supervisors sitting as the
12 county board of equalization.
13 4. "Current usage" means the use to which property is put at the time
14 of valuation by the assessor or the department.
15 5. "Due date" means the next business day if a due date of any report,
16 claim, return, statement, payment, deposit, petition, notice or other
17 document or filing falls on Saturday, Sunday or a legal holiday.
18 6. "Full cash value" for property tax purposes means the value
19 determined as prescribed by statute. If no statutory method is prescribed,
20 full cash value is synonymous with market value, which means the estimate of
21 value that is derived annually by using standard appraisal methods and
22 techniques. Full cash value is the basis for assessing, fixing, determining
23 and levying primary and secondary property taxes on property described in
24 section 42-13304. Full cash value shall not be greater than market value
25 regardless of the method prescribed to determine value for property tax
26 purposes.
27 7. "Limited property value" means the value determined pursuant to
28 section 42-13301. Limited property value is the basis for:
29 (a) Computing levy limitations for counties, cities, towns and
30 community college districts.
31 (b) Assessing, fixing, determining and levying primary and secondary
32 property taxes on all property except property described in section 42-13304.
33 8. "Net assessed value" means the assessed value minus any exempt
34 property.
35 9. "Person" means a natural person, individual, proprietor,
36 proprietorship, company, corporation, organization, association, joint
37 venture, partner, partnership, trust, estate or limited liability company,
38 the federal or state government, a political subdivision of a state or any
39 other legal entity or combination of entities that owns, controls or has
40 possession of real or personal property.
41 10. "Personal property" includes property of every kind, both tangible
42 and intangible, THAT IS not included in the term "real estate".
43 11. "Primary property taxes" means all ad valorem taxes except for
44 secondary property taxes.

1 12. "Producing mine" or "mining claim" means a mine or mining claim
2 from which coal or any other mineral or mineral substance, except for clay,
3 sand, gravel, building stone or a mineral or mineral substance that is
4 normally processed into artificial stone, has been extracted for commercial
5 purposes at any time during a period of one year before the first Monday in
6 January of the valuation year.

7 13. "Real estate" includes the ownership of, claim to, possession of or
8 right of possession to lands or patented mines.

9 14. "Roll" means the assessment and tax roll.

10 15. "Secondary property taxes" means:

11 (a) Ad valorem taxes or special property assessments that are used to
12 pay the principal of and the interest and redemption charges on bonded
13 indebtedness or other lawful long-term obligations that are issued or
14 incurred for a specific capital purpose by a municipality, county or taxing
15 district.

16 (b) Ad valorem taxes or assessments levied by or for special taxing
17 districts and assessment districts other than school districts and community
18 college districts.

19 (c) Amounts levied pursuant to an election to exceed a budget,
20 expenditure or tax limitation.

21 16. "Tax year" for all property means the calendar year in which the
22 taxes are levied.

23 17. "Valuation" means the ~~full cash value or~~ limited property value
24 that is determined for real or personal property, ~~as applicable~~.

25 18. "Valuation date", for the purposes of real property and property
26 valued by the department, means January 1 of the year preceding the year in
27 which taxes are levied.

28 19. "Valuation year" means:

29 (a) For real property and property valued by the department, the
30 calendar year preceding the year in which the taxes are levied.

31 (b) For personal property, the calendar year in which the taxes are
32 levied.

33 Sec. 2. Section 42-11053, Arizona Revised Statutes, is amended to
34 read:

35 42-11053. Investigating property valuations

36 A. The department shall investigate property valuations and any
37 matters relating to property taxes and shall require the production of any
38 private or public record relating to those valuations or property taxes.

39 B. The director or the director's agent may:

40 1. Enter on and examine any property in this state to determine its
41 full cash value. If the owner or possessor of property refuses entrance to
42 the director or the director's agent, the director may estimate the ~~valuation~~
43 **FULL CASH VALUE** of the property.

1 2. Require any officer whose duties relate to assessing or collecting
2 taxes to report to the director at the time and in the manner that the
3 director prescribes.

4 Sec. 3. Section 42-11054, Arizona Revised Statutes, is amended to
5 read:

6 42-11054. Standard appraisal methods and techniques

7 A. Subject to subsection B of this section, the department shall:

8 1. Prescribe guidelines for applying standard appraisal methods and
9 techniques that shall be used by the department and county assessors in
10 determining the ~~valuation~~ FULL CASH VALUE of property.

11 2. Prepare and maintain manuals and other necessary guidelines,
12 consistent with this section, reflecting the standard methods and techniques
13 to perpetuate a current inventory of taxable property and the ~~valuation~~ FULL
14 CASH VALUE of that property.

15 B. Before they are adopted, the department shall submit each
16 substantive proposed guideline, table and manual that is developed, amended
17 or otherwise modified from and after December 31, 2006 to the joint
18 legislative oversight committee on property tax assessment and appeals. The
19 department shall not finally adopt, amend or otherwise modify a substantive
20 guideline, table or manual for at least thirty days after submitting the
21 measure to the committee. The committee may hold one or more informational
22 hearings on the proposed measure within thirty days after submission. In
23 adopting, amending or modifying the measure the department shall consider the
24 committee's comments. If the committee fails to hold a hearing within thirty
25 days after submission, the department may adopt, amend or modify the measure
26 without further consideration.

27 C. In applying prescribed standard appraisal methods and techniques:

28 1. Current usage shall be included in the formula for reaching a
29 determination of full cash value.

30 2. Solar energy devices~~,~~ as defined in section 44-1761, grid-tied
31 photovoltaic systems and any other device or system designed for the
32 production of solar energy primarily for on-site consumption are considered
33 to have no value and to add no value to the property on which such device or
34 system is installed.

35 3. Energy efficient building components, renewable energy equipment
36 and combined heat and power systems are considered to add no value to the
37 property, if the property owner provides the county assessor with
38 documentation of all elements that qualify pursuant to this paragraph,
39 including documents showing actual acquisition and installation costs. The
40 documentation must be submitted to the county assessor no later than six
41 months before the notice of full cash value is issued for the initial
42 evaluation year pursuant to section 42-15101 or, if the component is added
43 after September 30 of the preceding year, no later than March 31 of the
44 initial valuation year. For the purposes of this paragraph:

1 (a) "Combined heat and power system" means a system that generates
2 electricity or mechanical power and useful thermal energy in a single,
3 integrated system such that the useful power output of the facility plus
4 one-half the useful thermal output during any twelve-month period is no less
5 than 42.5 ~~per-cent~~ PERCENT of the total energy input of fuel to the facility.

6 (b) "Energy efficient building components" means high performance
7 sustainable building components installed so that the buildings or building
8 components meet or exceed the energy efficiencies prescribed by the United
9 States environmental protection agency energy star program or by a leadership
10 in energy and environmental design green building rating standard developed
11 by the United States green building council, or an equivalent green building
12 standard, or that are at least fifteen ~~per-cent~~ PERCENT more energy efficient
13 than the international energy conservation code in effect at the time of
14 building permit issuance.

15 (c) "Renewable energy equipment" means equipment that is used to
16 produce energy primarily for on-site consumption from renewable resources,
17 including wind, forest thinnings, agricultural waste, biogas, biomass,
18 geothermal, low-impact hydropower and solar energy not included under
19 paragraph 2 of this subsection.

20 D. If the methods and techniques prescribe using market data as an
21 indication of market value, the price paid for future anticipated property
22 value increments shall be excluded.

23 E. For purposes of determining full cash value the department and
24 county assessors shall use and apply the ratio standard guidelines issued by
25 the department for tax year 1993 in the same manner as they were applied in
26 tax year 1993. This subsection does not apply to property that is valued
27 according to prescribed statutory methods or to property for which values are
28 determined in the year after an appeal pursuant to section 42-16002.

29 Sec. 4. Section 42-12009, Arizona Revised Statutes, is amended to
30 read:

31 42-12009. Class nine property

32 A. For purposes of taxation, class nine is established consisting
33 of:

34 1. Improvements that are located on federal, state, county or
35 municipal property and owned by the lessee of the property if:

36 (a) The improvements are required to become the property of the
37 federal, state, county or municipal owner of the property on termination
38 of the leasehold interest in the property.

39 (b) Both the improvements and the property are used exclusively for
40 convention activities or athletic, recreational, entertainment, artistic or
41 cultural facilities.

42 2. Improvements that are located on federal, state, county or
43 municipal property and owned by the lessee of the property if:

1 (a) The improvements are required to become the property of the
2 federal, state, county or municipal owner of the property on termination
3 of the leasehold interest in the property.

4 (b) Both the improvements and the property are:

5 (i) Used for or in connection with aviation, including hangars,
6 tie-downs, aircraft maintenance, sales of aviation-related items, charter
7 and rental activities, parking facilities and restaurants, stores and
8 other services located in a terminal.

9 (ii) Located on a state, county, city or town airport or a public
10 airport operating pursuant to sections 28-8423, 28-8424 and 28-8425.

11 3. Property that is defined as "contractor-acquired property" or
12 "government-furnished property" in the federal acquisition regulations
13 (48 Code of Federal Regulations section 45.101) and that is leased to or
14 acquired by the government and used to perform a government contract.

15 4. Property of a corporation that is organized by or at the
16 direction of this state or a county, city or town to develop, construct,
17 improve, repair, replace or own any property, improvement, building or
18 other facility to be used for public purposes that the state, county, city
19 or town pledges to lease or lease-purchase with state, county or municipal
20 special or general revenues and that is not otherwise exempt under chapter
21 11, article 3 of this title.

22 5. Real property and improvements, including land, buildings,
23 furniture and equipment, regardless of ownership, that are leased for the
24 entire valuation year to, and used exclusively by, a nonprofit organization
25 that is recognized under section 501(c)(3) of the internal revenue code and
26 that operates on the premises as a charter school pursuant to section 15-183
27 or that are leased for the entire valuation year to, and used exclusively by,
28 a nonprofit church, religious assembly or religious institution. If only
29 part of a parcel of real property or improvements to real property is leased
30 for operation of a charter school or a church, religious assembly or
31 religious institution as provided by this paragraph, only the portion so
32 leased qualifies for classification under this section. A property owner who
33 leases property to a charter school or a church, religious assembly or
34 religious institution as provided by this paragraph shall file an affidavit
35 with the county assessor stating that the charter school or church, religious
36 assembly or religious institution shall be the sole beneficiary of the change
37 in property tax classification pursuant to this section and that the lease
38 rate that is charged to the charter school or church, religious assembly or
39 religious institution is consistent with the lease rates that are charged to
40 other tenants of the property or a fair market rate.

41 B. Improvements that are located in an area defined as a research
42 park pursuant to section 35-701 may not be classified under this section.

43 C. All property classified as class nine is ~~subject to valuation~~
44 VALUED at full cash value.

1 Sec. 8. Section 42-13205, Arizona Revised Statutes, is amended to
2 read:

3 42-13205. Valuation method applied on appeal

4 On appeal of a valuation ~~IN WHICH THE FULL CASH VALUE WAS~~ determined by
5 the income method pursuant to section 42-13204 or an appeal in which the
6 owner has elected the income method pursuant to section 42-13203, subsection
7 D, the ~~valuation~~ FULL CASH VALUE of a shopping center shall be determined by
8 whichever one of the following ~~valuation~~ methods most closely approximates
9 fair market value:

10 1. The income method commonly known as the straight line building
11 residual method pursuant to section 42-13203, subsection D. If the reviewing
12 body finds that other information that is customarily analyzed under the
13 income method must be used to properly apply the income method to the
14 property, it may use the other information to supplement information provided
15 by the owner if:

16 (a) The credible and accurate information provided by the owner
17 remains the primary basis for the ~~valuation~~ FULL CASH VALUE under the income
18 method.

19 (b) The supplementary information is credible, is derived from
20 properties or circumstances that are substantially comparable to the property
21 and is valid under the income method.

22 (c) The reviewing body specifies in its written order what other
23 information was considered, the manner in which it was applied and the change
24 in the ~~valuation~~ FULL CASH VALUE under the income method, if any, resulting
25 from the use of the supplementary information.

26 2. The replacement cost less depreciation method pursuant to section
27 42-13203.

28 3. The market comparison method, if a sale of the subject property
29 occurred within two years before the ~~date-of~~ valuation DATE and no material
30 change to the property, its lease terms, tenants or occupancy rates or any
31 other material fact has occurred since the sale. If the market comparison
32 method is applicable, the reviewing body may consider information on sales of
33 other properties that occurred within two years before the ~~date-of~~ valuation
34 DATE and that are determined to be comparable to the subject property by
35 clear and convincing evidence.

36 Sec. 9. Section 42-13352, Arizona Revised Statutes, is amended to
37 read:

38 42-13352. Determining valuation of property of manufacturers,
39 assemblers or fabricators

40 A. The county assessor shall determine the valuation of both real and
41 personal property valued under this article.

42 B. For purposes of determining the ~~valuation~~ FULL CASH VALUE of
43 property valued under this article, the county assessor shall use standard
44 appraisal methods and techniques as provided in section 42-11001, paragraph 6
45 and section 42-11054, except as otherwise provided in this article.

1 C. The taxable value of personal property is the result of acquisition
2 costs less any appropriate depreciation as prescribed by the department. The
3 taxable value shall not exceed the market value.

4 Sec. 10. Section 42-16051, Arizona Revised Statutes, is amended to
5 read:

6 42-16051. Petition for assessor review of improper valuation or
7 classification

8 A. An owner of property that in the owner's opinion has been valued
9 too high or otherwise improperly valued or listed on the roll may file a
10 petition with the assessor on a written form prescribed by the department.

11 B. The petition shall state the owner's opinion of the ~~full-cash-value~~
12 VALUATION of the property and substantial information that justifies that
13 opinion of value for the assessor to consider for purposes of basing a change
14 in classification or correction of the valuation. For purposes of this
15 subsection, the owner provides substantial information to justify the opinion
16 of value by stating the method or methods of valuation on which the opinion
17 is based and:

18 1. Under the income approach, including the information required in
19 section 42-16052.

20 2. Under the market approach, including the ~~full-cash-value~~ VALUATION
21 of at least one comparable property in the same geographic area or the sale
22 of the subject property.

23 3. Under the cost approach, including the cost to build or rebuild the
24 property plus the land value.

25 C. The petition may include more than one parcel of property if they
26 are part of the same economic unit according to department guidelines or if
27 they are owned by the same owner, have the same use, are appealed on the same
28 basis and are located in the same geographic area, as determined pursuant to
29 department guidelines, and are on a form prescribed by the department.

30 D. The petition shall be filed within sixty days after the date the
31 assessor mailed the notice of valuation or the amended notice of valuation
32 under section 42-15101. United States postal service postmark dates are
33 evidence of the date petitions were filed for purposes of this subsection.

34 E. The petition for review form for property that is listed as class
35 three pursuant to section 42-12003 shall contain simplified instructions and
36 shall be separate from the petition forms used for other classes of property.

37 Sec. 11. Section 42-16109, Arizona Revised Statutes, is amended to
38 read:

39 42-16109. Corrections and changes to tax roll

40 A. The county board may correct any error or mistake in the assessor's
41 valuation or legal classification under the law when the county board
42 considers it necessary to list the property on the roll at its ~~full-cash~~
43 ~~value~~ CORRECT VALUATION.

44 B. The county board shall require the assessor to place on the roll
45 and determine the valuation or legal classification of any property that is

1 subject to taxation but that is not on the roll. In the absence of the
2 assessor, the county board shall determine the valuation or legal
3 classification of the omitted property and transmit the proposed valuation or
4 legal classification to the department as provided by section 42-11056.

5 C. The county assessor shall make the necessary changes in the tax
6 roll and records to reflect the county board's determination.

7 D. The department has the right to intervene and be heard in any
8 proceeding pursuant to this section.

9 Sec. 12. Section 42-16207, Arizona Revised Statutes, is amended to
10 read:

11 42-16207. Commencement of appeal; notice

12 A. A court appeal relating to valuation or classification of property
13 is commenced by filing a notice of appeal with either the tax court or the
14 superior court pursuant to section 12-163, subsection B.

15 B. The notice of appeal shall contain a statement of the reasons why
16 the valuation or classification is excessive or erroneous.

17 C. If the department or the county requests an increase in ~~full-cash~~
18 ~~value~~ VALUATION, the response filed shall contain a statement of the reasons
19 why the valuation or classification is insufficient or erroneous.

20 Sec. 13. Section 42-16212, Arizona Revised Statutes, is amended to
21 read:

22 42-16212. Hearing

23 A. If two or more actions have been filed under this article for the
24 same taxable year with respect to the same property, the actions shall be
25 consolidated for the purpose of the hearing.

26 B. At the hearing both parties may present evidence of any matters
27 that relate to the classification or to the ~~full-cash-value~~ VALUATION of the
28 property in question as of the date of its assessment. The valuation or
29 classification as approved by the appropriate state or county authority is
30 presumed to be correct and lawful.

31 C. For appeals from the state board relating to equalization orders
32 issued by the department, the court shall hear the appeal and render its
33 decision by September 1 of the year in which the appeal is filed.

34 Sec. 14. Section 42-16213, Arizona Revised Statutes, is amended to
35 read:

36 42-16213. Findings and judgment

37 A. If the court finds that the valuation is excessive or insufficient,
38 it shall find the property's full cash value. The court may find a full cash
39 value that is higher or lower than the ~~full-cash-value~~ VALUATION that was
40 appealed regardless of which party filed the appeal.

41 B. If the court finds that the valuation is:

42 1. Excessive, the court shall render judgment for the taxpayer and
43 against the state or county, whichever is appropriate, in an amount equal to
44 the excess in taxes levied and assessed together with the costs of the
45 appeal.

1 (e) Subject to the requirements of section 42-16255, subsection B, a
2 ~~valuation~~ FULL CASH VALUE or legal classification that is based on an error
3 that is exclusively factual in nature or due to a specific legal restriction
4 that affects the subject property and that is objectively verifiable without
5 the exercise of discretion, opinion or judgment and that is demonstrated by
6 clear and convincing evidence, such as:

7 (i) A mistake in the description of the size, use or ownership of
8 land, improvements or personal property.

9 (ii) Clerical or typographical errors in reporting or entering data
10 that was used directly to establish ~~valuation~~ FULL CASH VALUE.

11 (iii) A failure to timely capture on the tax roll a change in value or
12 legal classification caused by new construction, the destruction or
13 demolition of improvements, the splitting of one parcel of real property into
14 two or more new parcels or the consolidating of two or more parcels of real
15 property into one new parcel existing on the valuation date.

16 (iv) The existence or nonexistence of the property on the valuation
17 date.

18 (v) Property that is destroyed after the lien date.

19 (vi) Any other objectively verifiable error that does not require the
20 exercise of discretion, opinion or judgment.

21 Error does not include a correction that results from a change in the law as
22 a result of a final nonappealable ruling by a court of competent jurisdiction
23 in a case that does not involve the property for which a correction is
24 claimed.

25 4. "Tax officer" means the department, county assessor or county
26 treasurer, as applicable.

27 5. "Taxpayer" means the owner of real or personal property that is
28 liable for tax.

29 Sec. 17. Section 42-16252, Arizona Revised Statutes, is amended to
30 read:

31 ~~42-16252.~~ Notice of proposed correction; response; petition for
32 review; appeal

33 A. Subject to the limitations and conditions prescribed by this
34 article, if a tax officer determines that any real or personal property has
35 been assessed improperly as a result of a property tax error, the tax officer
36 shall send the taxpayer a notice of proposed correction at the taxpayer's
37 last known address by:

38 1. Certified mail, return receipt requested, if correction of the
39 error results in an increase in the ~~full cash value~~ VALUATION or change in
40 legal classification of the property.

41 2. First class mail or, at the taxpayer's written request, delivery by
42 common carrier or electronic transmittal, if correction of the error does not
43 result in an increase in the valuation of the property.

44 B. The notice shall:

45 1. Be in a form prescribed by the department.

1 2. Clearly identify the subject property by tax parcel number or tax
2 roll number and the year or years for which the correction is proposed.

3 3. Explain the error, the reasons for the error and the proposed
4 correction of the error.

5 4. Inform the taxpayer of the procedure and deadlines for appealing
6 all or part of the proposed determination before the tax roll is corrected.

7 C. Within thirty days after receiving a notice of proposed correction,
8 the taxpayer may file a written response to the tax officer that sent the
9 notice to either consent to or dispute the proposed correction of the error
10 and to state the grounds for disputing the correction. A failure to file a
11 written response within thirty days constitutes consent to the proposed
12 correction. A taxpayer may file a request for an extension of time within
13 thirty days after receiving the notice of proposed correction. The extension
14 of time may not exceed thirty days. If an extension is granted, any response
15 that is not filed within the extended due date constitutes consent to the
16 proposed correction.

17 D. The taxpayer may appeal any valuation or legal classification issue
18 that arises from the proposed correction as provided in this section.

19 E. If the taxpayer consents to the proposed correction, or consents to
20 the proposed correction but disputes the proposed valuation or legal
21 classification as provided on the form prescribed by the department, the tax
22 roll shall be promptly corrected to allow property taxes to be levied and
23 collected in all subsequent tax years, but no additional tax, interest or
24 penalty may be imposed for the current tax year or any tax year preceding the
25 date of the notice of proposed correction.

26 F. If the taxpayer disputes the proposed correction or the proposed
27 valuation or legal classification, the tax officer shall meet with the
28 taxpayer or the taxpayer's representative in any case in which the taxpayer
29 has timely filed a written response to discuss the proposed correction. If
30 after the meeting the tax officer and the taxpayer reach an agreement on all
31 or part of the proposed correction, the tax officer and the taxpayer shall
32 each sign an agreement and the tax roll must be promptly corrected to the
33 extent agreed on.

34 G. If after the meeting the parties fail to agree on all or part of
35 the proposed correction, the tax officer shall serve a notice on the taxpayer
36 by certified mail within thirty days after the meeting date advising the
37 taxpayer that the tax roll will be corrected to the extent agreed on. The
38 taxpayer may file a petition on a form prescribed by the department with the
39 board of equalization within thirty days after the date of the notice or it
40 is barred. On receiving the petition, the board shall hold a hearing on the
41 disputed issues in the proposed correction within thirty days and shall issue
42 a written decision pursuant to the board's rules.

43 H. A party that is dissatisfied with the decision of the board may
44 appeal the decision to court within sixty days after the date the board's
45 decision is mailed, but any additional taxes that are determined to be due

1 must be timely paid before delinquency for the court to retain jurisdiction
2 of the matter.

3 Sec. 18. Section 42-19152, Arizona Revised Statutes, is amended to
4 read:

5 42-19152. Taxation of mobile homes

6 A. Each mobile home is subject to ad valorem property tax to be
7 assessed and collected in the same manner and at the same time as other
8 personal property that is taxable under this chapter.

9 B. The department shall establish the method of determining the
10 ~~valuation~~ FULL CASH VALUE of mobile homes that are taxable under this chapter
11 to be set by the county assessor.