

REFERENCE TITLE: **treatment and education facilities; exemption**

State of Arizona
House of Representatives
Fifty-fourth Legislature
First Regular Session
2019

HB 2074

Introduced by
Representative Bowers

AN ACT

**AMENDING SECTIONS 42-11001, 42-11104, 42-11132 AND 42-12009, 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
3 to read:

4 42-11001. Definitions

5 In chapters 11 through 19 of this title, unless the context
6 otherwise 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
10 applicable.

11 2. "Board" or "state board" means the state board of equalization.

12 3. "County board" means the county board of supervisors sitting as
13 the county board of equalization.

14 4. "Current usage" means the use to which property is put at the
15 time of valuation by the assessor or the department.

16 5. "Due date" means the next business day if a due date of any
17 report, claim, return, statement, payment, deposit, petition, notice or
18 other document or filing falls on Saturday, Sunday or a legal holiday.

19 6. "Full cash value", for property tax purposes, means the value
20 determined as prescribed by statute. If ~~no~~ A statutory method is NOT
21 prescribed, full cash value is synonymous with market value, which means
22 the estimate of value that is derived annually by using standard appraisal
23 methods and techniques. Full cash value is the basis for assessing,
24 fixing, determining and levying primary and secondary property taxes on
25 property described in section 42-13304. Full cash value shall not be
26 greater than market value regardless of the method prescribed to determine
27 value for property tax purposes.

28 7. "Limited property value" means the value determined pursuant to
29 section 42-13301. Limited property value is the basis for:

30 (a) Computing levy limitations for counties, cities, towns and
31 community college districts.

32 (b) Assessing, fixing, determining and levying primary and
33 secondary property taxes on all property except property described in
34 section 42-13304.

35 8. "Net assessed value" means the assessed value minus any exempt
36 property.

37 9. "Person" means a natural person, individual, proprietor,
38 proprietorship, company, corporation, organization, association, joint
39 venture, partner, partnership, trust, estate or limited liability company,
40 the federal or state government, a political subdivision of a state or any
41 other legal entity or combination of entities that owns, controls or has
42 possession of real or personal property.

43 10. "Personal property" includes property of every kind, both
44 tangible and intangible, THAT IS not included ~~in the term~~ AS real estate.

1 11. "Primary property taxes" means all ad valorem taxes except for
2 secondary property taxes.

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

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

11 14. "RESIDENTIAL TREATMENT AND EDUCATION FACILITY" MEANS ANY
12 RESIDENTIAL FACILITY THAT IS SUBJECT TO TITLE 15, CHAPTER 10, ARTICLE 6.

13 ~~14.~~ 15. "Roll" means the assessment and tax roll.

14 ~~15.~~ 16. "Secondary property taxes" means:

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

20 (b) Ad valorem taxes or assessments **THAT ARE** levied by or for
21 special taxing districts and assessment districts other than school
22 districts and community college districts.

23 (c) Amounts **THAT ARE** levied pursuant to an election to exceed a
24 budget, expenditure or tax limitation.

25 ~~16.~~ 17. "Tax year" for all property means the calendar year in
26 which the taxes are levied.

27 ~~17.~~ 18. "Valuation" means the full cash value or limited property
28 value that is determined for real or personal property, as applicable.

29 ~~18.~~ 19. "Valuation date", for the purposes of real property and
30 property valued by the department, means January 1 of the year preceding
31 the year in which taxes are levied.

32 ~~19.~~ 20. "Valuation year" means:

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

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

37 Sec. 2. Section 42-11104, Arizona Revised Statutes, is amended to
38 read:

39 42-11104. Exemption for educational and library property

40 A. Libraries, colleges, school buildings and other buildings that
41 are used for education, with their furniture, libraries and equipment and
42 the land that is appurtenant to and used with them, are exempt from
43 taxation if they are used for education and not used or held for profit.

44 B. Property and buildings are exempt from taxation if leased from:

1 1. A school district pursuant to a lease or lease-purchase
2 agreement under section 15-342, paragraph 9 or 10.

3 2. A community college district pursuant to a lease or
4 lease-purchase agreement under section 15-1444.

5 C. Property and buildings, including land, improvements, furniture
6 and equipment, that are owned by a nonprofit organization that is
7 recognized under section 501(c)(3) of the internal revenue code and that
8 operates as:

9 1. A charter school pursuant to section 15-183 are exempt from
10 taxation beginning on the date the nonprofit organization acquires
11 ownership of the property and buildings if the property and buildings are
12 used for education and are not used or held for profit.

13 2. A trap and skeet shooting club that teaches, trains, sponsors,
14 coaches or hosts or sponsors clinics, shooting leagues, competitive
15 tournaments or other events, including hunter and firearm safety classes,
16 are exempt from taxation if the property and buildings are used for
17 education purposes and not used or held for profit.

18 3. A RESIDENTIAL TREATMENT AND EDUCATION FACILITY ARE EXEMPT FROM
19 TAXATION BEGINNING ON THE DATE THE NONPROFIT ORGANIZATION ACQUIRES
20 OWNERSHIP OF THE PROPERTY AND BUILDINGS IF THE PROPERTY AND BUILDINGS ARE
21 USED FOR EDUCATION AND ARE NOT USED OR HELD FOR PROFIT.

22 D. Within ten days after receiving an initial affidavit of
23 eligibility submitted under section 42-11152 by a nonprofit organization
24 described under subsection C of this section, the county assessor, on
25 request, shall issue a receipt for the affidavit.

26 E. If ~~the~~ A nonprofit organization described under subsection C of
27 this section files with the assessor evidence of the organization's tax
28 exempt status under section 501(c)(3) of the internal revenue code, the
29 organization is exempt from the requirement of filing subsequent
30 affidavits under section 42-11152 until all or part of the property is
31 conveyed to a new owner or is no longer used for education. At that time
32 the organization shall notify the assessor of the change in writing.

33 F. A nonprofit organization described under subsection C of this
34 section that acquires ownership of property that was previously owned by
35 another nonprofit organization and used primarily for education shall
36 comply with the requirements of section 42-11152 to qualify and establish
37 eligibility for exemption.

38 G. If a nonprofit organization described under subsection C of this
39 section that holds title to property used primarily for education fails to
40 file the affidavit required by section 42-11152 in a timely manner, but
41 otherwise qualifies for exemption, the county board of supervisors, on
42 petition by the organization, shall direct the county treasurer to:

43 1. Refund any property taxes paid by the organization for a tax
44 year if the organization submits a claim for the refund to the county
45 treasurer within one year after the date the taxes were paid. The county

1 treasurer shall pay the claim within thirty days after it is submitted to
2 the treasurer. The county treasurer is entitled to a credit for the
3 refund in the next accounting period with each taxing jurisdiction to
4 which the tax monies may have been transmitted.

5 2. Forgive and strike off from the tax roll any property taxes and
6 accrued interest and penalties that are due but not paid.

7 Sec. 3. Section 42-11132, Arizona Revised Statutes, is amended to
8 read:

9 42-11132. Property leased to educational institutions

10 A. Property, buildings and fixtures that are leased to a nonprofit
11 charter school **OR A RESIDENTIAL TREATMENT AND EDUCATION FACILITY** and that
12 are used for educational instruction in any grade or program through grade
13 twelve shall be classified as class nine property pursuant to section
14 42-12009. If only part of a parcel of real property or improvements to
15 real property is leased for operation of a charter school **OR A RESIDENTIAL**
16 **TREATMENT AND EDUCATION FACILITY**, only the portion so leased qualifies as
17 class nine property.

18 B. Property, buildings and fixtures that are owned by an
19 educational, a religious or a charitable organization, institution or
20 association and leased to a nonprofit educational organization,
21 institution or association are exempt from taxation if the property is
22 used for educational instruction in any grade or program through grade
23 twelve.

24 C. If the educational, religious or charitable organization,
25 institution or association that owns the property files with the assessor
26 evidence of the organization's, institution's or association's tax exempt
27 status under section 501(c)(3) of the internal revenue code and an
28 affidavit by the educational organization, institution or association that
29 it uses the property for educational instruction as described in
30 subsection B of this section, the property qualifies for the tax exemption
31 under this section and is exempt from the requirement of filing subsequent
32 affidavits under section 42-11152 until all or part of the property is
33 conveyed to a new owner or is no longer used for educational purposes. At
34 that time the educational, religious or charitable organization,
35 institution or association must notify the assessor of the change in
36 writing.

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

39 42-12009. Class nine property

40 A. For purposes of taxation, class nine is established consisting
41 of:

42 1. 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 used exclusively for
5 convention activities or athletic, recreational, entertainment, artistic
6 or cultural facilities.

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

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

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

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

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

19 3. Property that is defined as "contractor-acquired property" or
20 "government-furnished property" in the federal acquisition regulations
21 (48 Code of Federal Regulations section 45.101) and that is leased to or
22 acquired by the government and used to perform a government contract.

23 4. Property of a corporation that is organized by or at the
24 direction of this state or a county, city or town to develop, construct,
25 improve, repair, replace or own any property, improvement, building or
26 other facility to be used for public purposes that the state, county, city
27 or town pledges to lease or lease-purchase with state, county or municipal
28 special or general revenues and that is not otherwise exempt under chapter
29 11, article 3 of this title.

30 5. Real property and improvements, including land, buildings,
31 furniture and equipment, regardless of ownership, that are leased for the
32 entire valuation year to, and used exclusively by, a nonprofit
33 organization that is recognized under section 501(c)(3) of the internal
34 revenue code and that operates on the premises as EITHER a charter school
35 pursuant to section 15-183 OR A RESIDENTIAL TREATMENT AND EDUCATION
36 FACILITY or that are leased for the entire valuation year to, and used
37 exclusively by, a nonprofit church, religious assembly or religious
38 institution. If only part of a parcel of real property or improvements to
39 real property is leased for operation of a charter school OR RESIDENTIAL
40 TREATMENT AND EDUCATION CENTER or a church, religious assembly or
41 religious institution as provided by this paragraph, only the portion so
42 leased qualifies for classification under this section. A property owner
43 ~~who~~ THAT leases property to a charter school OR RESIDENTIAL TREATMENT AND
44 EDUCATION FACILITY or a church, religious assembly or religious
45 institution as provided by this paragraph shall file an affidavit with the

1 county assessor stating that the charter school OR RESIDENTIAL TREATMENT
2 AND EDUCATION FACILITY or THE church, religious assembly or religious
3 institution shall be the sole beneficiary of the change in property tax
4 classification pursuant to this section and that the lease rate that is
5 charged to the charter school OR RESIDENTIAL TREATMENT AND EDUCATION
6 FACILITY or THE church, religious assembly or religious institution is
7 consistent with the lease rates that are charged to other tenants of the
8 property or a fair market rate.

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

11 C. All property classified as class nine is subject to valuation at
12 full cash value.

13 Sec. 5. Retroactivity

14 This act applies retroactively to taxable years beginning from and
15 after December 31, 2018.