CHAPTER 171

SENATE BILL 1093

AN ACT

AMENDING SECTIONS 41-1276, 42-15001 AND 48-807, ARIZONA REVISED STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 41-1276, Arizona Revised Statutes, is amended to read:

41-1276. Truth in taxation levy for equalization assistance to school districts

A. On or before February 15 of each year, the joint legislative budget committee shall compute and transmit the truth in taxation rates for equalization assistance for school districts for the following fiscal year to:

1. The chairmen CHAIRPERSON of the house of representatives ways and means committee and the senate finance committee, or their successor committees.

2. The chairmen CHAIRPERSON of the appropriations committees of the senate and the house of representatives, or their successor committees.

B. The truth in taxation rates consist of the qualifying tax rate for a high school district or a common school district within a high school district that does not offer instruction in high school subjects pursuant to section 15-971, subsection B, paragraph 1, a qualifying tax rate for a unified district, a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects pursuant to section 15-971, subsection B, paragraph 2 and a state equalization assistance property tax rate pursuant to section 15-994 that will offset the change in net assessed valuation of property that was subject to tax in the prior year.

C. The joint legislative budget committee shall compute the truth in taxation rates as follows:

1. Determine the statewide net assessed value for the preceding tax year as provided in section 42-17151, subsection A, paragraph 3.

2. Determine the statewide net assessed value for the current tax year, excluding the net assessed value of property that was not subject to tax in the preceding year.

3. Divide the amount determined in paragraph 1 of this subsection by the amount determined in paragraph 2 of this subsection.

4. Adjust the qualifying tax rates and the state equalization assistance property tax rate for the current fiscal year by the percentage determined in paragraph 3 of this subsection in order to offset the change in net assessed value.

D. Except as provided in subsections E and G of this section, the qualifying tax rate for a high school district or a common school district within a high school district that does not offer instruction in high school subjects, the qualifying tax rate for a unified school district, a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects and the state equalization assistance property tax
rate for the following fiscal year shall be the rate determined by the 
joint legislative budget committee pursuant to subsection C of this 
section. The committee shall transmit the rates to the superintendent of 
public instruction and the county boards of supervisors by March 15 OF 
each year.

E. If the legislature proposes either qualifying tax rates or a 
state equalization assistance property tax rate that exceeds the truth in 
taxation rate:

1. The house of representatives ways and means committee and the 
senate finance committee, or their successor committees, shall hold a 
joint hearing on or before February 28 and publish a notice of a truth in 
taxation hearing subject to the following requirements:

(a) The notice shall be published twice in a newspaper of general 
circulation in this state that is published at the state capital. The 
first publication shall be at least fourteen but not more than twenty days 
before the date of the hearing. The second publication shall be at least 
seven but not more than ten days before the date of the hearing.

(b) The notice shall be published in a location other than the 
classified or legal advertising section of the newspaper.

(c) The notice shall be at least one-fourth page in size and shall 
be surrounded by a solid black border at least one-eighth inch in width.

(d) The notice shall be in the following form, with the "truth in 
taxation hearing—notice of tax increase" headline in at least 
eighteen-point type:

Truth in Taxation Hearing
Notice of Tax Increase

In compliance with section 41-1276, Arizona Revised 
Statutes, the state legislature is notifying property 
taxpayers in Arizona of the legislature's intention to raise 
the property tax levy over last year's level.

The proposed tax increase will cause the taxes on a 
$100,000 home to be $(total proposed taxes including the tax 
increase). Without the proposed tax increase, the total taxes 
that would be owed on a $100,000 home would have been 
$______.

All interested citizens are invited to attend a public 
hearing on the tax increase that is scheduled to be held 
(date and time) at (location).

(e) For THE purposes of computing the tax increase on a $100,000 
home as required by the notice, the joint meeting of the house of 
representatives ways and means committee and the senate finance committee, 
or their successor committees, shall consider the difference between the 
truth in taxation rate and the proposed increased rate.
2. The joint meeting of the house of representatives ways and means committee and the senate finance committee, or their successor committees, shall consider any motion to recommend the proposed tax rates to the full legislature by roll call vote.

F. In addition to publishing the truth in taxation notice under subsection E, paragraph 1 of this section, the joint meeting of the house of representatives ways and means committee and the senate finance committee, or their successor committees, shall issue a press release containing the truth in taxation notice.

G. Notwithstanding any other law, the legislature shall not adopt a state budget that provides for either qualifying tax rates pursuant to section 15-971 or a state equalization assistance property tax rate pursuant to section 15-994 that exceeds the truth in taxation rates computed pursuant to subsection A of this section unless the rates are adopted by a concurrent resolution approved by an affirmative roll call vote of two-thirds of the members of each house of the legislature before the legislature enacts the general appropriations bill. If the resolution is not approved by two-thirds of the members of each house of the legislature, the rates for the following fiscal year shall be the truth in taxation rates determined pursuant to subsection C of this section and shall be transmitted to the superintendent of public instruction and the county boards of supervisors.

H. Notwithstanding subsection C of this section and if approved by the qualified electors voting at a statewide general election, the legislature shall not set a qualifying tax rate that exceeds $2.1265 for a common or high school district or $4.253 for a unified school district. The legislature shall not set a county equalization assistance for education rate that exceeds $0.5123.

I. Pursuant to subsection C of this section, the qualifying tax rate in tax year 2021 for a high school district or a common school district within a high school district that does not offer instruction in high school subjects as provided in section 15-447 is $1.7694 and for a unified school district, a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects as provided in section 15-447 is $3.5388. The state equalization assistance property tax rate in tax year 2021 is $0.4263.

J. THE STATE EQUALIZATION ASSISTANCE PROPERTY TAX RATE:

1. IN TAX YEAR 2022 IS $0.4128.
2. IN TAX YEAR 2023 IS $0.4009.
3. IN TAX YEAR 2024 IS $0.3909.
4. IN TAX YEAR 2025 IS $0.3824.
5. IN TAX YEAR 2026 IS $0.3295.
6. IN TAX YEAR 2027 IS $0.2871.
Sec. 2. Section 42-15001, Arizona Revised Statutes, is amended to read:

42-15001. Assessed valuation of class one property

The assessed valuation of class one property described in section 42-12001 is the following percentage of its full cash value or limited valuation, as applicable:

1. Twenty-five percent through December 31, 2005.
2. Twenty-four and one-half percent beginning from and after December 31, 2005 through December 31, 2006.
3. Twenty-four percent beginning from and after December 31, 2006 through December 31, 2007.
5. Twenty-two percent beginning from and after December 31, 2008 through December 31, 2009.
6. Twenty-one percent beginning from and after December 31, 2009 through December 31, 2010.
8. Nineteen and one-half percent beginning from and after December 31, 2012 through December 31, 2013.
10. Eighteen and one-half percent beginning from and after December 31, 2014 through December 31, 2015.
12. Seventeen and one-half percent beginning from and after December 31, 2021 through December 31, 2022.
14. Sixteen and one-half percent beginning from and after December 31, 2023 through December 31, 2024.
15. Sixteen percent beginning from and after December 31, 2024 through December 31, 2025.
16. Fifteen and one-half percent beginning from and after December 31, 2025 through December 31, 2026.
17. Fifteen percent beginning from and after December 31, 2026.

Sec. 3. Section 48-807, Arizona Revised Statutes, is amended to read:

48-807. County fire district assistance tax; annual budget; override; monthly financial reports

A. The board of supervisors of a county shall levy, at the time of levying other property taxes, a county fire district assistance tax on the taxable property in the county of not more than $.10 per $100 of assessed value.
valuation. The tax levy provided for in this subsection shall be a levy
of secondary property taxes and shall not be subject to title 42, chapter
17, article 2. The county treasurer shall pay to each fire district,
including a fire district formed pursuant to section 48-851, in the county
from the proceeds of the tax an amount equal to twenty percent of the
property tax levy adopted by the district for the fiscal year in which the
tax will be levied, except that:

1. The amount of assistance from the county to a fire district
shall be reduced as follows:
   (a) Through the fiscal year that ends June 30, 2012, by the dollar
   amount that the fire district receives from the fire district assistance
tax that exceeds $300,000 from and after June 30 of each fiscal year.
   (b) Beginning with the fiscal year that starts July 1, 2012, by the
dollar amount that the fire district receives from the fire district
assistance tax that exceeds $400,000 from and after June 30 of each fiscal
year, without regard to whether the district is located in more than one
county.
   (c) Except as provided in paragraph 2 of this subsection, if the
total amount to be paid to all districts in the county under this
paragraph exceeds the amount to be raised by the levy of $.10 per $100
assessed valuation, then the county treasurer shall pay an amount less
than twenty percent of the property tax levy of each district. The amount
to be paid by the county treasurer to each district shall be determined by
multiplying the proceeds of the county fire district assistance tax
against the proportion that twenty percent of the property tax levy of
each district bears to the total of twenty percent of the property tax
levies of all fire districts in the county.

2. For fiscal years beginning from and after July 1, 1992, the
amount of assistance from the county to a fire district shall not be less
than the assistance provided from and after June 30, 1991 through June 30,
1992, if, for the fiscal year in which the tax will be levied, the
district levies a tax, in addition to any tax levied under section 48-806,
of $3 per $100 of assessed valuation and the assessed valuation is at
least ninety percent of the assessed valuation for the 1991 tax year.
This paragraph does not apply to fire districts subject to paragraph 1,
subdivision (a) or (b) of this subsection.

B. For the purpose of subsection A of this section, the property
tax levy of the fire district shall include in lieu contributions pursuant
to chapter 1, article 8 of this title but shall not include property tax
levies to be applied to the payment of principal and interest on bonds
issued pursuant to section 48-806.

C. Beginning with the fiscal year that starts July 1, 2016, a
consolidated district shall not receive more than the maximum allowable
amount in fire district assistance tax monies as prescribed in subsection
D of this section, without regard to whether the consolidated district is located in more than one county.

D. Beginning with the fiscal year that starts July 1, 2016, for any two or more fire districts that merge or consolidate to form a consolidated district on or after July 1, 2014, the consolidated district may continue to receive monies in an amount not to exceed the sum of the average of the amount of fire district assistance tax monies received by each of the consolidating or merging districts in the five fiscal years immediately preceding the merger or consolidation as prescribed in subsection A of this section, without regard to whether the consolidated district is located in more than one county.

E. For a consolidated district that is formed in any fiscal year beginning July 1, 2014 or later and that is receiving fire district assistance tax monies that are reduced as prescribed in subsection A, paragraph 1, subdivision (c) of this section, if the total amount of fire district assistance tax monies that would be paid to all districts in the county pursuant to subsection A of this section is less than the amount of monies that would be raised by the levy of $.10 per $100 assessed valuation, the county treasurer shall pay the consolidated district the amount of fire district assistance tax monies prescribed by subsection A of this section that would have been paid to the districts at the time the districts merged or consolidated.

F. The board, based on the budget submitted by the district, shall levy, in addition to any tax levied as provided in section 48-806, a tax not to exceed $3.25 per $100 of assessed valuation through tax year 2021, $3.375 per $100 of assessed valuation for tax year 2022, and $3.50 per $100 of assessed valuation for tax year 2023 and each tax year thereafter, or the amount of the levy in the preceding tax year multiplied by 1.08, whichever levy is less, and minus any amounts required to reduce the levy pursuant to subsection I of this section, against all property situated within the district boundaries and appearing on the last assessment roll. The levy shall be made and the taxes collected in the manner, at the time and by the officers provided by law for the collection of general county taxes.

G. The qualified electors of the district, voting in an election as prescribed by subsection H of this section, may authorize the board to levy a tax exceeding the limits prescribed by subsection F of this section under one, but not both, of the following options:

1. The electors may authorize a permanent override allowing annual levies without reference to the levy in the preceding tax year, but remaining subject to the tax rate limit of $3.25 per $100 of assessed valuation through tax year 2021, $3.375 per $100 of assessed valuation for tax year 2022, and $3.50 per $100 of assessed valuation for tax year 2023 and each tax year thereafter. An election for the purposes of this paragraph must be
held at a regularly scheduled general election held on the first Tuesday
following the first Monday in November as prescribed by section 16-204,
subsection F.

2. If the net assessed valuation of all property in the district
decreases by a combined total of twenty percent or more over two
consecutive valuation years, the electors voting at the next regularly
scheduled general election held on the first Tuesday following the first
Monday in November as prescribed by section 16-204, subsection F may
authorize an override for five consecutive tax years allowing annual
levies that are exempt from the tax rate limit of $3.25 through tax year
2021, $3.375 for tax year 2022, and $3.50 for tax year 2023 AND $3.75 FOR
TAX YEAR 2024 and each tax year thereafter, but subject to an annual levy
limit of the amount of the levy in the preceding tax year multiplied by
1.05. After the fifth tax year, the district is again subject to the
limits prescribed by subsection F of this section, computed by multiplying
the levy beginning in the year preceding the override by 1.08 for each
year through the current tax year.

H. The call for an override election held for the purposes of
subsection G of this section must state:

1. The purpose for requesting additional secondary property tax
revenue for the district.

2. If the voters approve the levy:

(a) The maximum dollar amount of secondary property tax that may be
collected in the first year compared to the existing maximum secondary
property tax levy prescribed in subsection F of this section.

(b) The estimated secondary property tax rate to fund the proposed
levy under subdivision (a) of this paragraph in the first tax year
compared to the secondary property tax rate levied in the current year.

I. If the district annexes additional territory, the limit under
subsection F of this section shall be adjusted by applying the district's
tax rate to the assessed valuation of the annexed property in the
preceding tax year. If districts are merged or consolidated under this
chapter, the limitation under this subsection in the first year after the
districts are merged or consolidated is the total of the levies of the
merged or consolidated districts in the preceding tax year multiplied by
1.08 or the amount of the levies allowed by the maximum rate prescribed by
subsection F of this section, whichever is less.

J. The district shall maintain any property tax revenues collected
in excess of the sum of the amounts of taxes collectible pursuant to
section 42-17054 and the allowable levy determined under subsection F of
this section in a separate fund and used to reduce the property tax levy
in the following tax year.

K. The levy limit under this section is considered to be increased
each year to the maximum limit permissible under subsection F of this
section regardless of whether the district actually levies taxes up to the
maximum permissible amount in that year.

L. The county treasurer shall keep the money received from taxes
levied pursuant to subsection F of this section in a separate fund known
as the "fire district general fund" of the district for which collected.
Any surplus remaining in the fire district general fund at the end of the
fiscal year shall be credited to the fire district general fund of the
district for which it was collected for the succeeding fiscal year and
after subtraction of accounts payable and encumbrances, shall be used to
reduce the property tax levy in the following tax year.

M. A fire district may maintain separate accounts with a financial
institution that is authorized to do business in this state for the
purpose of operating a payroll account or for holding special revenues or
ambulance revenues, or both, as necessary to fulfill the district's
fiduciary responsibilities.

N. A fire district, through the county treasurer, shall establish
the relevant governmental funds necessary for the proper management and
fiscal accountability of district monies from property taxes, grants,
contributions and donations, as defined by the government accounting
standards board. Unless the monies received are legally restricted by
contract, agreement or law, those monies may be transferred between fund
accounts according to the original or amended budget of the fire district.

O. A fire district shall reconcile all balance sheet accounts for
accounts for each calendar month of the fiscal year within thirty days
after the end of that calendar month. The fire district board shall
review the reconciled balance sheet accounts monthly, except that for a
fire district that is governed by a three-member board, the board may
review the reconciled balance sheet accounts every two months.

P. A fire district shall produce monthly financial reports to
include a register of checks, substitute checks, warrants and deposits, a
record of electronic funds transfers, a statement of financial activities
and a statement of net assets for each calendar month. A fire district
shall produce a cash flow projection report for each fiscal year. The
cash flow projection report shall be updated monthly with the actual
revenues and expenditures from the preceding month. Each month, the fire
district board shall review the financial reports, the updated cash flow
projections report and all month-end fund statements and reports of the
preceding month to include those reports provided by the county treasurer
and each of the financial institutions in which the district maintains an
account, except that for a fire district that is governed by a
three-member board, the board may review the reports and statements
prescribed by this subsection every two months. Any financial report or
cash flow projection report that would indicate that the district is
likely to violate section 48-805.02, subsection D, paragraph 1 or that
would indicate an adverse impact on the ongoing operations or liquidity of
the district shall be reported by the fire district board chairman in
writing and delivered by certified mail to the county treasurer and the
county board of supervisors within ten days after the discovery.

Q. Within sixty days after submittal of a written report pursuant
to subsection P of this section by the fire district board chairman to the
county treasurer and the county board of supervisors that states the fire
district is likely to violate section 48-805.02, subsection D, paragraph 1
or that indicates an adverse impact on the ongoing operations or liquidity
of the fire district, the district shall complete a study of merger,
consolidation or joint operating alternatives. The fire district shall
hold a special public meeting as prescribed in section 48-805.02,
subsection D to present the findings of the study. Within five days after
the special public meeting, the fire district board chairman shall submit
the findings of the study to the county treasurer and county board of
supervisors.

R. Notwithstanding section 11-605, a fire district may register or
record warrants, substitute checks or electronic funds transfers only if
separate accounts are maintained by the county treasurer for each
governmental fund of a fire district. Warrants, substitute checks or
electronic funds transfers may be registered or recorded only on the
maintenance and operation account, the unrestricted capital outlay account
and the special revenue account, and only if the total cash balance of all
three accounts is insufficient to pay the warrants, substitute checks or
electronic funds transfers and after any revolving line of credit has been
expended as prescribed in section 11-635.

S. When a fire district has adopted a budget and the board of
supervisors has levied a fire district tax as provided in subsection F of
this section and the district has insufficient money in the district's
general fund with the county treasurer to operate the district, the
chairman of the board, on or after August 1 of each year, may draw
warrants, substitute checks or electronic funds transfers for the purposes
prescribed in section 48-805 on the county treasurer, payable on
November 1 of that year or on April 1 of the succeeding year. The
aggregate amounts of the warrants, substitute checks or electronic funds
transfers may not exceed ninety percent of the taxes levied by the county
for the district's current fiscal year. If the treasurer cannot pay a
warrant, substitute check or electronic funds transfer for lack of funds
in the fire district general fund, the warrant or substitute check shall
be endorsed and registered, or the electronic funds transfer shall be
recorded, and the warrant, substitute check or electronic funds transfer
shall bear interest and be redeemed as provided by law for county
warrants, substitute checks or electronic funds transfers, except that the
warrants, substitute checks or electronic funds transfers are payable only
from the fire district general fund.
S.B. 1093

APPROVED BY THE GOVERNOR APRIL 22, 2022.