

House Engrossed Senate Bill

~~property tax; class one; equalization assistance~~  
(now: equalization assistance; class one property)

State of Arizona  
Senate  
Fifty-fifth Legislature  
Second Regular Session  
2022

**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)

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

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

4 41-1276. Truth in taxation levy for equalization assistance  
5 to school districts

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

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

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

15 B. The truth in taxation rates consist of the qualifying tax rate  
16 for a high school district or a common school district within a high  
17 school district that does not offer instruction in high school subjects  
18 pursuant to section 15-971, subsection B, paragraph 1, a qualifying tax  
19 rate for a unified district, a common school district not within a high  
20 school district or a common school district within a high school district  
21 that offers instruction in high school subjects pursuant to section  
22 15-971, subsection B, paragraph 2 and a state equalization assistance  
23 property tax rate pursuant to section 15-994 that will offset the change  
24 in net assessed valuation of property that was subject to tax in the prior  
25 year.

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

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

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

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

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

39 D. Except as provided in subsections E and G of this section, the  
40 qualifying tax rate for a high school district or a common school district  
41 within a high school district that does not offer instruction in high  
42 school subjects, the qualifying tax rate for a unified school district, a  
43 common school district not within a high school district or a common  
44 school district within a high school district that offers instruction in  
45 high school subjects and the state equalization assistance property tax

1 rate for the following fiscal year shall be the rate determined by the  
2 joint legislative budget committee pursuant to subsection C of this  
3 section. The committee shall transmit the rates to the superintendent of  
4 public instruction and the county boards of supervisors by March 15 OF  
5 each year.

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

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

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

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

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

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

25 Truth in Taxation Hearing  
26 Notice of Tax Increase

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

31 The proposed tax increase will cause the taxes on a  
32 \$100,000 home to be \$(total proposed taxes including the tax  
33 increase). Without the proposed tax increase, the total taxes  
34 that would be owed on a \$100,000 home would have been  
35 \$\_\_\_\_\_.

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

39 (e) For THE purposes of computing the tax increase on a \$100,000  
40 home as required by the notice, the joint meeting of the house of  
41 representatives ways and means committee and the senate finance committee,  
42 or their successor committees, shall consider the difference between the  
43 truth in taxation rate and the proposed increased rate.

1           2. The joint meeting of the house of representatives ways and means  
2 committee and the senate finance committee, or their successor committees,  
3 shall consider any motion to recommend the proposed tax rates to the full  
4 legislature by roll call vote.

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

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

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

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

38           J. THE STATE EQUALIZATION ASSISTANCE PROPERTY TAX RATE:

- 39           1. IN TAX YEAR 2022 IS \$0.4128.
- 40           2. IN TAX YEAR 2023 IS \$0.4009.
- 41           3. IN TAX YEAR 2024 IS \$0.3909.
- 42           4. IN TAX YEAR 2025 IS \$0.3824.
- 43           5. IN TAX YEAR 2026 IS \$0.3295.
- 44           6. IN TAX YEAR 2027 IS \$0.2871.

1           Sec. 2. Section 42-15001, Arizona Revised Statutes, is amended to  
2 read:

3           42-15001. Assessed valuation of class one property

4           The assessed valuation of class one property described in section  
5 42-12001 is the following percentage of its full cash value or limited  
6 valuation, as applicable:

- 7           1. Twenty-five percent through December 31, 2005.
- 8           2. Twenty-four and one-half percent beginning from and after  
9 December 31, 2005 through December 31, 2006.
- 10           3. Twenty-four percent beginning from and after December 31, 2006  
11 through December 31, 2007.
- 12           4. Twenty-three percent beginning from and after December 31, 2007  
13 through December 31, 2008.
- 14           5. Twenty-two percent beginning from and after December 31, 2008  
15 through December 31, 2009.
- 16           6. Twenty-one percent beginning from and after December 31, 2009  
17 through December 31, 2010.
- 18           7. Twenty percent beginning from and after December 31, 2010  
19 through December 31, 2012.
- 20           8. Nineteen and one-half percent beginning from and after December  
21 31, 2012 through December 31, 2013.
- 22           9. Nineteen percent beginning from and after December 31, 2013  
23 through December 31, 2014.
- 24           10. Eighteen and one-half percent beginning from and after December  
25 31, 2014 through December 31, 2015.
- 26           11. Eighteen percent beginning from and after December 31, 2015  
27 through December 31, 2021.
- 28           12. Seventeen and one-half percent beginning from and after  
29 December 31, 2021 through December 31, 2022.
- 30           13. Seventeen percent beginning from and after December 31, 2022  
31 through December 31, 2023.
- 32           14. Sixteen and one-half percent beginning from and after December  
33 31, 2023 through December 31, 2024.
- 34           15. Sixteen percent beginning from and after December 31, 2024  
35 THROUGH DECEMBER 31, 2025.
- 36           16. FIFTEEN AND ONE-HALF PERCENT BEGINNING FROM AND AFTER DECEMBER  
37 31, 2025 THROUGH DECEMBER 31, 2026.
- 38           17. FIFTEEN PERCENT BEGINNING FROM AND AFTER DECEMBER 31, 2026.

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

41           48-807. County fire district assistance tax; annual budget;  
42 override; monthly financial reports

43           A. The board of supervisors of a county shall levy, at the time of  
44 levying other property taxes, a county fire district assistance tax on the  
45 taxable property in the county of not more than \$.10 per \$100 of assessed

1 valuation. The tax levy provided for in this subsection shall be a levy  
2 of secondary property taxes and shall not be subject to title 42, chapter  
3 17, article 2. The county treasurer shall pay to each fire district,  
4 including a fire district formed pursuant to section 48-851, in the county  
5 from the proceeds of the tax an amount equal to twenty percent of the  
6 property tax levy adopted by the district for the fiscal year in which the  
7 tax will be levied, except that:

8 1. The amount of assistance from the county to a fire district  
9 shall be reduced as follows:

10 (a) Through the fiscal year that ends June 30, 2012, by the dollar  
11 amount that the fire district receives from the fire district assistance  
12 tax that exceeds \$300,000 from and after June 30 of each fiscal year.

13 (b) Beginning with the fiscal year that starts July 1, 2012, by the  
14 dollar amount that the fire district receives from the fire district  
15 assistance tax that exceeds \$400,000 from and after June 30 of each fiscal  
16 year, without regard to whether the district is located in more than one  
17 county.

18 (c) Except as provided in paragraph 2 of this subsection, if the  
19 total amount to be paid to all districts in the county under this  
20 paragraph exceeds the amount to be raised by the levy of \$.10 per \$100  
21 assessed valuation, then the county treasurer shall pay an amount less  
22 than twenty percent of the property tax levy of each district. The amount  
23 to be paid by the county treasurer to each district shall be determined by  
24 multiplying the proceeds of the county fire district assistance tax  
25 against the proportion that twenty percent of the property tax levy of  
26 each district bears to the total of twenty percent of the property tax  
27 levies of all fire districts in the county.

28 2. For fiscal years beginning from and after July 1, 1992, the  
29 amount of assistance from the county to a fire district shall not be less  
30 than the assistance provided from and after June 30, 1991 through June 30,  
31 1992, if, for the fiscal year in which the tax will be levied, the  
32 district levies a tax, in addition to any tax levied under section 48-806,  
33 of \$3 per \$100 of assessed valuation and the assessed valuation is at  
34 least ninety percent of the assessed valuation for the 1991 tax year.  
35 This paragraph does not apply to fire districts subject to paragraph 1,  
36 subdivision (a) or (b) of this subsection.

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

42 C. Beginning with the fiscal year that starts July 1, 2016, a  
43 consolidated district shall not receive more than the maximum allowable  
44 amount in fire district assistance tax monies as prescribed in subsection

1 D of this section, without regard to whether the consolidated district is  
2 located in more than one county.

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

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

23 F. The board, based on the budget submitted by the district, shall  
24 levy, in addition to any tax levied as provided in section 48-806, a tax  
25 not to exceed \$3.25 per \$100 of assessed valuation through tax year 2021,  
26 \$3.375 per \$100 of assessed valuation for tax year 2022, ~~and~~ \$3.50 per  
27 \$100 of assessed valuation for tax year 2023 **AND \$3.75 PER \$100 OF**  
28 **ASSESSED VALUATION FOR TAX YEAR 2024** and each tax year thereafter, or the  
29 amount of the levy in the preceding tax year multiplied by 1.08, whichever  
30 levy is less, and minus any amounts required to reduce the levy pursuant  
31 to subsection I of this section, against all property situated within the  
32 district boundaries and appearing on the last assessment roll. The levy  
33 shall be made and the taxes collected in the manner, at the time and by  
34 the officers provided by law for the collection of general county taxes.

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

39 1. The electors may authorize a permanent override allowing annual  
40 levies without reference to the levy in the preceding tax year, but  
41 remaining subject to the tax rate limit of \$3.25 per \$100 of assessed  
42 valuation through tax year 2021, \$3.375 per \$100 of assessed valuation for  
43 tax year 2022, ~~and~~ \$3.50 per \$100 of assessed valuation for tax year 2023  
44 **AND \$3.75 PER \$100 OF ASSESSED VALUATION FOR TAX YEAR 2024** and each tax  
45 year thereafter. An election for the purposes of this paragraph must be

1 held at a regularly scheduled general election held on the first Tuesday  
2 following the first Monday in November as prescribed by section 16-204,  
3 subsection F.

4 2. If the net assessed valuation of all property in the district  
5 declines by a combined total of twenty percent or more over two  
6 consecutive valuation years, the electors voting at the next regularly  
7 scheduled general election held on the first Tuesday following the first  
8 Monday in November as prescribed by section 16-204, subsection F may  
9 authorize an override for five consecutive tax years allowing annual  
10 levies that are exempt from the tax rate limit of \$3.25 through tax year  
11 2021, \$3.375 for tax year 2022, ~~and~~ \$3.50 for tax year 2023 **AND \$3.75 FOR**  
12 **TAX YEAR 2024** and each tax year thereafter, but subject to an annual levy  
13 limit of the amount of the levy in the preceding tax year multiplied by  
14 1.05. After the fifth tax year, the district is again subject to the  
15 limits prescribed by subsection F of this section, computed by multiplying  
16 the levy beginning in the year preceding the override by 1.08 for each  
17 year through the current tax year.

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

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

22 2. If the voters approve the levy:

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

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

29 I. If the district annexes additional territory, the limit under  
30 subsection F of this section shall be adjusted by applying the district's  
31 tax rate to the assessed valuation of the annexed property in the  
32 preceding tax year. If districts are merged or consolidated under this  
33 chapter, the limitation under this subsection in the first year after the  
34 districts are merged or consolidated is the total of the levies of the  
35 merged or consolidated districts in the preceding tax year multiplied by  
36 1.08 or the amount of the levies allowed by the maximum rate prescribed by  
37 subsection F of this section, whichever is less.

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

43 K. The levy limit under this section is considered to be increased  
44 each year to the maximum limit permissible under subsection F of this



1 section regardless of whether the district actually levies taxes up to the  
2 maximum permissible amount in that year.

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

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

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

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

29 P. A fire district shall produce monthly financial reports to  
30 include a register of checks, substitute checks, warrants and deposits, a  
31 record of electronic funds transfers, a statement of financial activities  
32 and a statement of net assets for each calendar month. A fire district  
33 shall produce a cash flow projection report for each fiscal year. The  
34 cash flow projection report shall be updated monthly with the actual  
35 revenues and expenditures from the preceding month. Each month, the fire  
36 district board shall review the financial reports, the updated cash flow  
37 projections report and all month-end fund statements and reports of the  
38 preceding month to include those reports provided by the county treasurer  
39 and each of the financial institutions in which the district maintains an  
40 account, except that for a fire district that is governed by a  
41 three-member board, the board may review the reports and statements  
42 prescribed by this subsection every two months. Any financial report or  
43 cash flow projection report that would indicate that the district is  
44 likely to violate section 48-805.02, subsection D, paragraph 1 or that  
45 would indicate an adverse impact on the ongoing operations or liquidity of

1 the district shall be reported by the fire district board chairman in  
2 writing and delivered by certified mail to the county treasurer and the  
3 county board of supervisors within ten days after the discovery.

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

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

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

S.B. 1093

APPROVED BY THE GOVERNOR APRIL 22, 2022.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 22, 2022.