SB 1095

Introduced by
Senators Mesnard: Leach

AN ACT

AMENDING SECTIONS 15-972, 42-11111, 42-11127, 42-11152 AND 42-15053, ARIZONA REVISED STATUTES; RELATING TO PROPERTY TAX EXEMPTIONS.

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

Section 1. Section 15-972, Arizona Revised Statutes, is amended to read:

15-972. State limitation on homeowner property taxes; additional state aid to school districts; definitions

A. Notwithstanding section 15-971, there shall be additional state aid for education computed for school districts as provided in subsection B of this section.

B. The clerk of the board of supervisors shall compute such additional state aid for education as follows:

1. For a high school district or for a common school district within a high school district that does not offer instruction in high school subjects as provided in section 15-447:
   (a) Determine the qualifying tax rate pursuant to section 41-1276 for the school district.
   (b) Determine the following percentage of the qualifying tax rate determined in subdivision (a) of this paragraph:
      (i) 47.19 percent through December 31, 2021.
      (ii) Fifty percent beginning from and after December 31, 2021.
   (c) Select the lesser of the amount determined in subdivision (b) of this paragraph or fifty percent of the primary property tax rate that would be levied in lieu of this section for the district.
   (d) Multiply the rate selected in subdivision (c) of this paragraph as a rate per $100 assessed valuation by the assessed valuation used for primary property taxes of the residential property in the school district.

2. For a unified school district, for a common school district not within a high school district or for a common school district that offers instruction in high school subjects as provided in section 15-447:
   (a) Determine the qualifying tax rate pursuant to section 41-1276 for the school district.
   (b) Determine the following percentage of the qualifying tax rate determined in subdivision (a) of this paragraph:
      (i) 47.19 percent through December 31, 2021.
      (ii) Fifty percent beginning from and after December 31, 2021.
   (c) Select the lesser of the amount determined in subdivision (b) of this paragraph or fifty percent of the primary property tax rate that would be levied in lieu of this section for the district.
   (d) Multiply the rate selected in subdivision (c) of this paragraph as a rate per $100 assessed valuation by the assessed valuation used for primary property taxes of the residential property in the district.

C. The clerk of the board of supervisors shall report to the department of revenue not later than the Friday following the third Monday in August of each year the amount by school district of additional state aid for education and the data used for computing the amount as provided
in subsection B of this section. The department of revenue shall verify
all of the amounts and report to the county board of supervisors not later
than August 30 of each year the property tax rate or rates that shall be
used for property tax reduction as provided in subsection E of this
section.

D. The board of supervisors shall reduce the property tax rate or
rates that would be levied in lieu of this section by the school district
or districts on the assessed valuation used for primary property taxes of
the residential property in the school district or districts by the rate
or rates selected in subsection B, paragraph 1, subdivision (c) and
paragraph 2, subdivision (c) of this section. The excess of the reduction
in property taxes for a parcel of property resulting from the reduction in
the property tax rate pursuant to this subsection over the amounts listed
in this subsection shall be deducted from the amount of additional state
aid for education. The reduction in property taxes on a parcel of property
resulting from the reduction in the property tax rate pursuant to this
subsection shall not exceed $600, except as provided in subsection I of
this section.

E. Before levying taxes for school purposes, the board of
supervisors shall determine whether the total primary property taxes to be
levied for all taxing jurisdictions on each parcel of residential
property, in lieu of this subsection, violate article IX, section 18,
Constitution of Arizona. For those properties that qualify for property
tax exemptions pursuant to article IX, sections SECTION 2, 2.1 and 2.2,
Constitution of Arizona, eligibility for the credit is determined on the
basis of the limited property value that corresponds to the taxable
assessed value after reduction for the applicable exemption. If the board
of supervisors determines that such a situation exists, the board shall
apply a credit against the primary property taxes due from each such
parcel in the amount in excess of article IX, section 18, Constitution of
Arizona. Such excess amounts shall also be additional state aid for
education for the school district or districts in which the parcel of
property is located.

F. The clerk of the board of supervisors shall report to the
department of revenue not later than September 5 of each year the amount
by school district of additional state aid for education and the data used
for computing the amount as provided in subsection B of this section. The
department of revenue shall verify all of the amounts and report to the
board of supervisors not later than September 10 of each year the property
tax rate that shall be used for property tax reduction as provided in
subsection E of this section.

G. The clerk of the board of supervisors shall report to the
department of revenue not later than September 30 of each year in writing
the following:
1. The data processing specifications used in the calculations provided for in subsections B and E of this section.

2. At a minimum, copies of two actual tax bills for residential property for each distinct tax area.

H. The department of revenue shall report to the state board of education not later than October 12 of each year the amount by school district of additional state aid for education as provided in this section. The additional state aid for education provided in this section shall be apportioned as provided in section 15-973.

I. If a parcel of property is owned by a cooperative apartment corporation or is owned by the tenants of a cooperative apartment corporation as tenants in common, the reduction in the property taxes prescribed in subsection D of this section shall not exceed the amounts listed in subsection D of this section for each owner-occupied housing unit on the property. The assessed value used for determining the reduction in taxes for the property is equal to the total assessed value of the property times the ratio of the number of owner-occupied housing units to the total number of housing units on the property. For the purposes of this subsection, "cooperative apartment corporation" means a corporation:

1. Having only one class of outstanding stock.

2. Of which all of the stockholders are entitled, solely by reason of their ownership of stock in the corporation, to occupy for dwelling purposes apartments in a building owned or leased by the corporation and that are not entitled, either conditionally or unconditionally, except on a complete or partial liquidation of the corporation, to receive any distribution not out of earnings and profits of the corporation.

3. Of which eighty percent or more of the gross income is derived from tenant-stockholders. For the purposes of this paragraph, "gross income" means gross income as defined by the United States internal revenue code, as defined in section 43-105.

J. The total amount of state monies that may be spent in any fiscal year for state aid for education in this section shall not exceed the amount appropriated or authorized by section 35-173 for that purpose. This section does not impose a duty on an officer, agent or employee of this state to discharge a responsibility or create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the expenditure authorized by legislative appropriation for that specific purpose.

K. Notwithstanding subsection E of this section, the maximum amount of additional state aid for education that will be funded by this state pursuant to subsection E of this section shall be $1,000,000 per county. For any county with a school district or districts that collectively would otherwise receive more than $1,000,000 in additional state aid for education pursuant to subsection E of this section, the property tax
oversight commission established by section 42-17002 shall determine the
proportion of the violation of article IX, section 18, Constitution of
Arizona, that is attributable to each taxing jurisdiction within the
affected school district or districts. Based on those proportions, the
property tax oversight commission shall determine an amount that each
taxing jurisdiction within the affected school district or districts shall
transfer to the affected school district or districts during the fiscal
year in order to compensate the affected school district or districts for
its pro rata share of the reduction in additional state aid for education
funding required by this subsection. In determining the proportion of the
violation of article IX, section 18, Constitution of Arizona, that is
attributable to each taxing jurisdiction within the affected school
district or districts, the property tax oversight commission shall assume
a proportion of zero for any taxing jurisdiction that has a tax rate for
the fiscal year that is equal to or less than the tax rate of peer
jurisdictions, as determined by the property tax oversight commission.

L. For the purposes of this section:
1. "Owner" includes any purchaser under a contract of sale or under
a deed of trust.
2. "Residential property" includes owner-occupied real property and
improvements to the property and owner-occupied mobile homes that are used
as the owner's primary residence and classified as class three property
pursuant to section 42-12003.

Sec. 2. Section 42-11111, Arizona Revised Statutes, is amended to
read:

42-11111. Exemption for property; widows and widowers; persons
with a total and permanent disability; veterans

A. The property of widows AND widowers, AND OF persons with TOTAL
AND PERMANENT disabilities AND OF VETERANS WITH SERVICE OR NONSERVICE
CONNECTED DISABILITIES who are residents of this state is exempt from
taxation to the extent allowed AS PROVIDED by article IX, sections SECTION
2, 2.1, 2.2 and 2.3. Constitution of Arizona, and subject to the
conditions and LIMITATIONS prescribed by this section.

B. Pursuant to article IX, section 2., 2. SUBSECTION F,
Constitution of Arizona, the exemptions from taxation under this section
are allowed in the amount of:
1. THREE THOUSAND DOLLARS $4,117 if the person's total assessment
does not exceed twenty thousand dollars $27,970. For a veteran with a
SERVICE OR NONSERVICE CONNECTED DISABILITY, THE $4,117 LIMIT UNDER THIS
PARAGRAPH IS FURTHER LIMITED BY MULTIPLYING THE TOTAL EXEMPTION AMOUNT BY
THE PERCENTAGE OF THE VETERAN’S DISABILITY, AS RATED BY THE UNITED STATES
DEPARTMENT OF VETERANS AFFAIRS.
2. No exemption if the person's total assessment exceeds **twenty thousand dollars** $27,970.

C. On or before December 31 of each year, the department shall increase the following amounts based on the average annual percentage increase, if any, in the GDP price deflator in the two most recent complete state fiscal years:

1. The total allowable exemption amount and the total assessment limitation amount under subsection B of this section.

2. The total income limitation amounts under subsection E, paragraphs 1 and 2 of this section.

For the purposes of this subsection, "GDP price deflator" means the average of the four implicit price deflators for the gross domestic product reported by the United States department of commerce or its successor for the four quarters of the state fiscal year.

D. For the purpose of determining the amount of the allowable exemption pursuant to subsection B of this section, the person's total assessment shall not include the value of any vehicle that is taxed under title 28, chapter 16, article 3.

E. Pursuant to article IX, section 2.3, SUBSECTION F, Constitution of Arizona, to qualify for this exemption, the total income from all sources of the claimant and the claimant's spouse and the income from all sources of all of the claimant's children who resided with the claimant in the claimant's residence in the year immediately preceding the year for which the claimant applies for the exemption shall not exceed:

1. **Twenty-five thousand dollars** $34,301 if none of the claimant's children under eighteen years of age resided with the claimant in the claimant's residence.

2. **Thirty thousand dollars** $41,151 if one or more of the claimant's children residing with the claimant in the claimant's residence were either:
   (a) WERE under eighteen years of age.
   (b) **Totally and permanently, HAD A TOTAL AND PERMANENT** physical or mental disabilities, as certified by competent medical authority as provided by law.

F. For the purposes of subsection E of this section, "income from all sources" means the sum of the following, but excluding the items listed in subsection G of this section:

1. Adjusted gross income as defined by the department.
2. The amount of capital gains excluded from adjusted gross income.
3. Nontaxable strike benefits.
4. Nontaxable interest that is received from the federal government or any of its instrumentalities.
5. Payments that are received from a retirement program and paid by:
   (a) This state or any of its political subdivisions.
   (b) The United States through any of its agencies, instrumentalities or programs, except as provided in subsection G of this section.

6. The gross amount of any pension or annuity that is not otherwise exempted.

G. Notwithstanding subsection F of this section, “income from all sources” does not include monies received from:
   1. Cash public assistance and relief.
   2. Railroad retirement benefits.
   3. Payments under the federal social security act (49 Stat. 620).
   4. Payments under the unemployment insurance laws of this state.
   5. Payments from veterans disability pensions.
   6. Workers' compensation payments.
   8. Gifts from nongovernmental sources, surplus foods or other relief in kind supplied by a governmental agency.

H. A widow, OR widower, OR a person with a TOTAL AND PERMANENT disability OR A VETERAN WITH A DISABILITY shall initially establish eligibility for exemption under this section by filing an affidavit with the county assessor under section 42-11152. Thereafter, the person is not required to file an affidavit under section 42-11152, but the person or the person's representative shall annually calculate income from the preceding year to ensure that the person still qualifies for the exemption and shall notify the county assessor in writing of any event that disqualifies the widow, widower or person with a disability PERSON from further exemption. Regardless of whether the person or representative notifies the assessor as required by this subsection, the property is subject to tax as provided by law from the date of disqualification, including interest, penalties and proceedings for tax delinquencies. Disqualifying events include:
   1. The person's death.
   2. The remarriage of a widow or widower.
   3. The person's income from all sources exceeding the limits prescribed by subsection E of this section.
   4. The conveyance of title to the property to another owner.

I. Any dollar amount of exemption that is unused in a tax year against the limited property value of property and improvements owned by the individual may be applied for the tax year against the value of personal property subject to special property taxes, including the taxes collected pursuant to title 5, chapter 3, article 3 and title 28, chapter 16, article 3.
J. An individual is not entitled to property tax exemptions in the aggregate that exceed the maximum allowed to a widow, OR widower, OR A person with a TOTAL AND PERMANENT disability OR A VETERAN WITH A DISABILITY even if the person INDIVIDUAL is eligible for an exemption in more than one category.

K. FOR THE PURPOSES OF THIS SECTION:
2. "VETERAN" MEANS AN INDIVIDUAL WHO HAS SERVED IN, AND BEEN DISCHARGED, SEPARATED OR RELEASED UNDER HONORABLE CONDITIONS FROM, ACTIVE OR INACTIVE SERVICE IN THE UNIFORMED SERVICES OF THE UNITED STATES, INCLUDING:
   (a) ALL REGULAR, RESERVE AND NATIONAL GUARD COMPONENTS OF THE UNITED STATES ARMY, NAVY, AIR FORCE, MARINE CORPS AND COAST GUARD.
   (b) THE COMMISSIONED CORPS OF THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION.
   (c) THE COMMISSIONED CORPS OF THE UNITED STATES PUBLIC HEALTH SERVICE.
   (d) A NURSE IN THE SERVICE OF THE AMERICAN RED CROSS OR IN THE ARMY AND NAVY NURSE CORPS.
   (e) ANY OTHER CIVILIAN SERVICE THAT IS AUTHORIZED BY FEDERAL LAW TO BE CONSIDERED ACTIVE MILITARY DUTY FOR THE PURPOSE OF LAWS ADMINISTERED BY THE UNITED STATES SECRETARY OF VETERANS AFFAIRS.

Sec. 3. Section 42-11127, Arizona Revised Statutes, is amended to read:

42-11127. Exempt personal property
A. Pursuant to article IX, section 2, subsection (6) F, Constitution of Arizona, personal property that is class two property pursuant to section 42-12002, paragraph 2, subdivision (a) or (b) AND that is used for agricultural purposes or personal property that is class one property pursuant to section 42-12001 AND that is used in a trade or business as described in section 42-12001, paragraphs 8 through 11 or 13 is exempt from taxation up to a maximum amount of $195,878 of full cash value for each taxpayer.
B. On or before December 31 of each year, the department shall increase the maximum amount of the exemption for the following tax year based on the percentage increase, if any, in the employment cost index for total compensation for private industry workers in the two most recent complete state fiscal years. For the purposes of this subsection, "employment cost index" means the average of the employment cost indices reported by the bureau of labor statistics of the United States department of labor or its successor for the eight quarters of the two most recent state fiscal years.
Sec. 4. Section 42-11152, Arizona Revised Statutes, is amended to read:

42-11152. Affidavit; false statements

A. Except as provided in sections 42-11104, 42-11109, 42-11110, 42-11111 and 42-11131 and except for property described in sections 42-11125, 42-11127, 42-11132 and 42-11132.01, a person who claims exemption from taxation under article IX, section 2, 2.1 or 2.2, Constitution of Arizona, shall:

1. When initially claiming the exemption, appear before the county assessor to make an affidavit as to the person's eligibility. If a personal appearance before the county assessor would create a severe hardship, the county assessor may arrange a mutually satisfactory meeting place to make an affidavit as to the person's eligibility.

2. When claiming the exemption in subsequent years, appear before the county assessor or a notary public to make an affidavit as to the person's eligibility.

3. Fully answer all questions on the eligibility form or otherwise required by the assessor for that purpose.

B. At the assessor's discretion, the assessor may require additional proof of the facts stated by the person before allowing an exemption.

C. A person who is in the United States military service and who is absent from this state or who is confined in a veterans' hospital or another licensed hospital may make the required affidavit in the presence of any officer who is authorized to administer oaths on a form obtained from the county assessor.

D. A false statement that is made or sworn to in the affidavit is perjury.

Sec. 5. Section 42-15053, Arizona Revised Statutes, is amended to read:

42-15053. Duty to report personal property; exemption; contents of report; confidentiality

A. On or before February 1 of each year, the assessor shall mail a form, notice or demand to each person that owns or has charge or control of taxable personal property in this state. Each person shall prepare and deliver to the assessor a correct report of property on or before April 1 of each year. On written request and for good cause shown, the assessor may extend for up to thirty days the time for filing the report.

B. Property that is not required to be reported as provided by subsection D of this section is exempt from the reporting requirement of subsection A of this section. The county assessor may not require a person that owns or has charge or control of property that is not required to be reported as provided by subsection D of this section to apply to be exempt from the reporting requirement of subsection A of this section.
C. The duty to report taxable property pursuant to this section applies regardless of whether the person or entity that owns or has charge or control of the personal property also owns real property in the county with a value of $200 or more.

D. The assessor shall not require a report of:

1. The breed, number, age or location of livestock on hand from individuals, corporations, partnerships or any other business if the livestock is exempt from taxation pursuant to article IX, section 13, Constitution of Arizona.

2. The personal property that is class two (P) property pursuant to section 42-12002, paragraph 2 and that is used for agricultural purposes or that is class one, subclasses 8 through 11 and 13 property pursuant to section 42-12001 and that is used in a trade or business that is exempt from taxation pursuant to article IX, section 2, subsection D, Constitution of Arizona.

E. Every assessment made against property that is subject to taxation is valid whether or not the form, notice or demand was sent or received.

F. The department shall prescribe in detail the contents of property reports including the specific wording to be used by county assessors and the method of reporting property. The report shall not include any question that is not germane to the valuation function.

G. A report that is furnished under this section:

1. Is not open to public inspection, but the report may be used as evidence in any prosecution brought under section 42-15055.

2. May be subject to audit. On completing an audit or on discovering property that has not been reported, any property that was found to have escaped taxation is liable for the amount of taxes due determined under chapter 16, article 6 of this title, plus a penalty equal to ten percent of that amount. The county treasurer shall credit monies received as penalties under this paragraph to the county general fund.

Sec. 6. Conditional enactment

This act does not become effective unless the Constitution of Arizona is amended by vote of the people at the next general election to consolidate and reorganize provisions relating to property tax exemptions.