

Fiscal Note

BILL # HB 2320

TITLE: veterans' organization; leased property; classification

SPONSOR: Kavanagh

STATUS: As Enacted

PREPARED BY: Lydia Chew

Description

Under current statute, property that is owned by a veterans' organization and that qualifies as a charitable organization under federal law is exempt from property tax. HB 2320 would make the following changes to current law: (1) extend the existing exemption to property that is owned by a veterans' organization and then leased to another veteran's organization and (2) classify property leased to veterans' organizations as Class 9 property. The assessment ratio under Class 9 is 1% of the property's full cash value.

Estimated Impact

The JLBC Staff has not been able to obtain data that would allow us to determine the fiscal impact of HB 2320. However, according to the Maricopa County Assessor's Office, the bill is expected to have a minimal impact on the tax base. Based on this information, we anticipate that the General Fund impact of the bill would be minimal as well.

Analysis

According to the Maricopa County Assessor's Office, property leased to veterans' organizations is most commonly classified as Class 1 (commercial) property, which currently has an assessment ratio of 17.5%. Under HB 2320, property leased to veterans' organizations would be classified as Class 9 property, which has an assessment ratio of 1%. This would reduce net assessed valuation (NAV), which would increase the state's statutory K-12 formula costs. However, since the bill is expected to result in a minimal NAV loss, we anticipate that the General Fund cost will be minimal as well.

Local Government Impact

For the reasons outlined above, we also expect that the impact on local governments will be minimal.

5/31/22

