



ARIZONA HOUSE OF REPRESENTATIVES

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Second Regular Session

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**SCR1049: educational opportunities; children; support
NOW: fire districts; funding; TPT increment
Sponsor: Senator Boyer, LD 20
Committee on Land, Agriculture & Rural Affairs**

Overview

Establishes the Fire District Safety Fund (FDSF) and applies an additional transaction privilege tax and use tax increment of 0.1% for 20 years beginning on January 1, 2023 for deposit into this fund. Outlines how fund monies will be utilized and transferred to fire districts.

History

Funding Fire Districts

Fire districts are special districts funded through the following secondary property tax levies:

- *Local rate*—A county board of supervisors levies a tax on all property within the district's boundaries based on the district's budget. The levy cannot exceed the lesser of:
 - Per \$100 of assessed valuation, \$3.375 for tax year 2022 and \$3.50 for tax year 2023 and each tax year thereafter; or
 - 8% increase in the preceding tax year's levy ([A.R.S. § 48-807](#)).
- *FDAT*—A county board of supervisors also levies a fire district assistance tax (FDAT) on all taxable property within a county, which is capped at \$0.10 per \$100 of assessed valuation. The amount of FDAT proceeds each fire district receives is generally limited to 20% of the district's property tax levy. However, this amount is further reduced by the dollar amount the district receives above \$400,000 ([A.R.S. § 48-807](#)).
- *Bonds*—Fire districts can issue bonds which are payable from an additional property tax levy, subject to voter approval ([A.R.S. § 48-806](#)).

A fire district can also override its levy subject to voter approval by seeking either:

- A permanent override in its levy. However, this override cannot exceed \$3.375 for tax year 2022 and \$3.50 for tax year 2023 and each tax year thereafter per \$100 of assessed valuation.
- A temporary five-year override of the statutorily-specified caps subject to a 5% annual growth limit when the total net assessed valuation of property within the district declines by a combined 20% or more over two consecutive years ([A.R.S. § 48-807\(G\)](#)).

There are 144 fire districts in Arizona. Of those, 60 districts have reached the limits of their local rates, including five districts with temporary overrides to exceed the current statutory cap. Additionally, seven counties levy FDAT at the maximum prescribed rate.

Transaction Privilege Tax and Use Tax

The transaction privilege tax is a tax levied on a vendor for the privilege of doing business in Arizona. Businesses ranging from retailers to restaurants are subject to this tax. The statewide rate for this tax is set at 5% with an additional 0.6% for education through July 1, 2041 ([A.R.S. §§ 42-5005](#), [42-5010](#) and [42-5010.01](#)).

A use tax is assessed on taxable products that are purchased from out-of-state locations (including merchandise purchased from an online source) and therefore not subject to the transaction privilege tax. This tax is assessed at the same rate as the transaction privilege tax ([A.R.S. § 42-5155](#)).

Provisions

Transaction Privilege Tax and Use Tax (Sec. 1 and 2)

1. Effective January 1, 2023, adds an additional 0.1% tax rate increment from the transaction privilege tax and the use tax for the ensuing 20 years.
2. Directs the Department of Revenue to separately account for and deposit revenue from this tax rate increment into the FDSF.

Fire District Safety Fund (Sec. 3)

3. Establishes the FDSF, which consists of revenue gained from the proposed 0.1% tax increment, private donations and interest.
4. Declares that fund monies are continuously appropriated and exempt from lapsing.
5. Directs the State Treasurer to administer the fund.
6. Prohibits transferring fund monies to any other fund except as otherwise authorized.
7. Requires fund monies first be spent on:
 - a) The State Treasurer's costs for fund administration;
 - b) The Department of Revenue's costs for imposing and collecting the additional tax rate increment; and
 - c) All other mandatory state expenditures required to implement the additional tax rate increment.
8. Allows the State Treasurer to prescribe appropriate transfer forms to administer the fund.
9. Requires the State Treasurer to transfer monies not used for fund administration to:
 - a) Initially distribute each month to fire districts related to the district's equalized property valuation, provided no more than 3% of all monies transferred may go to a single district;
 - b) Secondly distribute to fire districts that received less than 3% of fund monies from the initial distribution provided no more than 3% of all monies transferred may go to a single district; and
 - c) Finally distribute all remaining monies equally among all fire districts.
10. Requires fund monies transferred to a fire district that:
 - a) Does not participate in a joint powers authority be deposited in that district's general fund; and
 - b) Participates in a joint powers authority be deposited into that district's joint powers authority general fund.
11. Authorizes fund monies transferred to fire district to be:
 - a) Deposited in the district's relevant governmental funds; and
 - b) Spent by that fire district to carry out its duties.

Standing and Defense (Sec. 4)

12. Requires the State to defend this act if it is approved by the voters and then challenged in court.

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
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13. Authorizes any Arizona resident to have standing to initiate or intervene in any action or proceeding to enforce or defend this act if the attorney general fails to defend or enforce it or fails to appeal an adverse judgment against it.

Miscellaneous

14. Directs the Secretary of State to submit the proposition to the voters at the next general election. (Sec. 7)

15. Defines *fire district* and *fees and expenses*. (Sec. 3 and 4)

16. Contains a legislative intent clause and a severability clause. (Sec. 5 and 6)

17. Makes technical and conforming changes. (Sec. 2)