

House Engrossed

property tax; exemption; veterans

State of Arizona  
House of Representatives  
Fifty-seventh Legislature  
Second Regular Session  
2026

## **CHAPTER 2**

# **HOUSE BILL 2792**

AN ACT

AMENDING SECTION 42-11111, ARIZONA REVISED STATUTES; RELATING TO PROPERTY  
TAX EXEMPTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-11111, Arizona Revised Statutes, is amended  
3 to read:

4 42-11111. Exemption for property; widows and widowers; persons  
5 with a total and permanent disability; veterans  
6 with a disability; definitions

7 A. The property of widows and widowers, of persons with total and  
8 permanent disabilities and of veterans with service or nonservice  
9 connected disabilities who are residents of this state is exempt from  
10 taxation as provided by article IX, section 2, Constitution of Arizona,  
11 and subject to the conditions and limits prescribed by this section.

12 B. Pursuant to article IX, section 2, subsection F, Constitution of  
13 Arizona, the exemptions from taxation under this section are allowed as  
14 provided in subsections C, D and E of this section.

15 C. The ~~property~~ PRIMARY RESIDENCE of a veteran with a  
16 service-connected disability whose disability rating by the United States  
17 department of veterans affairs is one hundred percent is fully exempt from  
18 taxation. The surviving spouse of a veteran whose ~~property~~ PRIMARY  
19 RESIDENCE is ~~eligible for RECEIVING~~ the exemption under this subsection  
20 may continue to claim the full exemption FOR THE SURVIVING SPOUSE'S  
21 PRIMARY RESIDENCE as long as the surviving spouse ~~uses the property as the~~  
22 ~~surviving spouse's primary residence and the surviving spouse~~ does not  
23 remarry. FOR THE PURPOSES OF THIS SUBSECTION, A PRIMARY RESIDENCE THAT IS  
24 OWNED BY A VETERAN WHO IS ELIGIBLE FOR THE EXEMPTION UNDER THIS SUBSECTION  
25 AND THE VETERAN'S SPOUSE SHALL BE TREATED AS IF OWNED SOLELY BY THE  
26 VETERAN.

27 D. The property of a veteran with a nonservice-connected disability  
28 whose disability rating by the United States department of veterans  
29 affairs is one hundred percent or less or with a service-connected  
30 disability whose disability rating by the United States department of  
31 veterans affairs is less than one hundred percent is exempt in the amount  
32 of \$4,188. The limit under this subsection is further limited by  
33 multiplying the total exemption amount by the percentage of the veteran's  
34 disability, as rated by the United States department of veterans affairs.

35 E. The property of a widow or widower or a person with a total and  
36 permanent disability is exempt in the amount of:

37 1. \$4,188 if the person's total assessment does not exceed the  
38 amount provided in paragraph 2 of this subsection.

39 2. No exemption if the person's total assessment exceeds \$28,459.

40 F. On or before December 31 of each year, the department shall  
41 increase the following amounts:

42 1. The total allowable exemption amount under subsection D and  
43 subsection E, paragraph 1 of this section based on the average annual  
44 percentage increase, if any, in the GDP price deflator in the two most  
45 recent complete state fiscal years.

1           2. Beginning in tax year 2026, the total assessment limit amount  
2 under subsection E, paragraph 2 of this section based on the average  
3 annual percentage increase, if any, in the federal house price index for  
4 the two most recent complete state fiscal years.

5           3. The total income limit amounts under subsection H, paragraphs 1  
6 and 2 of this section based on the average annual percentage increase, if  
7 any, in the GDP price deflator in the two most recent complete state  
8 fiscal years.

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

13           H. Pursuant to article IX, section 2, subsection F, Constitution of  
14 Arizona, to qualify for ~~this~~ AN exemption UNDER THIS SECTION, the total  
15 income from all sources of the claimant and the claimant's spouse and the  
16 income from all sources of all of the claimant's children who resided with  
17 the claimant in the claimant's residence in the year immediately preceding  
18 the year for which the claimant applies for the exemption shall not  
19 exceed:

20           1. \$34,901 if none of the claimant's children under eighteen years  
21 of age resided with the claimant in the claimant's residence.

22           2. \$41,870 if one or more of the claimant's children residing with  
23 the claimant in the claimant's residence either:

24           (a) Were under eighteen years of age.

25           (b) Had a total and permanent physical or mental disability, as  
26 certified by competent medical authority as provided by law.

27           I. For the purposes of subsection H of this section, "income from  
28 all sources" means the sum of the following, excluding the items listed in  
29 subsection J of this section:

30           1. Adjusted gross income as defined by the department.

31           2. The amount of capital gains excluded from adjusted gross income.

32           3. Nontaxable strike benefits.

33           4. Nontaxable interest that is received from the federal government  
34 or any of its instrumentalities.

35           5. Payments that are received from a retirement program and paid  
36 by:

37           (a) This state or any of its political subdivisions.

38           (b) The United States through any of its agencies,  
39 instrumentalities or programs, except as provided in subsection J of this  
40 section.

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

43           J. Notwithstanding subsection I of this section, income from all  
44 sources does not include monies received from:

45           1. Cash public assistance and relief.

- 1           2. Railroad retirement benefits.
- 2           3. Payments under the federal social security act (49 Stat. 620).
- 3           4. Payments under the unemployment insurance laws of this state.
- 4           5. Payments from any veterans pensions.
- 5           6. Workers' compensation payments.
- 6           7. Loss of time insurance.
- 7           8. Gifts from nongovernmental sources, surplus foods or other
- 8 relief in kind supplied by a governmental agency.

9           K. A widow or widower, a person with a total and permanent  
10 disability or a veteran with a disability shall establish eligibility for  
11 exemption under this section by filing an affidavit with the county  
12 assessor under section 42-11152 when initially claiming the exemption.  
13 Each year thereafter, the person or the person's representative shall  
14 annually calculate income from the preceding year to ensure that the  
15 person still qualifies for the exemption and notify the county assessor in  
16 writing of any event that disqualifies the person from further exemption.  
17 Regardless of whether the person or representative notifies the assessor  
18 as required by this subsection, the property is subject to tax as provided  
19 by law from the date of disqualification, including interest, penalties  
20 and proceedings for tax delinquencies. Disqualifying events include:

- 21           1. Except as provided in subsection C of this section, the person's
- 22 death.
- 23           2. The remarriage of a widow or widower.
- 24           3. The person's income from all sources exceeding the limits
- 25 prescribed by subsection H of this section.
- 26           4. The conveyance of title to the property to another owner.

27           L. Any dollar amount of exemption that is unused in a tax year  
28 against the limited property value of property and improvements owned by  
29 the individual may be applied for the tax year against the value of  
30 personal property subject to special property taxes, including the taxes  
31 collected pursuant to title 5, chapter 3, article 3 and title 28, chapter  
32 16, article 3.

33           M. **THE PROPERTY TAX EXEMPTIONS PROVIDED IN SUBSECTIONS C, D AND E**  
34 **OF THIS SECTION ARE EXCLUSIVE FROM EACH OTHER, AND** an individual is not  
35 entitled to property tax exemptions under more than one category as a  
36 widow or widower, a person with a total and permanent disability or a  
37 veteran with a disability even if the individual is eligible for an  
38 exemption in more than one category.

- 39           N. For the purposes of this section:
- 40           1. "Competent medical authority" means any of the following:
    - 41           (a) An individual licensed under title 32, chapter 8, 13, 14, 17,
    - 42 19.1, 25 or 29 or a comparable law of another state.
    - 43           (b) A registered nurse practitioner as defined in section 32-1601.
    - 44           (c) The United States department of veterans affairs, as evidenced
    - 45 by a disability award letter.

1           2. "Federal house price index" means the average measure of  
2 movement of single-family house prices in the United States published by  
3 the federal housing finance agency, or its successor, for this state.

4           3. "GDP price deflator" means the average of the four implicit  
5 price deflators for the gross domestic product reported by the United  
6 States department of commerce or its successor for the four quarters of  
7 the state fiscal year.

8           4. "Person with a total and permanent disability" means a person  
9 who is unable to engage in any substantial gainful activity, for pay or  
10 profit, by reason of any physical or mental impairment that is expected to  
11 last for a continuous period of at least twelve months or result in death  
12 within twelve months as certified by a competent medical authority.

13           5. "Veteran" means an individual who has served in, and been  
14 discharged, separated or released under honorable conditions from, active  
15 or inactive service in the uniformed services of the United States,  
16 including:

17           (a) All regular, reserve and national guard components of the  
18 United States army, navy, air force, marine corps and coast guard.

19           (b) The commissioned corps of the national oceanic and atmospheric  
20 administration.

21           (c) The commissioned corps of the United States public health  
22 service.

23           (d) A nurse in the service of the American red cross or in the army  
24 and navy nurse corps.

25           (e) Any other civilian service that is authorized by federal law to  
26 be considered active military duty for the purpose of laws administered by  
27 the United States secretary of veterans affairs.

28           Sec. 2. Applicability  
29           This act applies to tax years beginning from and after December 31,  
30 2025.

31           Sec. 3. Emergency  
32           This act is an emergency measure that is necessary to preserve the  
33 public peace, health or safety and is operative immediately as provided by  
34 law.

APPROVED BY THE GOVERNOR FEBRUARY 12, 2026.

FILED IN THE OFFICE OF THE SECRETARY OF STATE FEBRUARY 12, 2026.