

House Engrossed

property tax; exemption; combat veterans

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HOUSE BILL 2406

AN ACT

AMENDING SECTIONS 42-11111 AND 42-17151, ARIZONA REVISED STATUTES;
RELATING TO PROPERTY TAX.

(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 ~~in~~
14 ~~the amount of~~ AS PROVIDED IN SUBSECTIONS C AND D OF THIS SECTION.

15 C. THE PROPERTY OF A COMBAT VETERAN WITH A SERVICE CONNECTED
16 DISABILITY THAT IS COMBAT RELATED AND THAT IS RATED AS ONE HUNDRED PERCENT
17 BY THE UNITED STATES DEPARTMENT OF VETERANS AFFAIRS IS FULLY EXEMPT FROM
18 TAXATION.

19 D. THE PROPERTY OF A WIDOW OR WIDOWER, A PERSON WITH A TOTAL AND
20 PERMANENT DISABILITY AND A VETERAN WITH A SERVICE OR NONSERVICE CONNECTED
21 DISABILITY WHO DOES NOT QUALIFY FOR A FULL EXEMPTION UNDER SUBSECTION C OF
22 THIS SECTION IS EXEMPT IN THE AMOUNT OF:

23 1. \$4,188 if the person's total assessment does not exceed \$28,459.
24 For a veteran with a service or nonservice connected disability WHO DOES
25 NOT QUALIFY FOR A FULL EXEMPTION UNDER SUBSECTION C OF THIS SECTION, the
26 \$4,188 limit under this paragraph is further limited by multiplying the
27 total exemption amount by the percentage of the veteran's disability, as
28 rated by the United States department of veterans affairs.

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

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

34 1. The total allowable exemption amount and the total assessment
35 limit amount under subsection ~~B~~ D of this section.

36 2. The total income limit amounts under subsection ~~E~~ G, paragraphs
37 1 and 2 of this section.

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

42 ~~E.~~ G. Pursuant to article IX, section 2, subsection F,
43 Constitution of Arizona, to qualify for ~~this~~ THE exemption UNDER
44 SUBSECTION D OF THIS SECTION, the total income from all sources of the
45 claimant and the claimant's spouse and the income from all sources of all

1 of the claimant's children who resided with the claimant in the claimant's
2 residence in the year immediately preceding the year for which the
3 claimant applies for the exemption shall not exceed:

4 1. \$34,901 if none of the claimant's children under eighteen years
5 of age resided with the claimant in the claimant's residence.

6 2. \$41,870 if one or more of the claimant's children residing with
7 the claimant in the claimant's residence either:

8 (a) Were under eighteen years of age.

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

11 ~~F.~~ H. For the purposes of subsection ~~F~~ G of this section, "income
12 from all sources" means the sum of the following, excluding the items
13 listed in subsection ~~G~~ I of this section:

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

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

16 3. Nontaxable strike benefits.

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

19 5. Payments that are received from a retirement program and paid
20 by:

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

22 (b) The United States through any of its agencies,
23 instrumentalities or programs, except as provided in subsection ~~G~~ I of
24 this section.

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

27 ~~G.~~ I. Notwithstanding subsection ~~F~~ H of this section, income from
28 all sources does not include monies received from:

29 1. Cash public assistance and relief.

30 2. Railroad retirement benefits.

31 3. Payments under the federal social security act (49 Stat. 620).

32 4. Payments under the unemployment insurance laws of this state.

33 5. Payments from veterans disability pensions.

34 6. Workers' compensation payments.

35 7. Loss of time insurance.

36 8. Gifts from nongovernmental sources, surplus foods or other
37 relief in kind supplied by a governmental agency.

38 ~~H.~~ J. A widow or widower, a person with a total and permanent
39 disability or a veteran with a disability shall establish eligibility for
40 exemption under this section by filing an affidavit with the county
41 assessor under section 42-11152 when initially claiming the exemption.
42 Each year thereafter, the person or the person's representative shall
43 annually calculate, IF NECESSARY, income from the preceding year to ensure
44 that the person still qualifies for the exemption and notify the county
45 assessor in writing of any event that disqualifies the person from further

1 exemption. Regardless of whether the person or representative notifies
2 the assessor as required by this subsection, the property is subject to
3 tax as provided by law from the date of disqualification, including
4 interest, penalties and proceedings for tax delinquencies. Disqualifying
5 events include:

6 1. The person's death.

7 2. The remarriage of a widow or widower.

8 3. IF THE PERSON IS CLAIMING THE EXEMPTION UNDER SUBSECTION D OF
9 THIS SECTION, the person's income from all sources exceeding the limits
10 prescribed by subsection ~~F~~ G of this section.

11 4. The conveyance of title to the property to another owner.

12 ~~F~~ K. Any dollar amount of exemption that is unused in a tax year
13 against the limited property value of property and improvements owned by
14 the individual may be applied for the tax year against the value of
15 personal property subject to special property taxes, including the taxes
16 collected pursuant to title 5, chapter 3, article 3 and title 28, chapter
17 16, article 3.

18 ~~F~~ L. An individual is not entitled to property tax exemptions
19 under more than one category as a widow or widower, a person with a total
20 and permanent disability or a veteran with a disability even if the
21 individual is eligible for an exemption in more than one category.

22 ~~K~~ M. For the purposes of this section:

23 1. "Competent medical authority" means any of the following:

24 (a) An individual licensed under title 32, chapter 8, 13, 14, 17,
25 19.1, 25 or 29 or a comparable law of another state.

26 (b) A registered nurse practitioner as defined in section 32-1601.

27 (c) The United States department of veterans affairs, as evidenced
28 by a disability award letter.

29 2. "GDP price deflator" means the average of the four implicit
30 price deflators for the gross domestic product reported by the United
31 States department of commerce or its successor for the four quarters of
32 the state fiscal year.

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

38 4. "Veteran" means an individual who has served in, and been
39 discharged, separated or released under honorable conditions from, active
40 or inactive service in the uniformed services of the United States,
41 including:

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

44 (b) The commissioned corps of the national oceanic and atmospheric
45 administration.

1 (c) The commissioned corps of the United States public health
2 service.

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

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

8 Sec. 2. Section 42-17151, Arizona Revised Statutes, is amended to
9 read:

10 42-17151. County, municipal, community college and school tax
11 levy

12 A. On or before the third Monday in August each year, the governing
13 body of each county, city, town, community college district and school
14 district shall:

15 1. Fix, levy and assess the amount to be raised from primary
16 property taxation and secondary property taxation. This amount, plus all
17 other sources of revenue, as estimated, and restricted and unrestricted
18 unencumbered balances from the preceding fiscal year, shall equal the
19 total of amounts proposed to be spent in the budget for the current fiscal
20 year. **THE AMOUNT TO BE RAISED FROM PRIMARY PROPERTY TAXES MAY NOT INCLUDE**
21 **THE AMOUNT TO OFFSET THE AGGREGATE AMOUNT OF EXEMPTIONS PROVIDED UNDER**
22 **SECTION 42-11111, SUBSECTION C FOR THE TAX YEAR.**

23 2. Designate the amounts to be levied for each purpose appearing in
24 the adopted budget.

25 3. Fix and determine a primary property tax rate and a secondary
26 property tax rate, each rounded to four decimal places on each \$100 of
27 taxable property shown by the finally equalized valuations of property,
28 minus exemptions, that appear on the tax rolls for the fiscal year, as
29 determined by the assessor on or before February 10 of the tax year
30 pursuant to section 42-17052, and that when extended on those valuations
31 will produce, in the aggregate, the entire amount to be raised by direct
32 taxation for that year. Amounts levied for debt service on bonds payable
33 from the secondary tax are and shall be considered special revenues of the
34 county, city, town or district, shall be kept in a special, segregated
35 fund, are not and shall not be general property taxes and may not be used
36 for any other purpose of the county, city, town or district.

37 B. The governing body of a county, city, town or community college
38 district shall not fix, levy or assess an amount of primary property taxes
39 in excess of the amount permitted by section 42-17051, subsection A,
40 paragraph 7 or section 42-17005 as determined by the property tax
41 oversight commission.

42 C. The governing board of a common school district, a high school
43 district or a unified school district shall not fix, levy or assess a
44 primary property tax rate higher than the current year's rate if the

1 district meets both of the following criteria, as determined by the
2 property tax oversight commission:

3 1. The total primary property taxes levied for all taxing
4 jurisdictions on at least one-half of the residential property of the
5 district exceed the limitation described in section 15-972, subsection E.

6 2. The school district primary property tax rate exceeds one
7 hundred fifty percent of the applicable qualifying tax rate pursuant to
8 section 41-1276. For the purposes of this paragraph, the school district
9 primary property tax rate does not include the tax rates computed pursuant
10 to section 15-992, subsections B and F.

11 D. Not later than December 31, the property tax oversight
12 commission shall notify those school districts that meet the criteria
13 described in subsection C of this section and the county school
14 superintendents and boards of supervisors of the counties in which the
15 school districts are located.

16 E. Within three days after the final levies are determined for a
17 county, city, town or community college district, the chief county fiscal
18 officer shall notify the property tax oversight commission of the amount
19 of the primary property tax levied.

20 F. Pursuant to section 15-465.01, subsection E, an accommodation
21 school governing board shall not levy a primary or secondary property tax.
22 The property tax oversight commission shall consider any amount of
23 property tax levied by a county in support of an accommodation school to
24 be part of the county's primary levy for the purposes of determining the
25 county's compliance with subsection B of this section.

26 Sec. 3. Applicability

27 This act applies to tax years beginning from and after December 31,
28 2025.