REFERENCE TITLE: property tax; exemption; combat veterans

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

HB 2406

Introduced by
Representative Kolodin

AN ACT

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

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. 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 with a disability; definitions

A. The property of widows and widowers, 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 as provided by article IX, section 2, Constitution of Arizona, and subject to the conditions and limits prescribed by this section.

B. Pursuant to article IX, section 2, subsection F, Constitution of Arizona, the exemptions from taxation under this section are allowed ~~in the amount of~~ AS PROVIDED IN SUBSECTIONS C AND D OF THIS SECTION.

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

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

1. $4,188 if the person's total assessment does not exceed $28,459. For a veteran with a service or nonservice connected disability WHO DOES NOT QUALIFY FOR A FULL EXEMPTION UNDER SUBSECTION C OF THIS SECTION, the $4,188 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 $28,459.

~~C.~~ E. 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 limit amount under subsection ~~B~~ D of this section.

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

~~D.~~ F. For the purpose of determining the amount of the allowable exemption pursuant to subsection ~~B~~ D 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.~~ G. Pursuant to article IX, section 2, subsection F, Constitution of Arizona, to qualify for ~~this~~ THE exemption UNDER SUBSECTION D OF THIS SECTION, 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. $34,901 if none of the claimant's children under eighteen years of age resided with the claimant in the claimant's residence.

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

(a) Were under eighteen years of age.

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

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

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

~~G.~~ I. Notwithstanding subsection ~~F~~ H 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.

7. Loss of time insurance.

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

~~H.~~ J. A widow or widower, a person with a total and permanent disability or a veteran with a disability shall establish eligibility for exemption under this section by filing an affidavit with the county assessor under section 42-11152 when initially claiming the exemption. Each year thereafter, the person or the person's representative shall annually calculate, IF NECESSARY, income from the preceding year to ensure that the person still qualifies for the exemption and notify the county assessor in writing of any event that disqualifies the 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. IF THE PERSON IS CLAIMING THE EXEMPTION UNDER SUBSECTION D OF THIS SECTION, the person's income from all sources exceeding the limits prescribed by subsection ~~E~~ G of this section.

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

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

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

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

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

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

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

2. "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.

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

4. "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. 2. Section 42-17151, Arizona Revised Statutes, is amended to read:

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

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

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

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

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

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

C. The governing board of a common school district, a high school district or a unified school district shall not fix, levy or assess a primary property tax rate higher than the current year's rate if the district meets both of the following criteria, as determined by the property tax oversight commission:

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

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

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

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

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

Sec. 3. Applicability

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