

House Engrossed

property tax; exemption; veterans; disabilities

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

HOUSE BILL 2672

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

15 C. THE PROPERTY OF A VETERAN WITH A SERVICE CONNECTED DISABILITY
16 WHOSE DISABILITY RATING BY THE UNITED STATES DEPARTMENT OF VETERANS
17 AFFAIRS IS ONE HUNDRED PERCENT IS FULLY EXEMPT FROM TAXATION. A SURVIVING
18 SPOUSE OF A VETERAN WHOSE PROPERTY IS ELIGIBLE FOR THE EXEMPTION UNDER
19 THIS SUBSECTION MAY CONTINUE TO CLAIM THE FULL EXEMPTION AS LONG AS THE
20 SURVIVING SPOUSE USES THE PROPERTY AS THE SURVIVING SPOUSE'S PRIMARY
21 RESIDENCE AND THE SURVIVING SPOUSE DOES NOT REMARRY.

22 D. THE PROPERTY OF A VETERAN WITH A NONSERVICE CONNECTED DISABILITY
23 WHOSE DISABILITY RATING BY THE UNITED STATES DEPARTMENT OF VETERANS
24 AFFAIRS IS ONE HUNDRED PERCENT OR LESS OR WITH A SERVICE CONNECTED
25 DISABILITY WHOSE DISABILITY RATING BY THE UNITED STATES DEPARTMENT OF
26 VETERANS AFFAIRS IS LESS THAN ONE HUNDRED PERCENT IS EXEMPT IN THE AMOUNT
27 OF \$4,188. THE LIMIT UNDER THIS SUBSECTION IS FURTHER LIMITED BY
28 MULTIPLYING THE TOTAL EXEMPTION AMOUNT BY THE PERCENTAGE OF THE VETERAN'S
29 DISABILITY, AS RATED BY THE UNITED STATES DEPARTMENT OF VETERANS AFFAIRS.

30 E. THE PROPERTY OF A WIDOW OR WIDOWER OR A PERSON WITH A TOTAL AND
31 PERMANENT DISABILITY IS EXEMPT IN THE AMOUNT OF:

32 1. \$4,188 if the person's total assessment does not exceed \$28,459.
33 ~~For a veteran with a service or nonservice connected disability, the~~
34 ~~\$4,188 limit under this paragraph is further limited by multiplying the~~
35 ~~total exemption amount by the percentage of the veteran's disability, as~~
36 ~~rated by the United States department of veterans affairs.~~

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

38 ~~C.~~ F. On or before December 31 of each year, the department shall
39 increase the following amounts based on the average annual percentage
40 increase, if any, in the GDP price deflator in the two most recent
41 complete state fiscal years:

42 1. The total allowable exemption amount UNDER SUBSECTIONS D AND E
43 OF THIS SECTION and the total assessment limit amount under subsection
44 ~~B.~~ E of this section.

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

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

7 ~~F~~ H. Pursuant to article IX, section 2, subsection F,
8 Constitution of Arizona, to qualify for this exemption, the total income
9 from all sources of the claimant and the claimant's spouse and the income
10 from all sources of all of the claimant's children who resided with the
11 claimant in the claimant's residence in the year immediately preceding the
12 year for which the claimant applies for the exemption shall not exceed:

13 1. \$34,901 if none of the claimant's children under eighteen years
14 of age resided with the claimant in the claimant's residence.

15 2. \$41,870 if one or more of the claimant's children residing with
16 the claimant in the claimant's residence either:

17 (a) Were under eighteen years of age.

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

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

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

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

25 3. Nontaxable strike benefits.

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

28 5. Payments that are received from a retirement program and paid
29 by:

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

31 (b) The United States through any of its agencies,
32 instrumentalities or programs, except as provided in subsection ~~G~~ J of
33 this section.

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

36 ~~G~~ J. Notwithstanding subsection ~~F~~ I of this section, income from
37 all sources does not include monies received from:

38 1. Cash public assistance and relief.

39 2. Railroad retirement benefits.

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

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

42 5. Payments from ANY veterans ~~disability~~ pensions.

43 6. Workers' compensation payments.

1 7. Loss of time insurance.

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

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

17 1. ~~EXCEPT AS PROVIDED IN SUBSECTION C OF THIS SECTION,~~ the person's
18 death.

19 2. The remarriage of a widow or widower.

20 3. The person's income from all sources exceeding the limits
21 prescribed by subsection ~~F~~ H of this section.

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

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

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

33 ~~K.~~ O. For the purposes of this section:

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

35 (a) An individual licensed under title 32, chapter 8, 13, 14, 17,
36 19.1, 25 or 29 or a comparable law of another state.

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

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

40 2. "GDP price deflator" means the average of the four implicit
41 price deflators for the gross domestic product reported by the United
42 States department of commerce or its successor for the four quarters of
43 the state fiscal year.

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

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

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

12 (b) The commissioned corps of the national oceanic and atmospheric
13 administration.

14 (c) The commissioned corps of the United States public health
15 service.

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

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