

REFERENCE TITLE: GPLET; notice; abatement period

State of Arizona
Senate
Fifty-seventh Legislature
First Regular Session
2025

SB 1050

Introduced by
Senator Leach

AN ACT

AMENDING SECTIONS 15-971, 42-6202, 42-6204, 42-6206 AND 42-6209, ARIZONA
REVISED STATUTES; RELATING TO GOVERNMENT PROPERTY LEASE EXCISE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-971, Arizona Revised Statutes, is amended to
3 read:

4 15-971. Determination of equalization assistance payments
5 from county and state funds for school districts

6 A. Equalization assistance for education is computed by determining
7 the total of the following:

8 1. The lesser of a school district's revenue control limit or
9 district support level as determined in section 15-947.

10 2. District additional assistance of a school district as
11 determined in section 15-961.

12 B. From the total of the amounts determined in subsection A of this
13 section subtract:

14 1. The amount that would be produced by levying the applicable
15 qualifying tax rate determined pursuant to section 41-1276 for a high
16 school district or a common school district within a high school district
17 that does not offer instruction in high school subjects as provided in
18 section 15-447.

19 2. The amount that would be produced by levying the applicable
20 qualifying tax rate determined pursuant to section 41-1276 for a unified
21 school district, a common school district not within a high school
22 district or a common school district within a high school district that
23 offers instruction in high school subjects as provided in section 15-447.
24 The qualifying tax rate shall be applied in the following manner:

25 (a) For the purposes of the amount determined in subsection A,
26 paragraph 1 of this section:

27 (i) Determine separately the percentage that the weighted student
28 count in preschool programs for children with disabilities, kindergarten
29 programs and grades one through eight and the weighted student count in
30 grades nine through twelve is to the weighted student count determined in
31 subtotal A as provided in section 15-943, paragraph 2, subdivision (a).

32 (ii) Apply the percentages determined in item (i) of this
33 subdivision to the amount determined in subsection A, paragraph 1 of this
34 section.

35 (b) For the purposes of the amounts determined in subsection A,
36 paragraph 2 of this section, determine separately the amount of the
37 district additional assistance attributable to the student count in
38 preschool programs for children with disabilities, kindergarten programs
39 and grades one through eight and grades nine through twelve.

40 (c) From the amounts determined in subdivisions (a) and (b) of this
41 paragraph, subtract the levy that would be produced by the current
42 qualifying tax rate for a high school district or a common school district
43 within a high school district that does not offer instruction in high
44 school subjects as provided in section 15-447. If the qualifying tax rate
45 generates a levy that is in excess of the total determined in subsection A

of this section, the school district is not eligible for equalization assistance. For the purposes of this subsection, "assessed valuation" includes the values used to determine voluntary contributions collected pursuant to title 9, chapter 4, article 3 and title 48, chapter 1, article 8 and the assessed value of all property subject to the government property lease excise tax pursuant to title 42, chapter 6, article 5, **INCLUDING PROPERTY ON WHICH THE TAX IS UNDER ABATEMENT PURSUANT TO SECTION 42-6209.**

3. The amount that would be produced by levying a qualifying tax rate in a career technical education district, which shall be \$.05 per \$100 assessed valuation unless the legislature sets a lower rate by law.

C. State aid for equalization assistance for education for a school district shall be the equalization assistance for education for a school district as provided in subsections A and B of this section.

D. Equalization assistance for education shall be paid from appropriations for that purpose to the school districts as provided in section 15-973.

E. A school district shall report expenditures on approved career and technical education and vocational education programs in the annual financial report according to uniform guidelines prescribed by the uniform system of financial records and in order to facilitate compliance with sections 15-255 and 15-904.

F. The additional weight for state aid purposes given to special education as provided in section 15-943 shall be given to school districts only if special education programs comply with chapter 7, article 4 of this title and the conditions and standards prescribed by the superintendent of public instruction pursuant to rules of the state board of education for pupil identification and placement pursuant to sections 15-766 and 15-767.

G. In addition to state general fund appropriations, all amounts received pursuant to section 37-521, subsection B, paragraph 3, section 42-5029, subsection E, paragraph 5 and section 42-5029.02, subsection A, paragraph 5 and from any other source for the purposes of this section are appropriated for state aid to schools as provided in this section.

H. The total amount of state monies that may be spent in any fiscal year for state equalization assistance shall not exceed the amount appropriated or authorized by section 35-173 for that purpose. This section does not impose a duty on an officer, agent or employee of this state to discharge a responsibility or create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the expenditure authorized by legislative appropriation for that specific purpose.

1 Sec. 2. Section 42-6202, Arizona Revised Statutes, is amended to
2 read:

3 42-6202. Commercial government property lease excise tax;
4 database

5 A. A government lessor shall levy and the county treasurer shall
6 collect an annual excise tax on each prime lessee for the use or occupancy
7 of each government lessor's government property improvement.

8 B. A government lessor may not own or operate a government property
9 improvement unless one of the following applies:

10 1. The improvement is subject to the government property lease
11 excise tax under this article with respect to the improvement.

12 2. The improvement is exempt from tax under section 42-6208.

13 3. Tax on the improvement has been abated under section 42-6209.

14 C. Within thirty days after entering into a lease for the occupancy
15 of a government property improvement, the government lessor shall:

16 1. Record a memorandum of lease in the office of the county
17 recorder in the county in which the government property improvement is
18 located. The memorandum of lease must include the basic lease terms,
19 including the names of the parties, the leased property, the lease term,
20 including the beginning and ending dates, and any options to renew the
21 lease or to purchase any of the government property improvement or
22 government owned land.

23 2. Submit to the county treasurer copies of the lease or an
24 abstract of the lease.

25 3. INCLUDE THE LEASE IN THE PUBLIC DATABASE AS DESCRIBED IN
26 SUBSECTION D OF THIS SECTION.

27 D. The government lessor shall maintain a public database by
28 county, city and town, as applicable, ~~or~~ AND post its lease AND
29 DEVELOPMENT agreements on ~~a~~ THE WEBSITE OF THE county, city or town,
30 ~~website~~ AS APPLICABLE, where the government property improvement is
31 located, of all government property leases AND DEVELOPMENT AGREEMENTS that
32 are subject to the tax OR ABATEMENT under this article. FOR EVERY LEASE
33 AND DEVELOPMENT AGREEMENT, THE GOVERNMENT LESSOR'S PUBLIC DATABASE SHALL
34 INCLUDE AT LEAST THE FOLLOWING:

35 1. THE COUNTY ASSESSOR'S PARCEL NUMBER.

36 2. THE LEGAL DESCRIPTION AND SITUS ADDRESS OF THE PROPERTY AND THE
37 PROPERTY TYPE.

38 3. THE NAME OF THE LESSEE AND THE COUNTY RECORDING NUMBER OF THE
39 LEASE.

40 4. THE TIME PERIOD IN WHICH THE LEASE OR DEVELOPMENT AGREEMENT IS
41 SUBJECT TO ABATEMENT AND EXCISE TAX, IF APPLICABLE.

42 5. THE AMOUNT OF ALL OTHER TAXES, RENTS OR FEES THE LESSEE IS
43 REQUIRED TO REMIT TO THE GOVERNMENT LESSOR OR OTHER TAXING JURISDICTIONS
44 DURING THE LEASE OR ABATEMENT PERIOD.

1 6. LINKS TO ALL LEASE AND DEVELOPMENT AGREEMENTS AND THE
2 CORRESPONDING GOVERNMENT LESSOR NOTICES PROVIDED TO THE GOVERNING BODIES
3 PURSUANT TO SECTION 42-6206.

4 7. A LINK TO THE CURRENT MAP OF THE CITY'S OR TOWN'S CENTRAL
5 BUSINESS DISTRICT AND REDEVELOPMENT AREAS PURSUANT TO SECTION 42-6209.

6 E. The government lessor shall submit a current link to the public
7 database as described in subsection D of this section to the department ~~of~~
8 ~~revenue~~ and notify the department when the database no longer contains any
9 active leases.

10 F. The department ~~of revenue~~ shall place links to all of the
11 government lessors' databases with active leases on ~~their~~ THE DEPARTMENT'S
12 website.

13 G. If a county assessor becomes aware of a government property
14 improvement that is or should be subject to the tax under this article,
15 the assessor shall notify the county treasurer and the government lessor
16 for confirmation that the improvement is included in ~~their~~ THE GOVERNMENT
17 LESSOR'S database.

18 Sec. 3. Section 42-6204, Arizona Revised Statutes, is amended to
19 read:

20 42-6204. Payment; return; interest; penalty; receipt; annual
21 reports

22 A. The taxes that are levied pursuant to this article are:

23 1. Due and payable to the county treasurer annually on or before
24 December 1.

25 2. Delinquent if not paid ANNUALLY on or before ~~that date~~
26 DECEMBER 1.

27 B. The government lessor shall calculate the excise tax for each
28 prime lessee, submit a return to the county treasurer on a return form
29 prescribed by the department ~~of revenue~~ and submit a copy of the return to
30 the prime lessee. If the prime lessee is exempt from the tax pursuant to
31 section 42-6208, the government lessor shall keep and maintain the
32 information required in this subsection. The return form shall be made
33 available by the county treasurer at least sixty days before the taxes are
34 due and payable and shall include:

35 1. The name and address of the prime lessee.

36 2. The location AND COUNTY ASSESSOR'S PARCEL NUMBER of the
37 government property improvement.

38 3. The amount of gross building space or number of parking garage
39 or deck spaces. The prime lessee may submit an initial statement of gross
40 building space that is certified by a person who is professionally
41 credentialed in this state as an architect, general contractor, surveyor
42 or appraiser and thereafter shall file an annual statement with the
43 return, under penalty of perjury, that the gross building space is
44 unchanged from the amount previously certified.

45 4. The date of the original certificate of occupancy.

1 5. The use or uses of the property.

2 6. If an abatement under section 42-6209 applies, a certification
3 under penalty of perjury that all elements necessary to qualify for the
4 abatement are satisfied for the year covered by the return.

5 7. Any other pertinent information that is required by the return
6 form.

7 C. If any part of the tax is not paid before it becomes delinquent,
8 interest accrues on the unpaid amount at the rate and in the manner
9 prescribed by section 42-18053 until it is paid. Interest on overpayments
10 accrues at the rate and in the manner prescribed by section 42-18053 until
11 the refund is paid by the county treasurer.

12 D. The county treasurer shall assess and collect a penalty of five
13 percent of any part of the tax that is not paid before it becomes
14 delinquent.

15 E. The county treasurer shall issue a receipt to the government
16 lessor and prime lessee for payments under this article.

17 F. On or before February 15 of each year, the county treasurer
18 shall submit a report to:

19 1. The department ~~of revenue~~ of all returns and payments received
20 for the preceding calendar year under this section. The report shall be
21 in a form and contain data prescribed by the department ~~of revenue~~ AND
22 SHALL BE POSTED ON THE DEPARTMENT'S WEBSITE WITHIN THIRTY DAYS AFTER THE
23 REPORT IS RECEIVED.

24 2. The joint legislative budget committee of all returns and
25 payments received for the preceding calendar year with respect to leases
26 of government property improvements owned by the government lessor. These
27 reports shall contain the same data prescribed in paragraph 1 of this
28 subsection.

29 G. The county treasurer is entitled to rely on any information
30 contained in any abatement certification described in subsection B,
31 paragraph 6 of this section unless the county treasurer has actual
32 knowledge that the certification is inaccurate.

33 Sec. 4. Section 42-6206, Arizona Revised Statutes, is amended to
34 read:

35 42-6206. Leases and development agreements; notice of tax
36 liability; approval requirements; default

37 A. Each lease or development agreement between a prime lessee and a
38 government lessor entered into after June 30, 1996 shall include:

39 1. A notice of the tax liability under this article.

40 2. A provision that failure by the prime lessee to pay the tax
41 after notice and an opportunity to cure is an event of default that could
42 result in divesting the prime lessee of any interest in or right of
43 occupancy of the government property improvement.

44 B. Except as provided by subsection C of this section, each lease
45 or development agreement between a prime lessee and a government lessor

for a government property improvement located in a slum or blighted area that is established pursuant to title 36, chapter 12, article 3, that is entered into from and after May 31, 2010 and that does not meet the conditions provided in section 42-6203, subsection A:

1. Shall not be approved unless the government lessor:

(a) ~~Notifies~~ PROVIDES WRITTEN NOTICE TO the governing bodies of the county and any city, town, ~~and~~ school district AND, IF APPLICABLE, COMMUNITY COLLEGE DISTRICT in which the government property improvement is located at least sixty days before the approval. THE GOVERNMENT LESSOR SHALL INCLUDE A LINK TO THE NOTICE ON THE DATABASE PURSUANT TO SECTION 42-6202, SUBSECTION D. The notice must include ALL OF THE FOLLOWING:

(i) The name and address of the intended prime lessee. ~~;~~

(ii) The location and proposed use of the government property improvement. ~~and~~

(iii) The proposed term of the lease or development agreement.

(iv) AN ESTIMATE OF THE AMOUNT OF PROPERTY TAX REVENUE THAT THE COUNTY, CITY, TOWN, SCHOOL DISTRICT AND, IF APPLICABLE, COMMUNITY COLLEGE DISTRICT WILL FOREGO DURING THE TERM OF THE LEASE AND ABATEMENT PERIOD.

(b) Determines that, within the term of the lease or development agreement, the economic and fiscal benefit to this state and the county, city or town in which the government property improvement is located will exceed the benefits received by the prime lessee as a result of the development agreement or lease on the basis of an estimate of those benefits prepared by an independent third party in a manner and method acceptable to the governing body of the government lessor. The estimate must be provided to the government lessor and the governing bodies of the county and any city, town, ~~and~~ school district AND, IF APPLICABLE, COMMUNITY COLLEGE DISTRICT in which the government property improvement is located at least thirty days before the vote of the governing body. A lease or development agreement between a prime lessee and a government lessor involving residential rental housing is exempt from the economic estimate analysis requirements of this ~~subsection~~ SUBDIVISION.

2. Must be approved by a simple majority vote of the governing body without the use of a consent calendar.

C. A lease or development agreement that is subject to subsection B of this section must provide that the lease begins within ten years after approval of the development agreement and the term of the lease does not exceed twenty-five years, including any abatement period authorized under section 42-6209, and regardless of whether the lease is transferred or conveyed to subsequent prime lessees during that period. As soon as reasonably practicable but within twelve months after the expiration date of the lease, the government lessor must convey to the current prime lessee title to the government property improvement and underlying land unless the parcel is controlled by an airport subject to federal regulation or by the local federal transit authority. Property conveyed

1 to the prime lessee under this subsection does not qualify for
2 classification as class six property or for any other discounted
3 assessment regardless of the location or condition of the property.

4 D. Subsections B and C of this section do not apply if the
5 government lessor is acting as a commercial landlord without a development
6 agreement in a lease for a use ancillary to a government property
7 improvement used for a public purpose.

8 E. ~~NO~~ NOT later than June 30 of each year, the government lessor
9 shall provide the county assessor with a complete list of development
10 agreements between the government lessor and the prime lessees, including
11 the commencement and termination dates of the agreements, the names and
12 addresses of the prime lessees and the locations of the properties that
13 are subject to the agreements.

14 Sec. 5. Section 42-6209, Arizona Revised Statutes, is amended to
15 read:

16 42-6209. Abatement of tax for government property
17 improvements in single central business district;
18 definition

19 A. A city or town may abate the tax provided for under this article
20 for a limited period beginning when the certificate of occupancy is issued
21 and ending ~~eight~~ NOT MORE THAN FOUR years after the certificate of
22 occupancy is issued on a government property improvement that is
23 constructed either before or after July 20, 1996 and that meets the
24 following requirements:

25 1. The GOVERNMENT PROPERTY improvement is located in a single
26 central business district in the city or town and is subject to a lease or
27 development agreement entered into on or after April 1, 1985. For the
28 purposes of this section:

29 (a) A city or town shall not designate more than one central
30 business district within its corporate boundaries.

31 (b) A city or town shall not approve or enter into a development
32 agreement or lease for a government property improvement within one year
33 after the designation of the central business district in which the
34 GOVERNMENT PROPERTY improvement is located.

35 (c) "Central business district" means a single and contiguous
36 geographical area that is designated by resolution of the governing body
37 of the city or town and that is geographically compact and not larger than
38 the greatest of the existing total land area of the central business
39 district of the city or town as of January 1, 2018, two and one-half
40 percent of the total land area within the exterior boundaries of the city
41 or town or nine hundred sixty acres. For the purposes of this
42 subdivision, any central business district formed before January 1, 2018
43 is considered to be geographically compact. For the expanded areas of an
44 existing central business district only and the new designation of a
45 central business district formed on or after January 1, 2018 and for the

purposes of this subdivision, "geographically compact" means a form or shape that has a length that is not more than twice its width as measured from at least four points on the exterior boundary of the expanded areas of an existing central business district or a central business district formed on or after January 1, 2018.

2. The GOVERNMENT PROPERTY improvement is located entirely within a slum or blighted area that is designated pursuant to title 36, chapter 12, article 3.

3. The government property improvement resulted or will result in an increase in property value of at least one hundred percent.

B. The prime lessee shall notify the county treasurer and the government lessor and apply for the abatement before the taxes under this article are due and payable in the first year after the certificate of occupancy is issued.

C. Except as provided by subsection D of this section, each lease between a prime lessee and a government lessor for which the tax is abated under this section that is entered into from and after May 31, 2010, ~~and~~ that does not meet the conditions provided in section 42-6203, subsection A must be approved by a simple majority vote of the governing body without using a consent calendar and shall not be approved unless:

1. The government lessor notifies the governing bodies of the county and any city, town, ~~and~~ school district AND, IF APPLICABLE, COMMUNITY COLLEGE DISTRICT in which the government property improvement is located at least sixty days before the approval. The notice must include ALL OF THE FOLLOWING:

(a) The name and address of the intended prime lessee. ~~;~~

(b) The location and proposed use of the government property improvement. ~~and~~

(c) The proposed term of the lease or development agreement.

(d) AN ESTIMATE OF THE AMOUNT OF PROPERTY TAX REVENUE THAT THE COUNTY, CITY, TOWN, SCHOOL DISTRICT AND, IF APPLICABLE, COMMUNITY COLLEGE DISTRICT WILL FOREGO DURING THE TERM OF THE LEASE AND ABATEMENT PERIOD.

2. The government lessor determines that, within the term of the lease or development agreement, the economic and fiscal benefit to this state and the county, city or town in which the government property improvement is located will exceed the benefits received by the prime lessee as a result of the development agreement or lease on the basis of an estimate of those benefits prepared by an independent third party in a manner and method acceptable to the governing body of the government lessor. The estimate must be provided to the government lessor and the governing bodies of the county and any city, town, ~~and~~ school district AND, IF APPLICABLE, COMMUNITY COLLEGE DISTRICT in which the government property improvement is located at least thirty days before the vote of the governing body. A lease or development agreement between a prime

1 lessee and a government lessor involving residential rental housing is
2 exempt from the economic estimate analysis requirements of this paragraph.

3 3. The lease or development agreement provides that the government
4 lessor may not approve an amendment to change the use of the government
5 property improvement during the period of abatement unless:

6 (a) The government lessor notifies the governing bodies of the
7 county and any city, town, ~~and~~ school district **AND, IF APPLICABLE,**
8 **COMMUNITY COLLEGE DISTRICT** in which the government property improvement is
9 located at least sixty days before the approval. The notice must include
10 the name and address of the prime lessee, the location and proposed use of
11 the government property improvement and the remaining term of the lease or
12 development agreement.

13 (b) The government lessor determines that, within the remaining
14 term of the lease or development agreement, the economic and fiscal
15 benefit to this state and the county, city or town in which the government
16 property improvement is located will exceed the benefits received by the
17 prime lessee as a result of the change in the lease or development
18 agreement on the basis of an estimate of those benefits prepared by an
19 independent third party in a manner and method acceptable to the governing
20 body of the government lessor. The estimate must be provided to the
21 government lessor and the governing bodies of the county and any city,
22 town, ~~and~~ school district **AND, IF APPLICABLE, COMMUNITY COLLEGE DISTRICT**
23 in which the government property improvement is located at least thirty
24 days before the vote of the governing body. A change in use under a lease
25 or development agreement between a prime lessee and a government lessor to
26 residential rental housing is exempt from the economic estimate analysis
27 requirements of this subdivision.

28 D. Subsection C of this section does not apply if:

29 1. The tax is not abated under this section.

30 2. The government lessor is acting as a commercial landlord without
31 a development agreement in a lease for a use ancillary to a government
32 property improvement used for a public purpose.

33 E. The designation of a slum or blighted area that is originally
34 designated from and after September 30, 2018 and in which a central
35 business district is located automatically terminates on the tenth
36 anniversary after the designation unless the city or town formally renews
37 or modifies all or part of the slum or blighted area designation. The
38 termination of a slum or blighted area designation under this subsection
39 does not affect any existing project described in section 35-701,
40 paragraph 7, subdivision (a), item (ix) that is within the designated
41 area. Before the tenth anniversary of its designation, the city or town
42 shall review the area and, pursuant to the review, shall either renew,
43 modify or terminate the designation. If the city or town renews or
44 modifies the original designation, the slum or blighted area designation
45 is subject to subsequent reviews on a ten-year cycle. If the city or town

1 fails to renew or modify the designation, the slum or blighted area
2 designation automatically terminates five years after the review. This
3 subsection does not apply to leases or development agreements to lease
4 government property if either of the following conditions is met with
5 respect to any such excluded area:

6 1. The lease of the government property improvement was entered
7 into before the termination or modification of the slum or blighted area
8 designation.

9 2. A development agreement, ordinance or resolution was approved by
10 the governing body of the government lessor before the termination or
11 modification of the slum or blighted area designation that authorized a
12 lease on the occurrence of specified conditions and the lease was entered
13 into within five years after the date the development agreement was
14 entered into or the ordinance or resolution was approved by the governing
15 body.

16 F. Before October 1, 2020, each city or town shall review the
17 designation of each slum or blighted area that was originally designated
18 before September 30, 2018 and in which a central business district is
19 located. All such slum or blighted areas in which a central business
20 district is located are considered to be valid. Pursuant to the review,
21 the city or town shall either renew, modify or terminate the designation.
22 If the city or town renews or modifies the original designation, the slum
23 or blighted area designation is subject to subsequent reviews on a ten-
24 year cycle. If the city or town fails to renew or modify the designation,
25 the slum or blighted area designation automatically terminates from and
26 after September 30, 2025, or five years after any subsequent review. The
27 termination of a slum or blighted area designation under this subsection
28 does not affect:

29 1. Any existing project described in section 35-701, paragraph 7,
30 subdivision (a), item (ix) that is within the designated area.

31 2. Any lease or development agreement to lease government property
32 if either of the following conditions is met with respect to the slum or
33 blighted area:

34 (a) The lease of the government property improvement was entered
35 into before the termination or modification of the slum or blighted area
36 designation.

37 (b) A development agreement, ordinance or resolution was approved
38 by the governing body of the government lessor before the termination or
39 modification of the slum or blighted area designation that authorized a
40 lease on the occurrence of specified conditions and the lease was entered
41 into within five years after the date the development agreement was
42 entered into or the ordinance or resolution was approved by the governing
43 body.

1 G. Notwithstanding section 42-6206, subsection C, beginning with
2 development agreements, ordinances or resolutions to lease government
3 property improvements approved by the governing body of the government
4 lessor from and after December 31, 2016, the lease period for a property
5 for which the tax is abated under this section may not exceed ~~eight~~ FOUR
6 years, including any abatement period, regardless of whether the lease is
7 transferred or conveyed to subsequent prime lessees during that
8 period. As soon as reasonably practicable but within twelve months after
9 the expiration date of the lease, the government lessor must convey to the
10 current prime lessee title to the government property improvement and the
11 underlying land. Property conveyed to the prime lessee under this
12 subsection does not qualify for classification as class six property or
13 for any other discounted assessment regardless of the location or
14 condition of the property. This subsection does not apply to leases or
15 development agreements to lease government property if either of the
16 following occurred before January 1, 2017:

17 1. A corresponding resolution or ordinance for the lease or intent
18 to lease such property subject to this section was approved by the
19 governing body of the government lessor.

20 2. A proposal was submitted to the government lessor in response to
21 a request for proposals.

22 Sec. 6. Applicability

23 Section 42-6209, Arizona Revised Statutes, as amended by this act,
24 applies to agreements entered into from and after December 31, 2025.