

PROPOSED
SENATE AMENDMENTS TO S.B. 1365
(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

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 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. The
18 surviving spouse of a veteran whose property is eligible for the exemption
19 under this subsection may continue to claim the full exemption as long as
20 the 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 the
33 amount provided in paragraph 2 of this subsection.

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

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

37 1. The total allowable exemption amount under subsection D and
38 subsection E, paragraph 1 of this section based on the average annual

1 percentage increase, if any, in the GDP price deflator in the two most
2 recent complete state fiscal years.

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

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

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

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

22 1. \$34,901 if none of the claimant's children under eighteen years
23 of age resided with the claimant in the claimant's residence.

24 2. \$41,870 if one or more of the claimant's children residing with
25 the claimant in the claimant's residence either:

26 (a) Were under eighteen years of age.

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

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

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

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

34 3. Nontaxable strike benefits.

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

37 5. Payments that are received from a retirement program and paid
38 by:

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

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

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

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

47 1. Cash public assistance and relief.

48 2. Railroad retirement benefits.

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

1 4. Payments under the unemployment insurance laws of this state.
2 5. Payments from any veterans pensions.
3 6. Workers' compensation payments.
4 7. Loss of time insurance.
5 8. Gifts from nongovernmental sources, surplus foods or other
6 relief in kind supplied by a governmental agency.
7 K. A widow or widower, a person with a total and permanent
8 disability or a veteran with a disability shall establish eligibility for
9 exemption under this section by filing an affidavit with the county
10 assessor under section 42-11152 when initially claiming the exemption.
11 Each year thereafter, FOR A PERSON CLAIMING THE EXEMPTION ALLOWED UNDER
12 SUBSECTION E OF THIS SECTION, the person or the person's representative
13 shall annually calculate income from the preceding year to ensure that the
14 person still qualifies for the exemption and notify the county assessor in
15 writing of any event that disqualifies the person from further exemption.
16 Regardless of whether the person or representative notifies the assessor
17 as required by this subsection, the property is subject to tax as provided
18 by law from the date of disqualification, including interest, penalties
19 and proceedings for tax delinquencies. Disqualifying events include:
20 1. Except as provided in subsection C of this section, the person's
21 death.
22 2. The remarriage of a widow or widower.
23 3. FOR THE PURPOSES OF SUBSECTION E OF THIS SECTION, the person's
24 income from all sources exceeding the limits prescribed by subsection H of
25 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. An individual is not entitled to property tax exemptions under
34 more than one category as a widow or widower, a person with a total and
35 permanent disability or a veteran with a disability even if the individual
36 is eligible for an exemption in more than one category.
37 N. For the purposes of this section:
38 1. "Competent medical authority" means any of the following:
39 (a) An individual licensed under title 32, chapter 8, 13, 14, 17,
40 19.1, 25 or 29 or a comparable law of another state.
41 (b) A registered nurse practitioner as defined in section 32-1601.
42 (c) The United States department of veterans affairs, as evidenced
43 by a disability award letter.
44 2. "Federal house price index" means the average measure of
45 movement of single-family house prices in the United States published by
46 the federal housing finance agency, or its successor, for this state.
47 3. "GDP price deflator" means the average of the four implicit
48 price deflators for the gross domestic product reported by the United

1 States department of commerce or its successor for the four quarters of
2 the state fiscal year.

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

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

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

14 (b) The commissioned corps of the national oceanic and atmospheric
15 administration.

16 (c) The commissioned corps of the United States public health
17 service.

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

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

23 Sec. 2. Applicability

24 This act applies to tax years beginning from and after December 31,
25 2026."

26 Amend title to conform

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