

Senate Engrossed House Bill
property tax exemption; disability; determination

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HOUSE BILL 2120

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 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 C. The primary residence of a veteran with a service-connected
23 disability whose disability rating by the United States department of
24 veterans affairs is one hundred percent is fully exempt from
25 taxation. The surviving spouse of a veteran whose primary residence is
26 receiving the exemption under this subsection may continue to claim the
27 full exemption for the surviving spouse's primary residence as long as the
28 surviving spouse does not remarry. For the purposes of this subsection, a
29 primary residence that is owned by a veteran who is eligible for the
30 exemption under this subsection and the veteran's spouse shall be treated
31 as if owned solely by the veteran.

32 D. The property of a veteran with a nonservice-connected disability
33 whose disability rating by the United States department of veterans
34 affairs is one hundred percent or less or with a service-connected
35 disability whose disability rating by the United States department of
36 veterans affairs is less than one hundred percent is exempt in the amount
37 of \$4,188. The limit under this subsection is further limited by
38 multiplying the total exemption amount by the percentage of the veteran's
39 disability, as rated by the United States department of veterans affairs.

40 E. The property of a widow or widower or a person with a total and
41 permanent disability is exempt in the amount of:

42 1. \$4,188 if the person's total assessment does not exceed the
43 amount provided in paragraph 2 of this subsection.

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

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

3 1. The total allowable exemption amount under subsection D and
4 subsection E, paragraph 1 of this section based on the average annual
5 percentage increase, if any, in the GDP price deflator in the two most
6 recent complete state fiscal years.

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

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

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

19 H. Pursuant to article IX, section 2, subsection F, Constitution of
20 Arizona, to qualify for ~~this~~ an exemption under this section, the total
21 income from all sources of the claimant and the claimant's spouse and the
22 income from all sources of all of the claimant's children who resided with
23 the claimant in the claimant's residence in the year immediately preceding
24 the year for which the claimant applies for the exemption shall not
25 exceed:

26 1. \$34,901 if none of the claimant's children under eighteen years
27 of age resided with the claimant in the claimant's residence.

28 2. \$41,870 if one or more of the claimant's children residing with
29 the claimant in the claimant's residence either:

30 (a) Were under eighteen years of age.

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

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

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

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

38 3. Nontaxable strike benefits.

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

41 5. Payments that are received from a retirement program and paid
42 by:

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

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

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

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

8 1. Cash public assistance and relief.

9 2. Railroad retirement benefits.

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

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

12 5. Payments from any veterans pensions.

13 6. Workers' compensation payments.

14 7. Loss of time insurance.

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

17 K. A widow or widower, a person with a total and permanent
18 disability or a veteran with a disability shall establish eligibility for
19 exemption under this section by filing an affidavit with the county
20 assessor under section 42-11152 when initially claiming the exemption.
21 Each year thereafter, the person or the person's representative shall
22 annually calculate income from the preceding year to ensure that the
23 person still qualifies for the exemption and notify the county assessor in
24 writing of any event that disqualifies the person from further exemption.
25 Regardless of whether the person or representative notifies the assessor
26 as required by this subsection, the property is subject to tax as provided
27 by law from the date of disqualification, including interest, penalties
28 and proceedings for tax delinquencies. Disqualifying events include:

29 1. Except as provided in subsection C of this section, the person's
30 death.

31 2. The remarriage of a widow or widower.

32 3. The person's income from all sources exceeding the limits
33 prescribed by subsection H of this section.

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

35 L. Any dollar amount of exemption that is unused in a tax year
36 against the limited property value of property and improvements owned by
37 the individual may be applied for the tax year against the value of
38 personal property subject to special property taxes, including the taxes
39 collected pursuant to title 5, chapter 3, article 3 and title 28, chapter
40 16, article 3.

41 M. The property tax exemptions provided in subsections C, D and E
42 of this section are exclusive from each other, and an individual is not
43 entitled to property tax exemptions under more than one category as a
44 widow or widower, a person with a total and permanent disability or a

1 veteran with a disability even if the individual is eligible for an
2 exemption in more than one category.

3 N. For the purposes of this section:

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

5 (a) An individual licensed under title 32, chapter 8, 13, 14, 17,
6 19.1, 25 or 29 or a comparable law of another state.

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

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

10 (d) THE UNITED STATES SOCIAL SECURITY ADMINISTRATION, AS EVIDENCED
11 BY A WRITTEN DETERMINATION LETTER.

12 2. "Federal house price index" means the average measure of
13 movement of single-family house prices in the United States published by
14 the federal housing finance agency, or its successor, for this state.

15 3. "GDP price deflator" means the average of the four implicit
16 price deflators for the gross domestic product reported by the United
17 States department of commerce or its successor for the four quarters of
18 the state fiscal year.

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

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

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

30 (b) The commissioned corps of the national oceanic and atmospheric
31 administration.

32 (c) The commissioned corps of the United States public health
33 service.

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

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