REFERENCE TITLE: property tax; primary residences; exemptions

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

HB 2841

Introduced by
Representative Livingston

AN ACT

AMENDING SECTION 42-11111, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 11, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 42-11134 AND 42-11135; RELATING TO PROPERTY TAX EXEMPTIONS.

(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 AND SECTIONS 42-11134 AND 42-11135, AS APPLICABLE.

B. Pursuant to article IX, section 2, subsection F, Constitution of Arizona, the exemptions from taxation under this section are allowed as provided in subsections C~~,~~ AND D ~~and E~~ of this section.

~~C. The property of a veteran with a service-connected disability whose disability rating by the United States department of veterans affairs is one hundred percent is fully exempt from taxation. The surviving spouse of a veteran whose property is eligible for the exemption under this subsection may continue to claim the full exemption as long as the surviving spouse uses the property as the surviving spouse's primary residence and the surviving spouse does not remarry.~~

~~D.~~ C. The property of a veteran with a nonservice-connected disability whose disability rating by the United States department of veterans affairs is one hundred percent or less or with a service-connected disability whose disability rating by the United States department of veterans affairs is less than one hundred percent is exempt in the amount of $4,188. The limit under this subsection 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.

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

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

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

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

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

2. Beginning in tax year 2026, the total assessment limit amount under subsection ~~E~~ D, paragraph 2 of this section based on the average

annual percentage increase, if any, in the federal house price index for the two most recent complete state fiscal years.

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

~~G.~~ F. For the purpose of determining the amount of the allowable exemption pursuant to subsection ~~E~~ 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.

~~H.~~ G. Pursuant to article IX, section 2, subsection F, Constitution of Arizona, to qualify for ~~this~~ AN exemption UNDER SUBSECTION C OR 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.

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

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

~~J.~~ I. Notwithstanding subsection ~~I~~ 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 any veterans 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.

~~K.~~ 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 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. ~~Except as provided in subsection C of this section,~~ The person's death.

2. The remarriage of a widow or widower.

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

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

~~L.~~ 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.

~~M.~~ 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.

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

3. "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.

4. "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.

5. "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. Title 42, chapter 11, article 3, Arizona Revised Statutes, is amended by adding sections 42-11134 and 42-11135, to read:

42-11134. Exemption for primary residences of veterans with a one hundred percent service-connected disability; affidavit; disqualification; definition

A. PURSUANT TO ARTICLE IX, SECTION 2, CONSTITUTION OF ARIZONA, RESIDENTIAL PROPERTY THAT IS OWNED BY A VETERAN WHO HAS A SERVICE-CONNECTED DISABILITY AND THE DISABILITY RATING BY THE UNITED STATES DEPARTMENT OF VETERANS AFFAIRS IS ONE HUNDRED PERCENT AND WHO OCCUPIES THE RESIDENTIAL PROPERTY AS THE VETERAN'S PRIMARY RESIDENCE IS FULLY EXEMPT FROM TAXATION.

B. THE SURVIVING SPOUSE OF A VETERAN WHOSE PRIMARY RESIDENCE IS RECEIVING THE EXEMPTION UNDER THIS SECTION MAY CONTINUE TO CLAIM THE FULL EXEMPTION FOR THE SURVIVING SPOUSE'S PRIMARY RESIDENCE AS LONG AS THE SURVIVING SPOUSE DOES NOT REMARRY.

C. FOR THE PURPOSES OF THIS SECTION, A PRIMARY RESIDENCE THAT IS OWNED BY A VETERAN WHO IS ELIGIBLE FOR THE EXEMPTION UNDER THIS SECTION AND BY THE VETERAN'S SPOUSE SHALL BE TREATED AS IF OWNED SOLELY BY THE VETERAN.

D. THE OWNER OF THE PROPERTY SHALL INITIALLY ESTABLISH QUALIFICATION FOR EXEMPTION UNDER THIS SECTION BY FILING AN AFFIDAVIT WITH THE COUNTY ASSESSOR UNDER SECTION 42-11152.

E. A VETERAN IS DISQUALIFIED FROM THE EXEMPTION UNDER THIS SECTION IF THE COUNTY ASSESSOR DETERMINES THAT AN OWNERSHIP INTEREST WAS CONVEYED, TRANSFERRED OR OTHERWISE GRANTED TO THE VETERAN FOR THE PRIMARY PURPOSE OF QUALIFYING FOR THE EXEMPTION.

F. FOR THE PURPOSES OF THIS SECTION:

1. PRIMARY RESIDENCE DOES NOT INCLUDE A SECONDARY RESIDENCE, A RESIDENTIAL RENTAL PROPERTY OR ANY OTHER PROPERTY THAT IS NOT OCCUPIED BY THE OWNER.

2. "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, SPACE FORCE 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.

42-11135. Exemption for primary residences of persons who are at least sixty-five years of age; affidavit; disqualification

A. PURSUANT TO ARTICLE IX, SECTION 2, CONSTITUTION OF ARIZONA, RESIDENTIAL PROPERTY THAT IS OWNED BY A PERSON WHO IS A CITIZEN OF THE UNITED STATES, WHO IS A RESIDENT OF THIS STATE FOR AT LEAST THE THREE TAX YEARS IMMEDIATELY PRECEDING THE TAX YEAR FOR WHICH THE EXEMPTION IS CLAIMED, WHO IS AT LEAST SIXTY-FIVE YEARS OF AGE AND WHO OCCUPIES THE PROPERTY AS THE PERSON'S PRIMARY RESIDENCE IS EXEMPT FROM TAXATION.

B. FOR THE PURPOSES OF THIS SECTION, A PRIMARY RESIDENCE THAT IS OWNED BY AT LEAST ONE PERSON WHO MEETS THE QUALIFICATIONS PRESCRIBED BY SUBSECTION A OF THIS SECTION IS ELIGIBLE FOR THE EXEMPTION UNDER THIS SECTION AND ANOTHER PERSON SHALL BE TREATED AS IF OWNED SOLELY BY THE PERSON WHO MEETS THE QUALIFICATIONS PRESCRIBED BY SUBSECTION A OF THIS SECTION.

C. THE OWNER OF THE PROPERTY SHALL INITIALLY ESTABLISH QUALIFICATION FOR EXEMPTION UNDER THIS SECTION BY FILING AN AFFIDAVIT WITH THE COUNTY ASSESSOR UNDER SECTION 42-11152.

D. A PERSON IS DISQUALIFIED FROM THE EXEMPTION UNDER THIS SECTION IF THE COUNTY ASSESSOR DETERMINES THAT AN OWNERSHIP INTEREST WAS CONVEYED, TRANSFERRED OR OTHERWISE GRANTED TO THE PERSON FOR THE PRIMARY PURPOSE OF QUALIFYING FOR THE EXEMPTION.

E. FOR THE PURPOSES OF THIS SECTION, PRIMARY RESIDENCE DOES NOT INCLUDE A SECONDARY RESIDENCE, A RESIDENTIAL RENTAL PROPERTY OR ANY OTHER PROPERTY THAT IS NOT OCCUPIED BY THE OWNER.

Sec. 3. Applicability

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

Sec. 4. Conditional enactment

This act does not become effective unless the Constitution of Arizona is amended by a vote of the people at the next general election by passage of House Concurrent Resolution ______, fifty-seventh legislature, second regular session, relating to property tax exemptions.