



County Supervisors
A S S O C I A T I O N
o f a r i z o n a

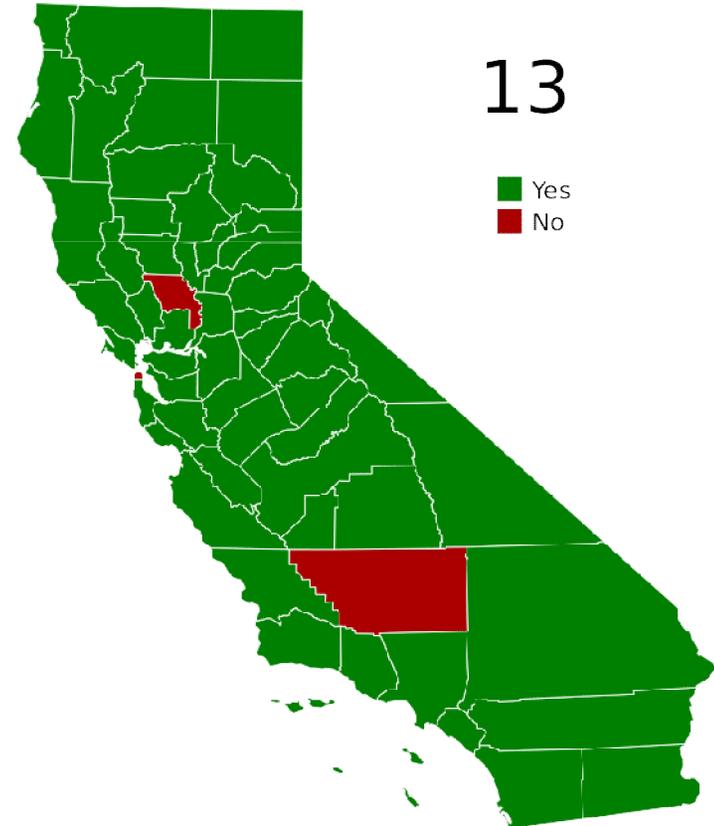
1% Constitutional Property Tax Cap: Background Briefing

California & Prop. 13

- Set off by a run up in assessed values
- Limited property taxes to 1% of the assessed value
- Growth in assessed value is capped at 2% annually



Prop. 13 Passed with 62.6% of the vote



Prop. 13 Starts a Wave

In November 1978 a group called "Citizens for Tax Relief" filed notice to circulate initiative petitions to bring a 1980 constitutional amendment to the ballot in Arizona --- referred to as "Arizona's Proposition 13"

The Kingman
 3015 Stockton Hill Road
 753-2121
 Fred Mohr
 Kingman,

Drive to limit taxes planned

PHOENIX (AP) — A group called Citizens for Tax Relief has filed notice of plans to circulate initiative petitions for a 1980 constitutional amendment election to limit taxes in Arizona.

Titled as "Arizona's Proposition 13," the proposal has the blessing of Californian Howard Jarvis, according to his daughter, Elaine Jarvis of Phoenix. Jarvis backed a similar measure adopted in California under the title of Prop. 13, but the number of such propositions in Arizona starts at 100.

The proposed Arizona amendment says that the "maximum aggregate amount" of all state and local property taxes "shall not exceed one percent of the full cash value of any such property."

William Housler, Tucson vice chairman of the sponsoring group, said that the "intent of this document is to set a maximum limit on yearly property taxes and to limit all other levels of Arizona

government in their authority to levy any new taxes."

The limit would not apply to taxes to meet interest and principal payments on debts approved by voters before the amendment took effect.

The proposed amendment defines full cash value as that determined for the 1975 tax rolls. Properties built or sold after that date would have full cash values equal to their "appraised" value, the proposal said. It does not define appraised value.

It says that the "full cash value may reflect, from year to year, the inflationary rate, not exceed 2 percent for any year." It also appears to permit full cash value cuts corresponding to any declines in the consumer price index.

The proposed amendment that "any changes in state taxes levied for the purpose of creating revenues collected must therein, whether by increas

rates or changes in methods of computation, must be imposed by... not less than two-thirds... of the legislature..." The amendment would rule out any new property taxes or sales taxes on property transactions.

The proposed amendment adds that cities, counties and special districts may, by a two-thirds vote of the registered voting electors of such jurisdiction, impose special taxes, except new ad valorem taxes



Letters
 Courier / Prescott, Az.
 Sun., Jan. 16, 1983 • 5A

Taxpayers must be on constant guard



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they'll probably w enforcement strict — then an care -special there's no end to vices they'll try o extract more xpayer" pocket. ayers, you must your guard to ing authorities nd the spending ion contained in age.

Robert W. Samz

Taxpayers' Revolt Growing in State of Washington, Too

Los Angeles Times Service

Olympia, Wash. — Gary O'Neil was notified by the Thurston County assessor the other day that the assessed value of his suburban home had soared from \$28,000 to \$47,000.

"I figure my property taxes are going to jump from around \$600 to more than \$1,000," O'Neil said.

That would be enough to make most homeowners mad, but not O'Neil, research director for the Washington State Finance Department.

guage in the initiative, however, it is unclear whether this means two-thirds of all registered voters or two-thirds of those who actually cast ballots.

Revolt Brewing

Despite Washington's restrictions on the property tax, about one-fourth of which is a statewide school levy, a taxpayers' revolt is brewing.

Many political figures and financial experts here consider this revolt somewhat curious in view of the state's

to 6% annually, excluding property taxes on new construction. Washington already has a 6% annual revenue increase limit on property taxes supporting local government.

Another proposal calls for an initiative on the ballot next fall that would tie current state spending to gross personal income. The plan would make the current ratio of personal spending to gross personal income

Tax Bombshell in California May Ignite Other Rebellions



Arizona Reacts

Babbitt asked to appoint panel to work on state tax reform

PHOENIX (AP) — Senate President Ed Sawyer has called on Gov. Bruce Babbitt to name a special committee to make recommendations on proposals for reshaping Arizona's tax structure and school financing system.

In a news conference Monday, Sawyer, a Safford Democrat said a special session to deal with the two issues, tentatively set for next fall, should begin early next year.

"I believe the consequences of delaying this massive effort until late next year, unless absolutely necessary, would be disastrous," Sawyer wrote in a letter to Babbitt.

A Babbitt spokesman said the governor wants to study Sawyer's request for an advisory committee

Arizona speaker urges overhaul of state property tax system

PHOENIX (AP) — A major tax overhaul with an effort to tilt school financing away from property taxes has been urged by House Speaker Frank Kelley, R-Scottsdale.

Kelley said he would ask the Legislative Council today for a joint House

with Kelley's proposal.

"We've got to get in and restructure the tax system and put less emphasis on the property tax," said Kelley. "It's time to start now to build the data banks and accumulate the mass of information that will be needed."

His target date for the

in several recommendations, including a long-range overhaul of the state taxing system.

Kelley said rising property valuations have people on fixed incomes "in a terrible bind."

He said there are inequities now within and between counties in

casions the Legislature has convened special sessions to deal with taxes and school aid.

The — lawmakers established a statewide property revaluation program in 1967, along with a school finance plan to help prevent a sharp property tax rise for

Babbitt wants property-tax lid

PHOENIX (AP) — Homeowners should be given property-tax relief but removing the sales tax on food is another question, Gov. Bruce Babbitt told state tax officials.

"We must tell the homeowners: 'Your property taxes will never exceed three-quarters of one percent of full-cash value,'" the governor said Thursday at the 1979 Arizona Tax Conference.

He called the sales tax on food "a regressive tax," but noted that "I've stopped short of saying I advocate outright repeal."

The proposal to limit homeowners' property taxes would cost the state \$175 million in annual revenue, and removing the four-percent sales tax from food would delete another "\$120 million to \$140 million," Babbitt said.

"There isn't a limitless pot," the governor said, warning against "digging ourselves into a hole."

The State Department of Revenue

and Arizona Association of Assessing Officers sponsored the conference, ending today.

• PLAN

Continued from page 1

rumors to the contrary, there has been no talk of the council voting in mass to spread the political heat for Fashbaugh and Gillis.

Councilman Ken Asplund, Fashbaugh and Gillis all said they have yet to make up their minds on the rezoning issue. However, Gillis said the specter of a recall election has not affected his thinking. "We're in a no-win situation, but all I can do is vote the way I feel and let the chips fall," he said.

"The sad thing about it is that the people who need the housing will still be without it."

"How about taking the sales tax off of food and putting it on gasoline in the name of conservation?"

• PV SUIT

Continued from page 1

The problem, he said, is that the road maintenance has already ceased. The court case would tie the town's hands on doing the work itself and the roads would continue to deteriorate, he said.

If not for that problem, Jensen said he would be glad to pursue the case for the town. "Frankly it could be a real pay day for me," he said.

Councilman Paul Pollard agreed with Jensen's assessment and made the motion to approve the settlement offer. "There's been enough shilly-shallying around on this. I'm convinced we've got to go ahead," he said.

This was 974 and an tax rebate buffer from valua-

upport level because of shifts and started on changes that come," said

E'S DAY HOLIDAY

Mo. (AP) — is the oldest d in the West-back some 1, -searchers for olved from the apercalla held for the god Iap-o, goddess of 6 A.D., Pope i that Feb. 14, feast, he cele-enture's Day in stinus, a priest at date in 304 g to renounce

- Governor Babbitt called a special session of the 34th Legislature in November 1979
- A total of six tax reform measures, a bill calling for a special election, and 10 ballot referenda were passed before the special session adjourned sine die on April 3, 1980



1% Cap Overview: Pre-2016

The amount of primary property tax that may be levied on a Class 03 residential property is limited to 1% of the property value

Example

For the purposes of primary property taxes:

- A home has an assessed value of **\$100,000**
- Class 03 carries a **10% assessment ratio**
- The home's Net Assessed Value (NAV) is **\$10,000**
- The 1% constitutional cap mean the home can only pay **\$1,000** (1% of \$100,000) in taxes
- Tax rates are always per \$100 NAV
- The maximum "effective" rate a property can pay is **\$10 per \$100 NAV**

$$\left(\frac{\$10,000 \text{ NAV}}{100} \right) * \$10 = \$1,000 \text{ tax bill}$$



1% Cap Overview: Pre-2016 Cont.

The “effective” tax rate is the rate paid after any adjustments pursuant to:

- A.R.S. § 15-971, Equalization Assistance
- A.R.S. § 15-972(B), Homeowners’ Rebate

Jurisdiction	Adopted Primary	Effective Primary
County	\$3.00	\$3.00
City	\$3.00	\$3.00
CCD	\$3.00	\$3.00
State	\$0.50	\$0.50
School Dist.	\$4.00	\$2.70
Total	\$13.50	\$12.20

Example

For the purposes of primary property taxes:

- School District A’s adopted rate is **\$4.00**
- 15-971 reduces the rate to **\$3.50**
- 15-972(B) reduces the rate to **\$2.70**
- The new “effective” school district rate is **\$2.70**



NOTE: All figures are used for the example only and do not reflect actual rates or tax burdens

1% Cap Overview: Pre-2016 Cont.

If the effective tax rate is still greater than \$10, the state reduces the school district rate through an additional payment until the total effective rate is \$10 pursuant to A.R.S. § 15-972(E)

Jurisdiction	Adopted Primary	Effective Primary	After 1%
County	\$3.00	\$3.00	\$3.00
City	\$3.00	\$3.00	\$3.00
CCD	\$3.00	\$3.00	\$3.00
State	\$0.50	\$0.50	\$0.50
School Dist.	\$4.00	\$2.70	\$0.50
Total	\$13.50	\$12.20	\$10.00

Example

Using the effective rates to the left:

- A home has an assessed value of **\$100,000**
- The rate reduction under the 1% cap is **\$2.20**
- The state will pay an additional **\$220** to the school district
- The new “effective” school district rate is **\$0.50**

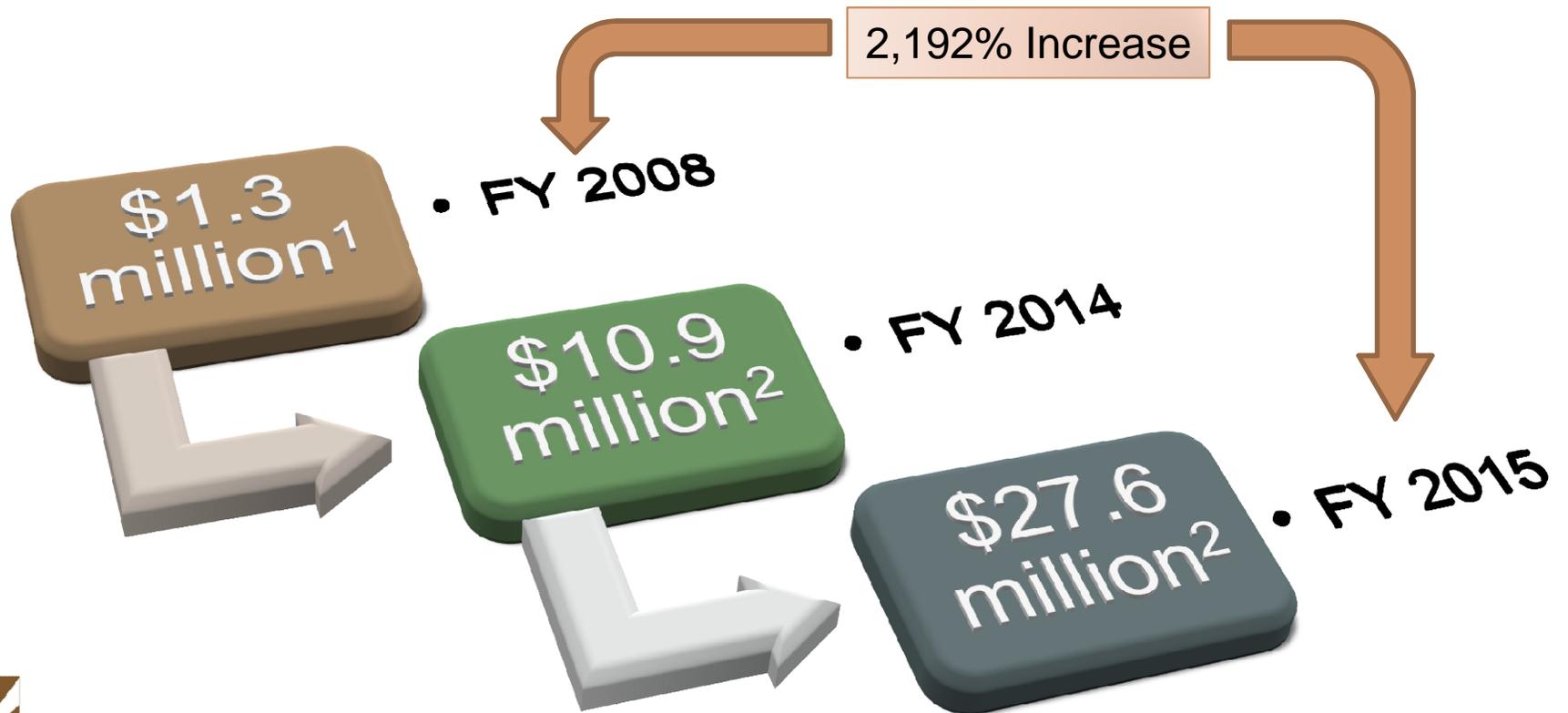


$$\text{Additional State 1\% payment} = \left[\frac{(\$100,000 * 0.10)}{100} \right] * \$2.20 = \$220$$

NOTE: All figures are used for the example only and do not reflect actual rates or tax burdens

1% Cap Overview: Pre-2016 Cont.

Estimated Cost to the State from 1% Backfill



¹Arizona Tax Research Association. (2009). *Arizona School Finance*. Phoenix, AZ: Olson, J
²Joint Legislative Budget Committee. (2015). *FY 2016 Baseline Book* (Pg. 161). Phoenix, AZ

FY 2016 Executive Proposal

- Cap the State's Liability at \$1 million per County
- Shift the remaining liability to the local jurisdictions (county, cities & towns, community college, and school districts)
- The liability would be allocated based on a jurisdiction's share of the total tax rate

Example

Total 1% Liability: \$1,500,000	Primary rate	Liability Above 1%
County	\$3.00	\$125,000 reduction
City	\$3.00	\$125,000 reduction
Comm. College	\$1.50	\$62,500 reduction
Elementary SD ¹	\$2.00	\$83,333 reduction
High School SD ¹	\$2.00	\$83,333 reduction
State	\$0.50	\$1,020,834 payment
Total Rate	\$12.00	

¹School district rate after making adjustments pursuant to A.R.S. § 15-971 & § 15-972(B)

$$\text{Jurisdictional Liability} = \left(\frac{\text{Jurisdiction rate}}{\text{total rate}} \right) * 1\% \text{ liability in excess of } \$1 \text{ million}$$

$$\text{County Liability} = \left(\frac{3.00}{12.00} \right) * 500,000 = 125,000$$



NOTE: All figures are used for the example only and do not reflect actual rates or tax burdens

FY 2016 Budget: CSA Interpretation

- Laws 2015 Chapter 15 § 7 (SB 1476) added paragraph (K) to A.R.S § 15-972
- Paragraph (K) caps the state's 1% liability at \$1 million per county and shifts any remaining liability to [qualified] local jurisdictions
- The liability is then proportionally allocated to each [qualified] jurisdiction based on that jurisdiction's rate compared to the sum of all [qualified] jurisdictions rates

Total 1% Liability: \$1,500,000	Primary rate	Qualified jurisdictions	Liability Above 1%
County avg: \$2.00	\$3.00	\$3.00	\$333,333 reduction
City avg: \$3.50	\$3.00	\$0	No reduction
Comm. College avg: \$1.30	\$1.50	\$1.50	\$166,667 reduction
Elementary SD ¹ Not included	\$2.00	\$0	No reduction
High School SD ¹ Not included	\$2.00	\$0	No reduction
State Not included	\$0.50	\$0	\$1,000,000 payment
Total Rate	\$12.00	\$4.50	

¹School district rate after making adjustments pursuant to A.R.S. § 15-971 & § 15-972(B)

$$\text{Jurisdictional Liability} = \left(\frac{\text{qualified Jurisdiction tax rate}}{\text{total qualified tax rate}} \right) * 1\% \text{ liability in excess of } \$1 \text{ million}$$

$$\text{County Liability} = \left(\frac{3.00}{4.50} \right) * 500,000 = 333,333$$



NOTE: All figures are used for the example only and do not reflect actual rates or tax burdens