



Property Taxes

Council Presentation

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Agenda

- **Arizona Property Tax System**
- **1% Limit**
- **Impact Across Arizona**
- **Impact on Maricopa**
- **Potential Solutions**



Arizona Property Tax System

➤ Unique vs. Other States

- ❖ Values
- ❖ Taxes ~ Rates ~ Levies ~ Revenue
- ❖ Limits
- ❖ Control by Legislature



Arizona Property Tax System

➤ Values

- ❖ Primary & Secondary for All Property (Identical Value, Effective 2016)
- ❖ “Compressed” Taxable Value

	Market Value	×	Ratio %	÷	100	=	Taxable Value
House	\$200,000		10%		100		\$200
Business	\$200,000		19%		100		\$380

➤ Taxes ~ Rates ~ Levies ~ Revenue

Tax	Use	Community			School	Special
		City	College	County	District	District
Primary	Operating	✓	✓	✓	✓	✗
	1. Bonds	✓	✓	✓	✓	✓
Secondary	2. Override	✗	✓	✓	✓	✓
	3. Operating	✗	✗	✗	✗	✓



Arizona Property Tax System

➤ Limits

❖ Value

- Primary & Secondary
- Annual Growth Limited to 5%

❖ Revenue

- Primary Only
- City, Community College, County
 - Annual Growth Limited to 2% + New Construction/Value
- School ~ Unlimited ~ But Set Annually by Legislature

❖ Use

- Primary & Secondary (Prior Slide)

❖ Tax

- Primary Only
- 1% Limit ~ Tax Limited to 1% of Home Value



1% Limit

- **Owner/Occupied Residential Properties (Homeowners)**
- **Limits Primary Taxes Paid to 1% of Value**
- **Combined Primary Rate**
 - ❖ City, Community College, County, School District
 - ❖ Cannot Exceed \$10.00



1% Limit

➤ **State Funds Portion of School District Operations**

❖ State Aid for Education (SAE)

- Reduces All School District Rates
- Reduces “Most” Combined Rates to Below \$10.0000
- State Continues to Appropriate SAE ~ Current SAE @ 44%

❖ Additional State Aid for Education (ASAE)

- If Combined Rates Above \$10.000
- Further Reduces “Select” School District Rates
- No ASAE Appropriations for Several Years

➤ **No Authority to Reduce Rates for City, College, County**

➤ **No Funding to Offset Losses to City, College, County**



Impact Across Arizona

➤ Jurisdictions with Combined Rates Above \$10.000 (Before SAE)

❖ FY 2010

- Cities: 12
- Community Colleges: 7
- Counties: 8
- School Districts: 25
- Unincorporated Areas: 15

❖ FY 2015

- Cities: 31
- Community Colleges: 12 (New College in Santa Cruz County)
- Counties: 12
- School Districts: 85
- Unincorporated Areas: 56



Impact Across Arizona

➤ Jurisdictions Losing Revenue

❖ Combined Rates Above \$10.0000 AFTER SAE

❖ FY 2010

- Cities: 6
- Community Colleges: 2
- Counties: 2

❖ FY 2015

- Cities: 12
- Community Colleges: 5
- Counties: 5

Cities		
Bisbee	Mammoth	South Tuscon
Coolidge	Maricopa	Superior
Florence	Miami	Tuscon
Hayden	Queen Creek	Winkelman

Counties (Community Colleges)		
Cochise	Maricopa	Pinal
Gila	Pima	



Impact Across Arizona

➤ Problem Growing

❖ Reduced Property Assessment Ratios

- Commercial ~ 25% (FY 2006) to 18% (FY 2016)
- Agricultural ~ 16% (FY 2015) to 15% (FY 2016)

❖ Limit to Property Value Growth

- 5% Annual (FY 2016)

❖ New Construction

- Can Relieve Problem in Short-Term
- Depends On Mix Residential & Non-Residential Property
- Does Not Resolve Problem in Long-Term



Impact On Maricopa

➤ **Estimating Lost Revenue**

- ❖ Within Maricopa Boundaries
- ❖ Residential/Owner Occupied as % of Total Property Value
- ❖ SAE Funding (@ 44%)
- ❖ SAE Benefit Limited to \$600 per Residential Property

➤ **Draft Estimate, Subject to Revision**

- ❖ Low: \$750,000
- ❖ High: \$1,500,000



Potential Solutions

➤ **SAE Increase**

- ❖ Unlikely ~ School Funding & Deficit

➤ **ASAE Appropriation**

- ❖ Unlikely

➤ **Legal Action**

- ❖ Possible ~ But, Recent Precedent.....
- ❖ Effective FY 2006, Legislature Reduced Maximum Levy
 - From FY 1979 Levy to FY 2005 Levy
 - Several Cities Lost Capacity ~ FY 2005 Taxes Below Maximum Levy
 - Cities Initiated Legal Action ~ No Relief



Potential Solutions

➤ **Override**

- ❖ “Shift” Operating Expenses to Secondary Tax
- ❖ Constitution Authorizes Subject to Statute
- ❖ Statutes
 - Authorize Counties & Schools to Seek Override
 - NO Current Authority for Cities to Seek Override
- ❖ Optimal Solution
 - “Automatic” Override for Select Jurisdictions
 - Set Levies/Rates as per Constitution & Statutes
 - But, Losing Revenue Due To:
 - 1% Limit
 - Insufficient SAE & No ASAE

