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ALLY MILLER
SUPERVISOR

MEMORANDUM

To: Robin Brigode

Date: March 17, 2015

Re: **Addendum item for April 7, 2015**
Board of Supervisors Meeting

From: Ally Miller, District 1, Supervisor
Pima County Board of Supervisors

A handwritten signature in blue ink, appearing to be "AM", is written next to the "From:" line.

Please place the following item on the **April 7, 2015**, Board of Supervisors Meeting Agenda
Addendum:

**Discussion and clarification of the 1% Constitutional Property Tax Cap and County liability
pursuant to Article IX, SECTION 18 of the Arizona Constitution.**



Fifty-second Legislature - First Regular Session

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18.!!Residential ad valorem tax limits; limit on increase in values; definitions

Section 18. (1) The maximum amount of ad valorem taxes that may be collected from residential property in any tax year shall not exceed one per cent of the property's full cash value as limited by this section.

(2) The limitation provided in subsection (1) does not apply to:

(a) Ad valorem taxes or special assessments levied to pay the principal of and interest and redemption charges on bonded indebtedness or other lawful long-term obligations issued or incurred for a specific purpose.

(b) Ad valorem taxes or assessments levied by or for property improvement assessment districts, improvement districts and other special purpose districts other than counties, cities, towns, school districts and community college districts.

(c) Ad valorem taxes levied pursuant to an election to exceed a budget, expenditure or tax limitation.

(3) Except as otherwise provided by subsections (5), (6) and (7) of this section:

(a) Through tax year 2014, the value of real property and improvements and the value of mobile homes used for all ad valorem taxes except those specified in subsection (2) shall be the lesser of the full cash value of the property or an amount ten per cent greater than the value of property determined pursuant to this subsection for the prior year or an amount equal to the value of property determined pursuant to this subsection for the prior year plus one-fourth of the difference between such value and the full cash value of the property for current tax year, whichever is greater.

(b) For the purposes of taxes levied beginning in tax year 2015, the value of real property and improvements, including mobile homes, used for all ad valorem taxes shall be the lesser of the full cash value of the property or an amount five per cent greater than the value of property determined pursuant to this subsection for the prior year.

(4) The legislature shall by law provide a method of determining the value, subject to the provisions of subsection (3), of new property.

(5) The limitation on increases in the value of property prescribed in subsection (3) does not apply to equalization orders that the legislature specifically exempts by law from such limitation.

(6) Subsection (3) does not apply to:

(a) Property used in the business of patented or unpatented producing mines and the mills and the smelters operated in connection with the mines.

(b) Producing oil, gas and geothermal interests.

(c) Real property, improvements thereto and personal property used thereon used in the operation of telephone, telegraph, gas, water and electric utility companies.

- (d) Aircraft that is regularly scheduled and operated by an airline company for the primary purpose of carrying persons or property for hire in interstate, intrastate or international transportation.
 - (e) Standing timber.
 - (f) Property used in the operation of pipelines.
 - (g) Personal property regardless of use except mobile homes.
- (7) A resident of this state who is sixty-five years of age or older may apply to the county assessor for a property valuation protection option on the person's primary residence, including not more than ten acres of undeveloped appurtenant land. To be eligible for the property valuation protection option, the resident shall make application and furnish documentation required by the assessor on or before September 1. If the resident fails to file the application on or before September 1, the assessor shall process the application for the subsequent year. If the resident files an application with the assessor on or before September 1, the assessor shall notify the resident whether the application is accepted or denied on or before December 1. The resident may apply for a property valuation protection option after residing in the primary residence for two years. If one person owns the property, the person's total income from all sources including nontaxable income shall not exceed four hundred per cent of the supplemental security income benefit rate established by section 1611(b)(1) of the social security act. If the property is owned by two or more persons, including a husband and wife, at least one of the owners must be sixty-five years of age or older and the owners' combined total income from all sources including nontaxable income shall not exceed five hundred per cent of the supplemental security income benefit rate established by section 1611(b)(1) of the social security act. The assessor shall review the owner's income qualifications on a triennial basis and shall use the owner's average total income during the previous three years for the review. If the county assessor approves a property valuation protection option, the value of the primary residence shall remain fixed at the valuation determined pursuant to subsection (3) that is in effect during the year the property valuation protection option is filed and as long as the owner remains eligible. To remain eligible, the county assessor shall require a qualifying resident to reapply for the property valuation protection option every three years and shall send a notice of reapplication to qualifying residents six months before the three year reapplication requirement. If title to the property is conveyed to any person who does not qualify for the property valuation protection option, the property valuation protection option terminates, and the property shall revert to its current full cash value.
- (8) The legislature shall provide by law a system of property taxation consistent with the provisions of this section.
- (9) For the purposes of this section:
- (a) "Owner" means the owner of record of the property and includes a person who owns the majority beneficial interest of a living trust.
 - (b) "Primary residence" means all owner occupied real property and improvements to that real property in this state that is a single family home, condominium or townhouse or an owner occupied mobile home and that is used for residential purposes.



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A. Notwithstanding section 15-971, there shall be additional state aid for education computed for school districts as provided in subsection B of this section.

B. The clerk of the board of supervisors shall compute such additional state aid for education as follows:

1. For a high school district or for a common school district within a high school district which does not offer instruction in high school subjects as provided in section 15-447:

(a) Determine the qualifying tax rate pursuant to section 41-1276 for the school district.

(b) Determine the following percentage of the qualifying tax rate determined in subdivision (a) of this paragraph:

(i) Thirty-five per cent through December 31, 2005.

(ii) Thirty-six per cent beginning from and after December 31, 2005 through December 31, 2006.

(iii) Thirty-seven per cent beginning from and after December 31, 2006 through December 31, 2007.

(iv) Thirty-eight per cent beginning from and after December 31, 2007 through December 31, 2008.

(v) Thirty-nine per cent beginning from and after December 31, 2008 through December 31, 2009.

(vi) Forty per cent beginning from and after December 31, 2009.

(vii) Such further adjustments of the percentage beginning from and after December 31, 2012 as provided by law.

(c) Select the lesser of the amount determined in subdivision (b) of this paragraph or forty per cent of the primary property tax rate that would be levied in lieu of the provisions of this section for the district.

(d) Multiply the rate selected in subdivision (c) of this paragraph as a rate per one hundred dollars assessed valuation by the assessed valuation used for primary property taxes of the residential property in the school district.

2. For a unified school district, for a common school district not within a high school district or for a common school district which offers instruction in high school subjects as provided in section 15-447:

(a) Determine the qualifying tax rate pursuant to section 41-1276 for the school district.

(b) Determine the following percentage of the tax rate determined in subdivision (a) of this paragraph:

(i) Thirty-five per cent through December 31, 2005.

(ii) Thirty-six per cent beginning from and after December 31, 2005 through December 31, 2006.

(iii) Thirty-seven per cent beginning from and after December 31, 2006 through December 31, 2007.

(iv) Thirty-eight per cent beginning from and after December 31, 2007 through December 31, 2008.

(v) Thirty-nine per cent beginning from and after December 31, 2008 through December 31, 2009.

(vi) Forty per cent beginning from and after December 31, 2009.

(vii) Such further adjustments of the percentage beginning from and after December 31, 2012 as provided by law.

(c) Select the lesser of the amount determined in subdivision (b) of this paragraph or forty per cent of the primary property tax rate that would be levied in lieu of the provisions of this section for the district.

(d) Multiply the rate selected in subdivision (c) of this paragraph as a rate per one hundred dollars assessed valuation by the assessed valuation used for primary property taxes of the residential property in the district.

C. The clerk of the board of supervisors shall report to the department of revenue not later than the Friday following the third Monday in August of each year the amount by school district of additional state aid for education and the data used for computing the amount as provided in subsection B of this section. The department of revenue shall verify all of the amounts and report to the county board of supervisors not later than August 30 of each year the property tax rate or rates which shall be used for property tax reduction as provided in subsection E of this section.

D. The board of supervisors shall reduce the property tax rate or rates that would be levied in lieu of the provisions of this section by the school district or districts on the assessed valuation used for primary property taxes of the residential property in the school district or districts by the rate or rates selected in subsection B, paragraph 1, subdivision (c) and paragraph 2, subdivision (c) of this section. The excess of the reduction in property taxes for a parcel of property resulting from the reduction in the property tax rate pursuant to this subsection over the amounts listed in this subsection shall be deducted from the amount of additional state aid for education. The reduction in property taxes on a parcel of property resulting from the reduction in the property tax rate pursuant to this subsection shall not exceed the following amounts except as provided in subsection I of this section:

1. Five hundred dollars through December 31, 2005.

2. Five hundred twenty dollars beginning from and after December 31, 2005 through December 31, 2006.

3. Five hundred forty dollars beginning from and after December 31, 2006 through December 31, 2007.

4. Five hundred sixty dollars beginning from and after December 31, 2007 through December 31, 2008.

5. Five hundred eighty dollars beginning from and after December 31, 2008 through December 31, 2009.

6. Six hundred dollars beginning from and after December 31, 2009.

E. Prior to the levying of taxes for school purposes the board of supervisors shall determine whether the total primary property taxes

to be levied for all taxing jurisdictions on each parcel of residential property, in lieu of the provisions of this subsection, violate article IX, section 18, Constitution of Arizona. For those properties that qualify for property tax exemptions pursuant to article IX, sections 2, 2.1 and 2.2, Constitution of Arizona, eligibility for the credit is determined on the basis of the limited property value that corresponds to the taxable assessed value after reduction for the applicable exemption. If the board of supervisors determines that such a situation exists, the board shall apply a credit against the primary property taxes due from each such parcel in the amount in excess of article IX, section 18, Constitution of Arizona. Such excess amounts shall also be additional state aid for education for the school district or districts in which such parcel of property is located. F. The clerk of the board of supervisors shall report to the department of revenue not later than September 5 of each year the amount by school district of additional state aid for education and the data used for computing the amount as provided in subsection B of this section. The department of revenue shall verify all of the amounts and report to the board of supervisors not later than September 10 of each year the property tax rate which shall be used for property tax reduction as provided in subsection E of this section. G. The clerk of the board of supervisors shall report to the department of revenue not later than September 30 of each year in writing the following:

1. The data processing specifications used in the calculations provided for in subsections B and E of this section.

2. At a minimum, copies of two actual tax bills for residential property for each distinct tax area.

H. The department of revenue shall report to the state board of education not later than October 12 of each year the amount by school district of additional state aid for education as provided in this section. The additional state aid for education provided in this section shall be apportioned as provided in section 15-973.

I. If a parcel of property is owned by a cooperative apartment corporation or is owned by the tenants of a cooperative apartment corporation as tenants in common, the reduction in the property taxes prescribed in subsection D of this section shall not exceed the amounts listed in subsection D of this section for each owner occupied housing unit on the property. The assessed value used for determining the reduction in taxes for the property is equal to the total assessed value of the property times the ratio of the number of owner occupied housing units to the total number of housing units on the property. For the purposes of this subsection, "cooperative apartment corporation" means a corporation:

1. Having only one class of outstanding stock.

2. All of the stockholders of which are entitled, solely by reason of their ownership of stock in the corporation, to occupy for dwelling purposes apartments in a building owned or leased by such corporation and who are not entitled, either conditionally or unconditionally, except upon a complete or partial liquidation of the corporation, to receive any distribution not out of earnings and profits of the corporation.

3. Eighty per cent or more of the gross income of which is derived from tenant-stockholders. For the purposes of this paragraph, "gross income" means gross income as defined by the United States internal revenue code, as defined in section 43-105.

J. The total amount of state monies that may be spent in any fiscal

year for state aid for education in this section shall not exceed the amount appropriated or authorized by section 35-173 for that purpose. This section shall not be construed to impose a duty on an officer, agent or employee of this state to discharge a responsibility or to create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the expenditure authorized by legislative appropriation for that specific purpose.

K. For the purposes of this section:

1. "Owner" includes any purchaser under a contract of sale or under a deed of trust.
2. "Residential property" includes owner occupied real property and improvements to the property and owner occupied mobile homes that are used as the owner's primary residence and classified as class three property pursuant to section 42-12003.



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15-992. School district tax levy; additional tax in districts ineligible for equalization assistance; definition

A. The board of supervisors of each county shall annually, at the time of levying other taxes, levy school district taxes on the property in any school district in which additional amounts are required, which shall be at rates sufficient to provide the additional amounts. No delinquency factor for estimated uncollected taxes may be included in the computation of the primary tax rate for school district taxes. No local property taxes may be levied for any deficit in the classroom site fund. The taxes shall be added to and collected in the same manner as other county taxes on the property within the school district. The amount of the school district taxes levied upon the property in a particular school district shall be paid into the school fund of such school district.

B. At the same time of levying taxes as provided in subsection A of this section, the county board of supervisors shall annually levy an additional tax in each school district that is not eligible for equalization assistance as provided in section 15-971 in an amount determined as follows:

1. Determine the levy that would be produced by fifty per cent of the applicable qualifying tax rate, prescribed in section 15-971, subsection B, per one hundred dollars assessed valuation.

2. Subtract the amount determined in section 15-971, subsection A from the levy determined in paragraph 1 of this subsection. This difference is the additional amount levied or collected as voluntary contributions pursuant to title 48, chapter 1, article 8, except that if the difference is zero or is a negative number, there shall be no levy.

C. Monies collected pursuant to subsection B of this section shall be transmitted to the state treasurer for deposit in the state general fund to aid in school financial assistance.

D. The additional tax prescribed in subsection B of this section is considered to be primary property tax for purposes of section 15-972, subsection B, except that this state is not required to make the payments prescribed in section 15-972, subsection H for these reductions in taxes.

E. For the purposes of this section, "assessed valuation" includes the values used to determine voluntary contributions collected pursuant to title 9, chapter 4, article 3 and title 48, chapter 1, article 8.



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15-971. Determination of equalization assistance payments from county and state funds for school districts

A. Equalization assistance for education is computed by determining the total of the following:

1. The lesser of a school district's revenue control limit or district support level as determined in section 15-947 or 15-951.
2. District additional assistance of a school district as determined in section 15-951 or 15-961.

B. From the total of the amounts determined in subsection A of this section subtract:

1. The amount that would be produced by levying the applicable qualifying tax rate determined pursuant to section 41-1276 for a high school district or a common school district within a high school district that does not offer instruction in high school subjects as provided in section 15-447.
2. The amount that would be produced by levying the applicable qualifying tax rate determined pursuant to section 41-1276 for a unified school district, a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects as provided in section 15-447. The qualifying tax rate shall be applied in the following manner:

(a) For the purposes of the amount determined in subsection A, paragraph 1 of this section:

(i) Determine separately the percentage that the weighted student count in preschool programs for children with disabilities, kindergarten programs and grades one through eight and the weighted student count in grades nine through twelve is to the weighted student count determined in subtotal A as provided in section 15-943, paragraph 2, subdivision (a).

(ii) Apply the percentages determined in item (i) of this subdivision to the amount determined in subsection A, paragraph 1 of this section.

(b) For the purposes of the amounts determined in subsection A, paragraph 2 of this section, determine separately the amount of the district additional assistance attributable to the student count in preschool programs for children with disabilities, kindergarten programs and grades one through eight and grades nine through twelve.

(c) From the amounts determined in subdivisions (a) and (b) of this

paragraph, subtract the levy that would be produced by the current qualifying tax rate for a high school district or a common school district within a high school district that does not offer instruction in high school subjects as provided in section 15-447. If the qualifying tax rate generates a levy that is in excess of the total determined in subsection A of this section, the school district shall not be eligible for equalization assistance. For the purposes of this subsection, "assessed valuation" includes the values used to determine voluntary contributions collected pursuant to title 9, chapter 4, article 3 and title 48, chapter 1, article 8 and the assessed value of all property subject to the government property lease excise tax pursuant to title 42, chapter 6, article 5.

3. The amount that would be produced by levying a qualifying tax rate in a joint technical education district, which shall be five cents per one hundred dollars assessed valuation unless the legislature sets a lower rate by law.

C. County aid for equalization assistance for education shall be computed as follows:

1. Determine the total equalization assistance for all school districts in the county as provided in subsections A and B of this section.

2. Determine the total amount of state equalization assistance collected for all school districts in the county as provided in section 15-994.

3. Divide the amount determined in paragraph 2 of this subsection by the amount determined in paragraph 1 of this subsection.

4. Multiply the amount determined in subsections A and B of this section by the quotient determined in paragraph 3 of this subsection for each school district.

5. The amount determined in paragraph 4 of this subsection shall be the county aid for equalization assistance for education for a school district.

D. State aid for equalization assistance for education for a school district shall be computed as follows:

1. Determine the equalization assistance for education for a school district as provided in subsections A and B of this section.

2. For each county, determine the levy that would be produced by the state equalization assistance property tax rate prescribed in section 15-994, subsection A.

3. Prorate the amount determined in paragraph 2 of this subsection to each school district in the county as prescribed by subsection C of this section.

4. Subtract the amount determined in paragraph 3 of this subsection from the amount determined in paragraph 1 of this subsection.

E. Equalization assistance for education shall be paid from appropriations for that purpose to the school districts as provided in section 15-973.

F. A school district shall report expenditures on approved career and technical education and vocational education programs in the annual financial report according to uniform guidelines prescribed by the uniform system of financial records and in order to facilitate compliance with sections 15-255 and 15-904.

G. The additional weight for state aid purposes given to special education as provided in section 15-943 shall be given to school districts only if special education programs comply with chapter 7, article 4 of this title and the conditions and standards prescribed by the superintendent of public instruction pursuant to rules of the state board of education for pupil identification and placement pursuant to

sections 15-766 and 15-767.

H. In addition to general fund appropriations, all amounts received pursuant to section 37-521, subsection B, paragraph 3 and section 42-5029, subsection E, paragraph 5 and from any other source for the purposes of this section are appropriated for state aid to schools as provided in this section.

I. The total amount of state monies that may be spent in any fiscal year for state equalization assistance shall not exceed the amount appropriated or authorized by section 35-173 for that purpose. This section shall not be construed to impose a duty on an officer, agent or employee of this state to discharge a responsibility or to create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the expenditure authorized by legislative appropriation for that specific purpose.