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ARIZONA TAX RESEARCH ASSOCIATION

Bad Policies Drive High Property Tax Rates in Downtown Phoenix

Property tax rates for Fiscal Year 2017 were recently set with several notable changes. Top among taxpayer concerns are property tax rates in downtown Phoenix, where the average combined total property tax rate is now \$18.64, 43% higher than the urban average in Arizona of \$13.09. These high tax rates certainly influence debates at City Hall over the usage of targeted property tax breaks. It should surprise no economic developer why commercial and industrial enterprises are reluctant to locate in downtown Phoenix without a substantial property tax break.

This year the City of Phoenix raised property tax rates 19% as was discussed in the ATRA July 2016 newsletter. Even with strong property values, Phoenix has one of the highest city rates in the state.

Downtown Phoenix property taxpayers have long faced punitive tax rates associated with the budget supplanting Deseg levy for Phoenix Union High School District and the OCR levy for Phoenix Elementary, which together add roughly \$3.15 to the total tax rate.

Unfortunately for taxpayers, the City of Phoenix has responded to its high property tax rate problem by continuing to use Government Property Lease Excise Tax (GPLET) to abate taxes for well-connected developers, removing more than \$1.5 billion in full cash value from the tax rolls. One cannot blame the businesses for requesting the deals- no one would wish to pay property tax rates literally double that of Scottsdale- and frankly when so many are getting a break it would be foolish not to demand a GPLET.

Downtown Tucson long held the distinction of highest urban property tax rates but Phoenix has now far surpassed them by 11%. The impacts to taxpayers are not academic: a small business with a total valuation of \$1 million pays about \$10,000 less per year if they locate in metro Phoenix but outside of the core downtown. For state lawmakers, it means directing state general fund dollars to offset homeowner taxes in six downtown Phoenix school districts with total primary rates in excess of \$10.00, known as the constitutional homeowner 1% Cap.

