

# **Prop. 101 recalculates levy limits set in 1980**

By Jim Small, [jim.small@azcapitoltimes.com](mailto:jim.small@azcapitoltimes.com)

*Capitol Times, October 20, 2006*

It may not be a sexy issue, but a state senator says that if a ballot proposition concerning local property tax rates doesn't receive voter approval, homeowners in some tax jurisdictions could face steep property tax increases and have no recourse.

"If [Proposition] 101 fails, then we're at the mercy of the local government to be nice and, on their own, not increase property taxes," Sen. Dean Martin, R-6, said. "101 is the way to make sure your property tax doesn't go up next year."

The ballot measure, if approved, would amend the state Constitution and recalculate the levy limits afforded to counties, cities, towns and community colleges granted by voters in 1980. Those limits allowed those jurisdictions to grow their previous year's primary property tax rate by 2 percent, plus new construction. Proposition 101 would change the base levy limits for the jurisdictions to the property tax levels employed in 2005, eliminating more than \$186 million in taxing capacity that currently exists.

Though the total taxing capacity would be eliminated, the proposition will not lower tax rates, nor will it reduce the tax revenue received by any of the affected jurisdictions.

Since voters first approved the system in 1980, the capacity to levy primary property taxes has outpaced the actual levy rates. The intent of the levy limits was to see property taxes decrease slightly each year, but the maximum rates for some jurisdictions have grown considerably, particularly for those jurisdictions that had higher property tax rates when the limits were first put into practice. Increased growth across the state has also raised the maximum levy rate in many jurisdictions, even though the local governments may be taxing far below that level.

## **Sen. Martin: Taxpayers could be hit overnight**

Some jurisdictions have maximum property tax rates that are greater than 150 percent of the current tax rate. Mr. Martin says taxpayers could be hit overnight with staggering tax increases if the proposition doesn't pass. The goal, he says, is to put control of taxing back in the hands of voters.

"It doesn't take any power from your local jurisdiction, they just have to ask your permission before they take your money," he said.

Ken Strobek, the executive director of the League of Arizona Cities and Towns, said his organization is neutral on the measure, largely because it was the least objectionable of several pieces of legislation drafted last session that aimed to protect property owners from the tax effects of rising property values. He said there were some concerns, though,

that it seemed to impact those cities and towns that had taxed residents the lowest.

“It’s like punishing those who have been the most responsible,” he said. “Those who did not tax the highest lose their capacity.”

Kevin McCarthy, president of the Arizona Tax Research Association, a non-profit watchdog organization, is the chairman of the Yes on Proposition 101 campaign committee. He says the glut of ballot measures — there are 19 statewide measures on the Nov. 7 ballot — could lead to voter fatigue or complacency.

Even though there is no organized opposition to the proposition, nor were there any arguments against the measure in the Secretary of State’s 2006 elections publicity pamphlet, Mr. McCarthy said his group is not going to forgo campaigning, especially in light of the defeat of 2004’s Proposition 102, which would have allowed the state to take stock in a private company in exchange for technology or intellectual property created by a state university. The measure had no opposition, but it was defeated by voters.

“We’re going to try to do some direct mail and touch each voter in the state at least once,” he said. “You have to communicate a message to voters as to why they should vote, why they should support something.

“Relying on no opposition is not a way to get something to pass.”

### **Ballot Language**

#### **Prop. 101: Local Gov’t Levy Limits**

Amend the state Constitution to change the amount local governments are permitted to raise through the property tax. Currently, the maximum is the actual amount raised in 1980 increased by 2% per year plus the value of new construction. This amendment would eliminate unused taxing capacity by establishing the actual amount raised in 2005 as the new base. The amendment would not alter provisions for an annual 2% increase in the base amount or an adjustment to reflect new construction. Referred by Legislature (HCR 2056, 2006 Reg. Session)