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ARIZONA TAX RESEARCH ASSOCIATION

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City Sales Tax Rates Continue to Climb

Cities and towns rely heavily on sales tax revenues, and that reliance has increased dramatically since 1980.

In 1980, the 65 cities and towns that levied a sales tax had rates that ranged from 1% to 2%. The average rate levied was 1.2% with 14 cities levying a 2% rate. By 1990, out of the 88 cities and towns levying sales taxes, 50 levied a rate of 2% or higher. Rates ranged from 1% to 3%, with the average rate at 1.6%. In 2004, 74 of the 91 cities and towns that levy a sales tax have a rate of 2% or higher, with rates ranging anywhere from 1.25% to 3.5%, an average of 2.3%. The adjacent table reflects only general sales tax rate increases and does not include rate increases on specific classes, such as the hotel/motel classification, advertising, prime contracting, etc.

Several overall sales tax rates (state, county, and city rates combined) are now nearing and in some cases exceeding 10%. Rates now range from 7.35% in the City of Nogales to 10.10% in the Town of Winkelman.

Since 2003, 18 cities and towns increased their sales or use tax rates. With no cap on city sales tax rates, it could be commonplace in the near future to see overall rates in excess of 10%.

Jennifer Schuldt

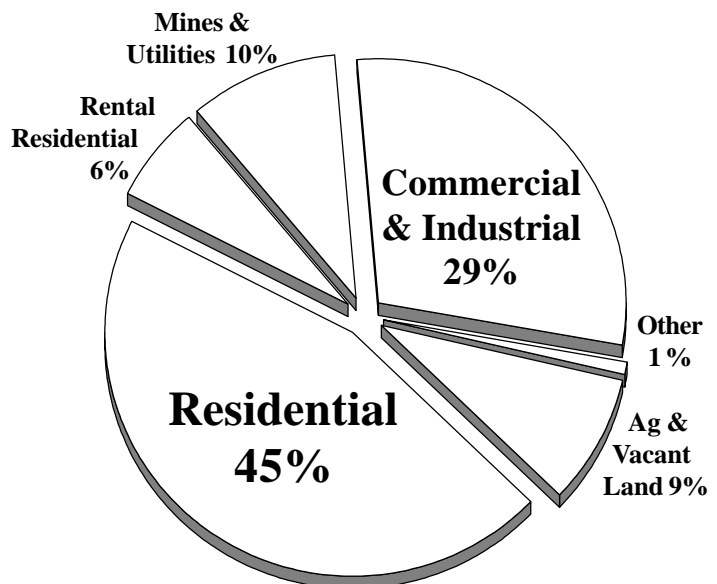
Note: Go to www.arizonatax.org for a table showing sales tax rate trends from 1980 through 2004.

Recent City and Town Sales Tax Rate Increases

City/Town	from	to	rate type	Effective Date
Avondale (voter approved)	2.00%	2.50%	sales	1/1/04
Chino Valley	2.00%	3.00%	sales & use	9/1/04
Coolidge	2.00%	3.00%	sales & use	8/1/04
El Mirage	0.00%	3.00%	use	6/1/04
Flagstaff (voter approved)	1.57%	1.60%	sales	7/1/03
Fountain Hills	1.60%	2.60%	sales & use	4/1/03
Guadalupe	2.00%	3.00%	sales	7/1/03
Hayden	1.00%	3.00%	sales & use	3/1/04
Marana	2.00%	2.50%	sales & use	10/1/04
Maricopa	-	2.00%	sales & use	1/1/04
Miami	1.50%	2.50%	sales	5/1/03
Page	2.00%	3.00%	sales & use	8/1/03
Paradise Valley	1.40%	1.65%	sales & use	9/1/04
Queen Creek	1.00%	2.00%	sales & use	3/1/03
Scottsdale (voter approved)	1.40%	1.65%	sales	7/1/04
Scottsdale (voter approved)	1.20%	1.45%	use	7/1/04
Sierra Vista	0.00%	1.60%	use	11/1/03
Sierra Vista	1.50%	1.60%	sales	11/1/03
Surprise	2.00%	2.20%	sales	4/4/04
Tucson	0.00%	2.00%	use	7/1/03
Wickenburg	1.00%	1.70%	sales	10/1/03

Source: League of Arizona Cities & Towns, *Model City Tax Code*.

2004 NET ASSESSED VALUES



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ATRA STATEMENTS ON PROPOSITIONS

The statewide voter publicity pamphlets for the November 2, 2004, election will contain two statements from the Arizona Tax Research Association.

Proposition 101 will require an initiative or referendum to include an increased source of revenues sufficient to cover the entire costs of the measure. It also stipulates that the increased revenues cannot come from the state general fund or cause a reduction in general fund revenues. Further, it allows the

Legislature to reduce the expenditure of state revenues to the amount of funding actually supplied in a fiscal year by the designated revenue source.

Proposition 104 requires that an initiative be filed at least seven months (instead of the current four-month period) before the election date. It also allows an additional three months (from 24 to 27) for initiatives to be circulated for signatures.

ATRA's arguments in favor of these measures are reprinted below.

ARGUMENT IN FAVOR OF PROPOSITON 101

Arizona's state budget problems have been well documented in recent years. For four consecutive years, the Legislature has struggled with significant budget deficits. The reasons for those budget deficits are many, including the impact that voter initiatives have had on the demand for limited resources.

Put simply, voter approved initiatives have done considerable damage to the Legislature's ability to do comprehensive budgeting. Too often, voters have passed initiatives creating new programs that place demands on the state general fund far exceeding what was sold to the voters on election day. Even when new funding was identified for a program, the costs have often outpaced the revenue, forcing the Legislature to cut funding for other programs like education, health care, and public safety.

To complicate Arizona's state budgeting challenges, Proposition 105, passed in 1998, strictly limits the power of the Legislature to

make changes to initiatives, even to fix unintended consequences.

Make no mistake, the initiative process can be an excellent tool to facilitate a vigorous public debate about spending for new government programs. However, that debate should not be carried out in isolation of the revenues necessary to support that increased spending. Certainly, a more accurate reflection of the public's desire for higher government spending is when they are willing to pay for it.

In addition to promoting sound fiscal policy, Proposition 101 will help protect the programs that currently receive state funding. Funding for education, health care, and public safety should not be turned into lesser priorities through the initiative process.

The Arizona Tax Research Association encourages you to VOTE YES on Proposition 101.

ARGUMENT IN FAVOR OF PROPOSITON 104

As citizens of Arizona, there are few responsibilities more important than our authority to create and make changes to Arizona's laws through the initiative process. Changes to laws governing public finance & taxation can have tremendous and long-term impacts on citizens and taxpayers and should not be taken lightly.

When citizens are asked to consider, debate, and vote on a proposed constitutional or statutory change, adequate time should be provided to ensure that voters have an opportunity to understand and scrutinize ballot measures and their impact. This becomes especially important in light of the obstacles and restrictions Proposition 105 enacted in 1998, making it very difficult to change voter-approved measures — even to fix flawed or unworkable provisions or to remedy unintended consequences.

Current law provides a minimum of only four months for initiatives to be filed before the election takes place to decide the question. Proposition 104 will extend that filing time frame to no less than seven months, giving Arizona's citizens an additional three months to weigh the proposal before casting their votes.

In order not to decrease the amount of time available for citizens to circulate and qualify petitions for the ballot, Proposition 104 makes a conforming change to extend that time three months.

Proposition 104 is a reasonable measure that will increase the allowed time for the due diligence all voters should exercise on matters that can have such a significant impact on government institutions and the demands those institutions make on taxpayers.

We urge you to VOTE YES on Proposition 104.

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Serving Arizona's taxpayers since 1940.

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County primary property tax levies up 9.2% in 2004

This year's \$61.9 million (9.2%) increase in county primary levies brings total county primary property tax levies to \$732.6 million in tax year (TY) 2004. Over the last five years, county primary levies have grown \$252.2 million, or 52.5%, which equates to an average annual growth rate of 10.5%.

The counties with the largest primary levy increases over last year included Navajo County, with 36.8% growth (\$1,094,717), La Paz County, with 14% growth (\$390,075), Yavapai County, with primary levies increasing 11.8% (\$3,010,837), and Pinal County, with primary levy growth of 11.5% (\$4,868,441).

Eight of the 15 counties were required to hold truth in taxation (TNT) hearings this year.

Pima County continues to levy the most over their TNT rate by more than 17 cents. Right behind Pima was Navajo County, which adopted a primary rate that was 15 cents above their TNT rate.

TNT laws require state and local governments to adjust property tax rates based on changes in property valuations (excluding new construction) so that the only growth in the property tax levy is the result of new construction. If jurisdictions choose to exceed the TNT limit and increase taxes over the prior year on existing property, they are required to notice taxpayers and hold a public hearing regarding the tax increase.

Eight counties chose to levy rates above TNT levels. Collectively, Coconino, Gila, Greenlee, Maricopa, Mohave, Navajo, Pima, and Yavapai, levied \$23.6 million in primary property taxes over TNT levels. The two largest contributors to that increase included Maricopa County, which adopted a levy that was \$13.7 million over their TNT limit, and Pima County, whose primary levy exceeded TNT levels by approximately \$8.4 million.

The counties showing the largest percentage growth in primary levies over the last five years include Greenlee County, with 146.8% (\$734,066) growth, Coconino County, reflecting 78.7% (\$2,458,568) growth, and Pinal County, where primary levies rose nearly 71% (\$19,569,551). The largest dollar increases occurred in Maricopa County, with an increase of \$132.3 million (63.8%), and Pima County, with primary levy growth of \$63.5 million (40.5%) over the last five years.

County	TY 1999 Primary Levy	TY 2003 Primary Levy	TY 2004 Primary Levy	1-yr Chg	% Chg	5-Yr Chg	% Chg
Apache	\$1,085,795	\$1,106,417	\$1,130,619	\$24,202	2.2%	\$44,824	4.1%
Cochise	13,669,233	\$16,754,634	\$17,949,241	\$1,194,607	7.1%	\$4,280,008	31.3%
Coconino	3,122,012	\$5,307,525	\$5,580,580	\$273,055	5.1%	\$2,458,568	78.7%
Gila	10,966,117	\$15,298,550	\$16,140,493	\$841,943	5.5%	\$5,174,376	47.2%
Graham	1,395,080	\$1,801,605	\$1,825,819	\$24,214	1.3%	\$430,739	30.9%
Greenlee	500,000	\$1,208,203	\$1,234,066	\$25,863	2.1%	\$734,066	146.8%
La Paz	2,400,306	\$2,795,660	\$3,185,735	\$390,075	14.0%	\$785,429	32.7%
Maricopa	207,540,697	\$308,122,580	\$339,882,099	\$31,759,519	10.3%	\$132,341,402	63.8%
Mohave	15,931,571	\$20,296,378	\$21,908,603	\$1,612,225	7.9%	\$5,977,032	37.5%
Navajo	2,943,622	\$2,976,547	\$4,071,264	\$1,094,717	36.8%	\$1,127,642	38.3%
Pima	156,919,818	\$204,515,149	\$220,399,039	\$15,883,890	7.8%	\$63,479,221	40.5%
Pinal	27,685,536	\$42,386,646	\$47,255,087	\$4,868,441	11.5%	\$19,569,551	70.7%
Santa Cruz	6,019,737	\$8,039,398	\$8,299,918	\$260,520	3.2%	\$2,280,181	37.9%
Yavapai	18,824,000	\$25,495,163	\$28,506,000	\$3,010,837	11.8%	\$9,682,000	51.4%
Yuma	11,474,506	\$14,648,440	\$15,270,136	\$621,696	4.2%	\$3,795,630	33.1%
TOTALS	\$480,478,030	\$670,752,895	\$732,638,699	\$61,885,804	9.2%	\$252,160,669	52.5%

County	TY 2003 Primary Rate	TY 2004 Primary Rate	TNT Rate	Over/Under TNT Rate	TNT Hearing
Apache	0.3696	0.3818	0.3818	0.0000	no
Cochise	2.9373	2.9373	2.9772	(0.0399)	no
Coconino	0.4753	0.4753	0.4711	0.0042	yes
Gila	4.4100	4.4100	4.3544	0.0556	yes
Graham	1.7912	1.7912	1.8167	(0.0255)	no
Greenlee	0.8492	0.7707	0.7556	0.0151	yes
La Paz	2.2500	2.2500	2.3042	(0.0542)	no
Maricopa	1.2108	1.2108	1.1619	0.0489	yes
Mohave	1.7500	1.7500	1.7219	0.0281	yes
Navajo	0.4772	0.6316	0.4797	0.1519	yes
Pima	4.0720	4.0720	3.8983	0.1737	yes
Pinal	4.4532	4.4532	4.4865	(0.0333)	no
Santa Cruz	3.3487	3.3487	3.3873	(0.0386)	no
Yavapai	1.6808	1.7008	1.6430	0.0578	yes
Yuma	2.3180	2.3180	2.3455	(0.0275)	no

County	TY 2004 Primary Levy	TY 2004 TNT Levy	Over/Under TNT Levy
Apache	\$1,130,619	\$1,130,634	-\$15
Cochise	\$17,949,241	\$18,193,194	-\$243,953
Coconino	\$5,580,580	\$5,531,616	\$48,964
Gila	\$16,140,493	\$16,000,174	\$140,319
Graham	\$1,825,819	\$1,851,861	-\$26,042
Greenlee	\$1,234,066	\$1,209,855	\$24,211
La Paz	\$3,185,735	\$3,262,517	-\$76,782
Maricopa	\$339,882,099	\$326,157,519	\$13,724,580
Mohave	\$21,908,603	\$21,503,275	\$405,328
Navajo	\$4,071,264	\$3,091,987	\$979,277
Pima	\$220,399,039	\$212,038,984	\$8,360,055
Pinal	\$47,255,087	\$47,609,382	-\$354,295
Santa Cruz	\$8,299,918	\$8,395,500	-\$95,582
Yavapai	\$28,506,000	\$27,537,802	\$968,198
Yuma	\$15,270,136	\$15,537,036	-\$266,900
TOTALS	\$732,638,699	\$709,051,336	\$23,587,363

Jennifer Schuldt

2004 property values climb 8.9% statewide

71% of growth in Maricopa County

Led by dramatic growth in property valuations in Maricopa County, Arizona's statewide secondary net assessed value (NAV) showed another year of remarkable growth. In total, net assessed values climbed \$3.6 billion statewide, with 71% of that growth taking place in Maricopa County.

Five counties (Greenlee, La Paz, Mohave, Pinal & Yavapai) experienced growth in excess of 10% with La Paz leading the way at 14.3%. Apache County actually showed a 0.9% decrease in NAV, driven primarily by a decline in utility valuations.

Owner-occupied homes accounted for 44% of the growth in NAV for 2004 followed by locally assessed commercial and industrial property at 32%. The largest percentage increase in NAV was in class two (vacant land and agriculture) which climbed 9% over 2003.

Growth in Arizona's property tax base continues to be driven by new construction. According to county levy limit calculations, new construction accounted for 63% of the growth in primary NAV. Applying that same percentage growth to secondary valuation increases results in \$2.3 billion in secondary NAV increases attributable to new construction.

SECONDARY NET ASSESSED VALUES

County	2003	2004	Change	% Change
Apache	\$305,072,059	\$302,353,668	-\$2,718,391	-0.9%
Cochise	586,985,389	628,655,003	41,669,614	7.1%
Coconino	1,151,482,204	1,222,225,551	70,743,347	6.1%
Gila	363,174,059	378,256,442	15,082,383	4.2%
Graham	101,767,801	103,542,473	1,774,672	1.7%
Greenlee	142,446,531	160,301,809	17,855,278	12.5%
La Paz	129,744,836	148,341,040	18,596,204	14.3%
Maricopa	27,477,987,528	30,066,986,670	2,588,999,142	9.4%
Mohave	1,189,713,576	1,321,872,683	132,159,107	11.1%
Navajo	649,315,690	663,206,947	13,891,257	2.1%
Pima	5,221,270,997	5,620,156,274	398,885,277	7.6%
Pinal	1,021,719,398	1,128,263,009	106,543,611	10.4%
Santa Cruz	246,303,386	253,681,084	7,377,698	3.0%
Yavapai	1,602,480,129	1,785,174,684	182,694,555	11.4%
Yuma	650,434,765	678,720,689	28,285,924	4.3%
Total	\$40,839,898,348	\$44,461,738,026	\$3,621,839,678	8.9%

MARK YOUR CALENDARS

ATRA's 14th Annual
Golf Tournament
November 18, 2004

at the
McCormick Ranch Golf Club

ATRA's 64th Annual Meeting
& Outlook Conference
November 19, 2004

at the
Scottsdale Radisson Resort