

# ATRA SUPPORTS HB2250

## SINGLE ASSESSMENT RATIO

### *SUMMARY*

HB2250 provides that all property, on a prospective basis, pay equally for voter-approved taxes. From and after December 31, 2002, property taxes levied to fund debt service on future voter-approved bonds and overrides of counties, cities and towns, community college districts, and school districts would be financed using a 10% assessment ratio for all classes of property.

**The bill will not change any existing or future property tax levies that have already been approved by the voters. Only those taxes approved by voters after December 31, 2002 will be paid on an equal basis.**

### *Basis for ATRA's Support*

Although Arizona has about average reliance on the property tax when compared to other states (Arizona ranks 32<sup>nd</sup> in per capita property tax collections for FY 1999), Arizona's method of distributing the burden causes a number of problems for Arizona. Arizona has ***nine classes of property***, second only to Minnesota in the number of classes employed. Arizona taxes the majority of business property at 25% of its value. Homes, on the other hand, where the majority of the state's taxable property lies, are taxed at 10% of the value.

*There are two primary policy concerns that result from Arizona's use of the classification system:*

1. The higher ratios on business property result in much higher tax burdens on those properties. The attached table of Arizona's effective tax rates (page 2) shows that the property tax burden on commercial and industrial property (3.01%) is three times higher than residential (1.12%). The dramatic disparity in business vs. homeowner property taxes is also reflected in the attached tables showing Arizona's national rankings in these categories (page 3). Arizona homeowners rank in the bottom half (31<sup>st</sup>) while industrial property ranks among the highest in the country (3<sup>rd</sup>). The practical effect of these rankings is that very few capital-intensive manufacturers are willing to locate in Arizona without some form of a tax break. Many of the recent manufacturing plants have been placed in foreign trade zones (class 6) which are taxed at only 5% of value. While this proposal would not change these rankings immediately, it would begin to reduce the disparities over time.
2. Second, the subsidy provided to the homeowner/voter undermines accountability for local government spending. There are many negatives associated with Arizona's property tax classification system and the most significant is that it insulates the homeowner/voter from the true cost of government spending. The attached pie chart (page 2) reflects the increase in secondary (voter-approved) property taxes since 1980. Those taxes have climbed from \$161.8 million to \$1.38 billion – an increase of 755%.

***This proposal, beginning January 1, 2003, would strengthen the link between the taxing entities and the voters.***



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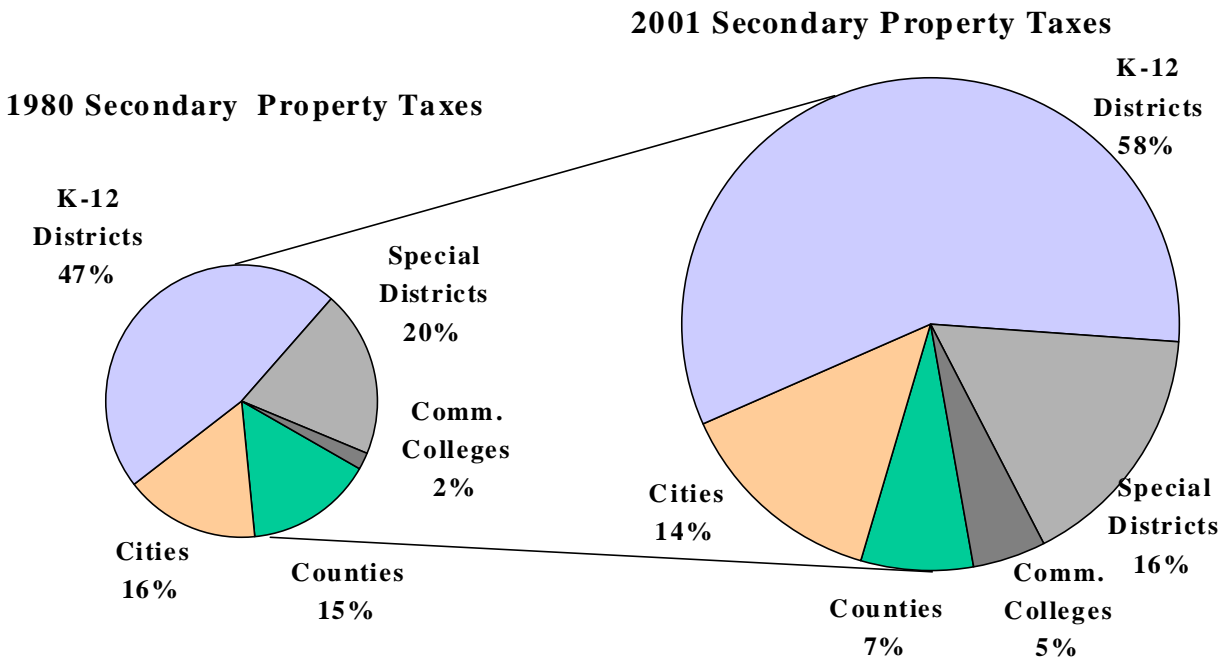
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# 2000 Effective Tax Rates

Class	Description	Total Taxable Full Cash Value	Percent of Total	Total Yield	Percent of Total	Effective Rate
1	Commercial, Industrial, Utilities	57,937,184,758	24.94%	1,746,608,962	45.34%	3.01%
2	Agricultural	17,155,430,642	7.39%	302,075,042	7.84%	1.76%
3	Owner-occupied Residential	132,784,321,782	57.16%	1,482,581,156	38.49%	1.12%
4	Rental Residential	21,456,820,872	9.24%	281,955,279	7.32%	1.31%
5	Railroad, Private car, airline flight	1,061,705,700	0.46%	26,700,253	0.69%	2.51%
6	Residential historic, Enterprise zones	1,854,852,154	0.80%	11,724,376	0.30%	0.63%
7	Commercial Historic	13,963,934	0.01%	372,035	0.01%	2.66%
8	Rental Residential Historic	6,972,604	0.00%	83,903	0.00%	1.20%
9	Possessory Interests	11,709,898	0.01%	4,515	0.00%	0.04%
<b>Total</b>		<b>232,282,962,344</b>	<b>100.00%</b>	<b>3,852,105,521</b>	<b>100.00%</b>	<b>1.66%</b>

Total Secondary Levies, 1980 to 2001,  
\$161.8 Million to \$1.38 Billion (755% growth)



Residential Property Taxes Payable 2000 \$150,000 Land and Building \$50,000 Fixtures				Industrial Property Taxes Payable 2000 \$25,000,000 Land and Building \$12,500,000 Machinery and Equipment \$10,000,000 Inventories \$2,500,000 Fixtures			
Rank	State	NET TAX	ETR	Rank	State	NET TAX	ETR
1	Illinois	\$4,810	2.405%	1	Illinois	\$1,967,725	3.935%
2	Michigan	\$4,453	2.226%	2	Michigan	\$1,547,358	3.095%
3	New Hampshire	\$4,116	2.058%	<b>3</b>	<b>Arizona</b>	<b>\$1,542,236</b>	<b>3.084%</b>
4	Texas	\$4,076	2.038%	4	Connecticut	\$1,513,400	3.027%
5	New Jersey	\$4,047	2.024%	5	Indiana	\$1,430,149	2.860%
6	Pennsylvania	\$3,927	1.964%	6	Texas	\$1,417,550	2.835%
7	Wisconsin	\$3,812	1.906%	7	Rhode Island	\$1,213,301	2.427%
8	Rhode Island	\$3,584	1.792%	8	Kansas	\$1,182,137	2.364%
9	Maine	\$3,432	1.716%	9	Louisiana	\$1,165,072	2.330%
10	Florida	\$3,278	1.639%	10	Minnesota	\$1,142,434	2.285%
11	Vermont	\$3,199	1.600%	11	Iowa	\$1,128,649	2.257%
12	Maryland	\$3,143	1.571%	12	Missouri	\$1,062,787	2.126%
13	Oregon	\$3,051	1.526%	13	Florida	\$1,059,001	2.118%
14	Iowa	\$3,041	1.520%	14	South Carolina	\$1,042,192	2.084%
15	Connecticut	\$2,989	1.495%	15	New York	\$1,025,703	2.051%
16	North Dakota	\$2,926	1.463%	16	Pennsylvania	\$1,020,413	2.041%
17	Nebraska	\$2,688	1.344%	17	Vermont	\$1,018,642	2.037%
18	South Dakota	\$2,680	1.340%	18	New Jersey	\$1,016,155	2.032%
19	Alaska	\$2,533	1.266%	19	District of Columbia	\$997,900	1.996%
20	Indiana	\$2,515	1.258%	20	Maine	\$960,000	1.920%
21	Tennessee	\$2,399	1.199%	21	Tennessee	\$950,609	1.901%
22	Kentucky	\$2,197	1.099%	22	West Virginia	\$901,388	1.803%
23	Minnesota	\$2,110	1.055%	23	Mississippi	\$892,042	1.784%
24	Missouri	\$2,055	1.028%	24	Ohio	\$887,638	1.775%
25	Ohio	\$2,054	1.027%	25	Massachusetts	\$855,250	1.711%
26	Virginia	\$1,977	0.989%	26	Oregon	\$813,600	1.627%
27	Idaho	\$1,866	0.933%	27	Colorado	\$762,762	1.526%
28	Mississippi	\$1,862	0.931%	28	Nebraska	\$733,906	1.468%
29	California	\$1,788	0.894%	29	Wisconsin	\$733,030	1.466%
30	Arkansas	\$1,742	0.871%	30	Kentucky	\$728,510	1.457%
<b>31</b>	<b>Arizona</b>	<b>\$1,741</b>	<b>0.871%</b>	31	Maryland	\$721,680	1.443%
32	Delaware	\$1,694	0.847%	32	Idaho	\$721,177	1.442%
33	North Carolina	\$1,693	0.846%	33	New Hampshire	\$686,025	1.372%
34	Washington	\$1,641	0.820%	34	Alaska	\$674,813	1.350%
35	Nevada	\$1,597	0.798%	35	South Dakota	\$651,015	1.302%
36	Oklahoma	\$1,581	0.790%	36	Oklahoma	\$650,123	1.300%
37	Kansas	\$1,531	0.765%	37	Georgia	\$619,995	1.240%
38	Massachusetts	\$1,473	0.737%	38	Arkansas	\$602,753	1.206%
39	Utah	\$1,442	0.721%	39	Utah	\$569,959	1.140%
40	New Mexico	\$1,399	0.700%	40	Virginia	\$554,704	1.109%
41	Montana	\$1,386	0.693%	41	North Dakota	\$549,371	1.099%
42	Georgia	\$1,339	0.670%	42	Alabama	\$528,200	1.056%
43	Louisiana	\$1,246	0.623%	43	Montana	\$506,873	1.014%
44	New York	\$1,244	0.622%	44	New Mexico	\$500,407	1.001%
45	South Carolina	\$1,139	0.570%	45	California	\$500,000	1.000%
46	Wyoming	\$1,062	0.531%	46	North Carolina	\$461,653	0.923%
47	West Virginia	\$1,020	0.510%	47	Washington	\$454,558	0.909%
48	District of Columbia	\$1,005	0.503%	48	Nevada	\$435,606	0.871%
49	Colorado	\$977	0.489%	49	Delaware	\$434,732	0.869%
50	Alabama	\$887	0.444%	50	Wyoming	\$342,700	0.685%
51	Hawaii	\$378	0.189%	51	Hawaii	\$224,468	0.449%
	<b>US AVERAGE</b>	<b>\$2,271</b>	<b>1.136%</b>		<b>US AVERAGE</b>	<b>\$864,752</b>	<b>1.730%</b>

Source: Minnesota Taxpayers Association, *50-State Property Tax Comparison Study, 2000*.