

# ATRA SUPPORTS HB2160

## Background:

HB 2160 is the result of a recommendation from the Tax Reform for Arizona Citizens (TRAC) committee that studied Arizona's tax system for the last two years. A focal point of the TRAC study was the 1% constitutional cap on primary property taxes for residential property taxpayers. The following are the two key provisions associated with the cap:

- The constitution caps residential primary property taxes at 1% of the limited value. This constitutional provision does not cap property tax rates once the 1% cap is reached.
- State statute requires the state general fund to make up the difference in the amount of taxes owed in excess of the 1% cap on residential property.

## Basis for ATRA's Support:

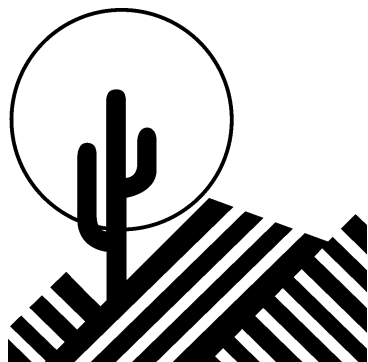
While the 1% cap achieves the goal of protecting residential taxpayers from excessive taxation, it also has the unintended consequence of actually encouraging primary property tax rate increases. Once residential taxpayers are insulated from paying for further tax rate increases, local governments are allowed to shift the costs of tax increases to the state general fund. Further, because the 1% cap only applies to residential property, all other property taxpayers (business, agriculture, vacant land) continue to pay these excessive rates.

HB 2160 is a modest effort to try to address the serious problems associated with the 1% cap. HB 2160 focuses tax rate caps on school districts that meet the following criteria:

- At least 50% of the residential property value of the district exceeds the 1% cap. (*This helps ensure that the school district is primarily responsible for the high primary tax rate.*)
- The school primary tax rate exceeds 150% of the qualifying tax rate (QTR) set each year by the legislature. (*This provision further ensures that the school district has a primary tax considerably higher than that required by state law.*)

Attached is a list of school districts that would have been affected by this law for tax year 2003.

**Final Point: School district primary tax rates are not a matter of "local control." The legislature is responsible for the laws governing school finance and ultimately the level of primary property taxes levied. It is the Legislature's responsibility to help resolve the problem of excessive taxation in some areas of our state.**



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**HB 2160 Schools; Maximum Property Tax Rate**

<b><u>County</u></b>	<b><u>School District</u></b>	<b><u>Current Tax Rate</u></b>
Apache	None	
Cochise	Bowie Unified	\$16.5502
	San Simon	\$ 9.7933
	Ash Creek	\$ 8.9833
Coconino	None	
Gila	Miami Unified/Miami	\$ 6.4073
	Hayden Unified	\$10.0720
Graham	None	
Greenlee	None	
La Paz	None	
Maricopa	Paloma Elem	\$11.8075
Mohave	None	
Navajo	None	
Pima	Tucson Unified	\$ 7.1831
Pinal	Maricopa Unified	\$ 6.3123
	Combs Elem	\$ 6.1855
Santa Cruz	None	
Yavapai	None	
Yuma	None	