

ATRA SUPPORTS HB2779

Reduced Assessment Ratio For Business Property Taxes

Summary

HB2779 provides more equitable treatment of business property taxes by reducing the assessment ratio on business properties (class 1) from 25% to 20%, phased in over ten years. In an effort to address possible shifts in tax liability, the bill increases the current 35% homeowner rebate each year over a five-year period, reaching a maximum of 40% in the fifth year. The bill also includes across the board property tax relief through reductions in the qualifying tax rate, which is set at \$3.6180, and the county equalization assistance for education rate, set at \$0.4358.

Basis for ATRA's Support

Arizona has one of the most complicated property tax systems in the country. One such complexity is Arizona's classification system. Arizona classifies property according to usage into nine classes. The largest classes are business (class 1), which is taxed at 25% of value, and residential (class 3), which is taxed at 10% of value. The assessment ratios are used to shift taxes from one class of property to another. In Arizona's case, the tax burden is shifted so that, dollar for dollar, business pays at least 2.5 times more than residential.

The higher ratios on business property result in much higher tax burdens on those properties. Arizona's 2004 effective tax rates show that the property tax burden on commercial and industrial property (2.75%) is almost three times higher than residential (0.99%). On a national level, Arizona homeowners rank in the bottom half while industrial property ranks fifth. The practical effect of these high tax rates 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. When fully phased-in, HB2779 will provide a meaningful impact on Arizona's high business property taxes as well as Arizona's economic development efforts.

ATRA ASKS FOR YOUR SUPPORT BY VOTING YES ON HB2779



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