



March 19, 2007

Governor Janet Napolitano and the Arizona State Legislature:

Over the last few years, residential and commercial property valuations have increased dramatically and, if left unchecked, those valuation increases will translate into staggering property tax increases. Moreover, on a national level, Arizona's commercial property taxes rank among the top five highest in the United States, creating a challenge to attract high wage jobs to the state.

In order to sustain the economic expansion in Arizona, address a looming taxpayer revolt, make the state more competitive in attracting high-wage jobs in the future, and not unduly exacerbate a potential structural budget deficit, the undersigned representatives of Arizona's business community request that you adopt a state budget that provides meaningful property tax reform.

Specifically, we urge you to implement the acceleration of the reduction in the assessment ratio for business property (Class 1) from a ten-year phased reduction to six years (SB 1028/HB 2400). While business will still pay twice as much as the residential sector after the phased reduction, this measure will send the signal nationally that Arizona is serious about reducing the major impediments to economic development. The acceleration will not negatively impact homeowners as the "Homeowner's Rebate" for owner-occupied homes (already in law) increases from 35% to 40% over five years.

In 2006, the Legislature and Governor appropriately responded to historic residential and commercial valuation increases by suspending a state controlled tax rate (the "state equalization assistance rate") as well as ensuring that local governments were prohibited from raising primary property taxes in 2006. In addition, the Legislature referred, and the voters approved Proposition 101 at the general election ballot in November. Prop 101 ensured that counties, community college districts, and cities receive voter approval before raising primary property taxes above established limits.

Regrettably, while last year's property tax reduction did provide short term tax relief, the temporary nature of the rate reduction completely undermines the message to property taxpayers that the Legislature and Governor Napolitano are serious about managing this growing problem. As a result, we also advocate that the three-year suspension of the state equalization property tax rate be made permanent (SB 1027/HB 2401). Making the repeal permanent will have no added impact to the state budget for three years and will not have any direct impact on existing K-12 school funding.

On behalf of the thousands of Arizona employers, large and small, represented by our organizations, we strongly encourage significant property tax reform for Arizona citizens.

Arizona Association of Industries

Arizona BOMA

Arizona Chamber of Commerce & Industry

Arizona Restaurant & Hospitality Association

Arizona Retailers Association

Arizona Small Business Association

Arizona Tax Research Association

East Valley Chambers of Commerce Alliance

Flagstaff Chamber of Commerce

NAIOP Arizona

National Federation of Independent Business

Tucson Metropolitan Chamber of Commerce