

# **ATRA SUPPORTS HB2585**

## ***General Obligation Bond Reform***

### **Background**

General obligation bonds (G.O.) are bonds that are backed by the secondary property tax with the approval of voters. These voter approved bonds are levied against a property's full cash value, which is representative of the market value, to pay for the annual debt service payments.

As property values rise, the tax rate levied for the annual debt service payment should drop to offset the increase in values. However, as property values have risen dramatically over the past few years, many local governments that levy a property tax for G.O. bonds kept the tax rates the same, which subsequently resulted in significant tax increases.

### **ATRA's Support**

In order to prevent such abuse in the future, HB2585 makes changes to the information publicity pamphlet for G.O. bond elections. First, the property tax example in the pamphlet is required to grow at half the rate (currently remains constant) of the annual projected increase in the secondary assessed value growth in order to give taxpayers a realistic understanding of the tax impact on their property. Second and if applicable, the information pamphlet must state that the amount of the proposed bonds authorized combined with the current outstanding debt exceeds the political subdivision's constitutional debt limit.

The call for a G.O. bond election must state the minimum number of years in which the bonds will be issued, the current outstanding G.O. debt, and the constitutional debt limit of the political subdivision.

Lastly, to resolve some of the abuses in the refunding of bonds, HB2585 allows for bonds to be refunded without an election if the weighted average maturity of the refunding bonds is at least 75% of the weighted average maturity of the bonds being refunded.

***ATRA ASKS FOR YOUR SUPPORT OF HB2585***



**ARIZONA TAX RESEARCH ASSOCIATION**

1814 West Washington Street, Phoenix, Arizona 85007

(602) 253-9121

[www.arizonatax.org](http://www.arizonatax.org)

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