

# **ATRA Supports HB2073**

## ***Prevent a \$247 Million Property Tax Increase***

### **Background**

In 2006, the Arizona Legislature and Governor were faced with extraordinary uncertainty in the property tax system. Property valuations in many counties skyrocketed, forcing county assessors to increase values on some homeowners up to 60%. Angry citizens began circulating initiatives to roll back the valuation increases and cap overall property taxes.

The Legislature and Governor responded by reducing its property tax rate while also prohibiting local governments from increasing primary property taxes. In addition, the Legislature referred Proposition 101 to the 2006 general election ballot to ensure that the constitutional levy limits of counties, cities and community colleges would limit future primary property taxes to 2% plus growth.

Regrettably, the state property tax relief was made temporary in last minute negotiations with Governor Napolitano. Unless the Legislature takes further action, the state equalization tax rate will return to tax bills this year, resulting in a \$247 million tax increase.

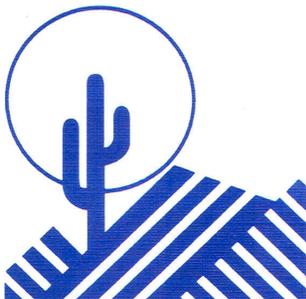
### **ATRA's Recommendation:**

Clearly, the environment that led to the reduction in property taxes in 2006 has changed. Residential property valuations are decreasing substantially and home foreclosures are at record levels. Moreover, the Arizona economy continues to contract and businesses shed workers to try to stay afloat. Arizona's unemployment rate is up to 7% and more than 155,000 Arizonans have lost their jobs over the last year.

ATRA recognizes that the depth of Arizona's budget crisis leaves very few good options to balance the FY 2010 budget. The federal stimulus money provides some short term relief and a potential bridge to better economic times. However, a statewide property tax increase this year will only serve to dampen and delay any potential economic recovery.

Study after study has demonstrated that Arizona's tax system discourages business location and expansion in the state. In particular, Arizona's high business property taxes (ranked 5<sup>th</sup> highest nationally) are a major impediment to economic growth. As the attached table reflects, while Arizona businesses account for only 16% of the property tax base, they will pay 33% of the \$247 million tax increase.

Simply put, ATRA believes that a major tax increase in the area of our tax system that is already a major impediment to economic growth is the worst possible option for balancing the FY 2010 budget.



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