

# ATRA SUPPORTS HB2466

## *Managing 1% Cap District Costs*

**Background**

HB2466 is the result of a recommendation from the Tax Reform for Arizona Citizens (TRAC) committee that the Legislature established in 2002. 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 Arizona 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 increases in property tax rates once homeowner levies reach the cap. After residential taxpayers are insulated from additional rate increases, there is no voter pressure to keep rates from rising further. And as the 1% cap only applies to residential property, all other property taxpayers (business, agriculture, vacant land) continue to pay excessively high rates.

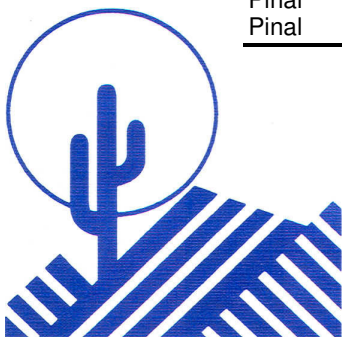
HB2466 is a modest effort to try to address the serious problems associated with the 1% cap. The bill focuses tax rate caps on school districts that meet the following criteria:

- The property taxes of at least 50% of the residential property of the district are subsidized with additional state aid to comply with the 1% cap.
- The school primary tax rate exceeds 150% of the qualifying tax rate (QTR) set each year by the legislature. *(This helps ensure that the school district is primarily responsible for the high primary tax rate.)*

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.

In 2008, the following ten districts met the above criteria and would not have been permitted to increase their rate above the 2007 level:

County	School District	2007 Primary Rate	2008 Primary Rate	% Change
Cochise	Ash Creek Elementary	7.5017	7.4956	-0.1%
Cochise	McNeal Elementary	9.1622	9.1620	0.0%
Cochise	Bowie Unified	11.7345	12.1619	3.6%
Cochise	San Simon Unified	9.2044	9.2702	0.7%
Gila	Hayden-Winkelman Unified	4.9034	4.7804	-2.5%
Pinal	Red Rock Elementary	6.3967	7.4233	16.0%
Pinal	Eloy Elementary	3.7305	4.1132	10.3%
Pinal	Combs Unified	7.8188	5.4935	-29.7%
Pinal	Santa Cruz Valley Union H.S.	2.9968	3.2246	7.6%
Pinal	Superior Unified	4.9456	4.6894	-5.2%



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