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**ARIZONA TAX RESEARCH ASSOCIATION**

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## **ATRA SUPPORTS HB2608**

### **Background:**

The Arizona Constitution limits the growth of primary property taxes that counties, cities and community colleges may levy to 2% each year plus new construction. The levy limit operates off of a base year levy that was originally established in fiscal year (FY) 1979-80. The levy limit increases each year regardless of use, so there is no loss of future capacity if the jurisdiction does not levy to its limit. In 2006, voters approved a recalculation of the levy limits as a result of over \$185 million in excess capacity that had developed in the system. On or before February 10<sup>th</sup> of each year, the county assessor is required to calculate the levy limits for all taxing jurisdictions for the tax rates that will be adopted in August.

Additionally, truth-in-taxation (TNT) laws require jurisdictions that are proposing to increase property taxes to hold a public hearing and publish a notice to taxpayers. The values used in the TNT calculation are the values that are published by the assessor on February 10<sup>th</sup>, the same values used in the levy limit calculations. Since these values are used to notify taxpayers of a proposed tax increase, it is important that these values remain unchanged when tax rates are set in August.

Over the past few years, there have been some jurisdictions that have used “updated” values to set their property tax rates in August. This is obviously problematic since changing the value of a jurisdiction will change the levy limit calculation, as well as the TNT calculation that was used to notify taxpayers of a proposed tax increase.

### **Basis for ATRA's Support:**

ATRA's proposal will allow (not require) the Department of Revenue (DOR) to audit the value of new construction as reported on the levy limit worksheets. This will help to ensure that the values used to calculate the constitutional levy limits for counties, community colleges, and cities are as accurate as possible.

HB2608 will also make clear that the governing bodies of all taxing jurisdictions must use the February 10<sup>th</sup> values to set tax rates in August. Again, since the February 10<sup>th</sup> values are used to calculate the constitutional levy limits, as well as the TNT rates used to notify taxpayers of property tax increase, it is important that those values are used when adopting the tax rates.

***ATRA urges lawmakers to vote yes on HB2608!***