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**ARIZONA TAX RESEARCH ASSOCIATION**

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## **ATRA SUPPORTS SB1248**

***Requires County Assessors Apply Rule B Consistently among all taxpayers across the state!***

As amended in Senate COW, SB1248 would require all fifteen county assessors to calculate the Limited Property Value (LPV) in a consistent manner in cases of new construction, demolition, and when there are other significant changes in property characteristics. In these situations, a "Rule B" calculation (Percentage of LPV to the Full Cash Value (FCV) of similar properties) is applied to the FCV to determine the new LPV.

Applying Rule B will typically cause a substantial increase in property taxes so it is important that Rule B is applied as intended- in situations when there is a significant change in a property's market value as a result of significant changes in property characteristics, or there is a change in property use (residential property is converted to commercial use, for example).

Currently, there is no guidance in statute- only a Department of Revenue guideline that suggests County Assessors apply "Rule B" when the Full Cash Value (market value) increases by 10% or more, or at the discretion of the County Assessor. First, the 10% threshold is arguably too low, and as introduced, SB1248 would have allowed a more reasonable threshold of 20%. Second, allowing assessor's to ignore the 10% threshold and instead use their "discretion" has led to an inconsistent application of Rule B across the state.

SB1248 was amended in Senate COW to address many of the assessor's concerns they testified to in the Finance Committee, as well as reduce the Rule B threshold to 15%. The 15% threshold is a reasonable threshold that more closely reflects the intent that Rule B be applied only when there is a significant change to property, and more importantly, that Rule B be applied in a consistent manner among all taxpayers across the state.