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ARIZONA TAX RESEARCH ASSOCIATION

ATRA SUPPORTS HB2280 ***Prevent Tax-Free Zones on ABOR Land***

Background:

Arizona public universities have traditionally sought permission from the Legislature to use their land for new uses outside of their academic mission. This was true for University Research Parks, hosting non-profit hospitals, and Athletic Facilities Districts. Robust debate ensued and laws were crafted to enshrine those decisions. That process was skipped when Arizona State University (with the approval of ABOR) began aggressively using its land as a commercial tax-free zone in an effort to harvest the local property tax as a revenue source for its own purposes.

The only way a private enterprise can avoid real property taxes on university land is through a “lease-back” arrangement where ABOR takes deed to the building and agrees to lease it back to the private entity, denying taxes on the property. Otherwise buildings on state land like ABOR’s would be taxable like any other.

Lawmakers must address this issue as it is clear that the universities intend to aggressively use their tax-exempt status to pursue real estate development that negatively impacts K-12 schools, the state general fund, and shifts higher property taxes to homeowners and businesses.

Basis for ATRA’s Support:

Taxpayers share the burden of funding government via the property tax. Policymakers must vigilantly protect its uniform application and disallow attempts to escape the tax roll. The property tax shifts from the State Farm building alone is \$67 per year to the average homeowner in Tempe and \$488 to a small business. Policymakers should make clear in law that new businesses outside the University’s core mission (such as academic buildings and student housing) should prospectively pay property tax like any other taxpayer.

What the Bill Does:

- Prospectively limits the ability to use a “lease-back” deal on University property to deny property taxes.
- Limits the size of Research Parks to their existing size and closes the “regional headquarters” loophole which allows businesses without any academic connection to the university in the Park.
- Requires ABOR to publicly justify the academic connection to the university for all future leases in a Research Park.

ATRA ASKS LAWMAKERS TO VOTE YES ON HB2280!