

***Arizona Tax Research
Association***

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A Little History

- In 2005 the real estate market skyrockets.
- Commercial and residential property values climb dramatically.
- County assessors respond to market changes with large valuation increases in most counties.

Legislative Response

- Show Leadership.
- Get in front of the problem to help mitigate large tax increases associated with valuation growth.

Three-pronged strategy

- State tax rate relief in 2006 – state eq. rate reduced to zero.
- Preempt local governments from raising taxes in 2006.
- Prop 101 on the ballot in Nov. 2006 to update the primary levy limits.

RESULTS?

TWO-YEAR CHANGE

- Total Levies Climbed \$860 million - a 15% increase.
- State avg. Tax Rate Fell \$1.62 – a 14% decrease.

Primary Taxes

TWO-YEAR CHANGE

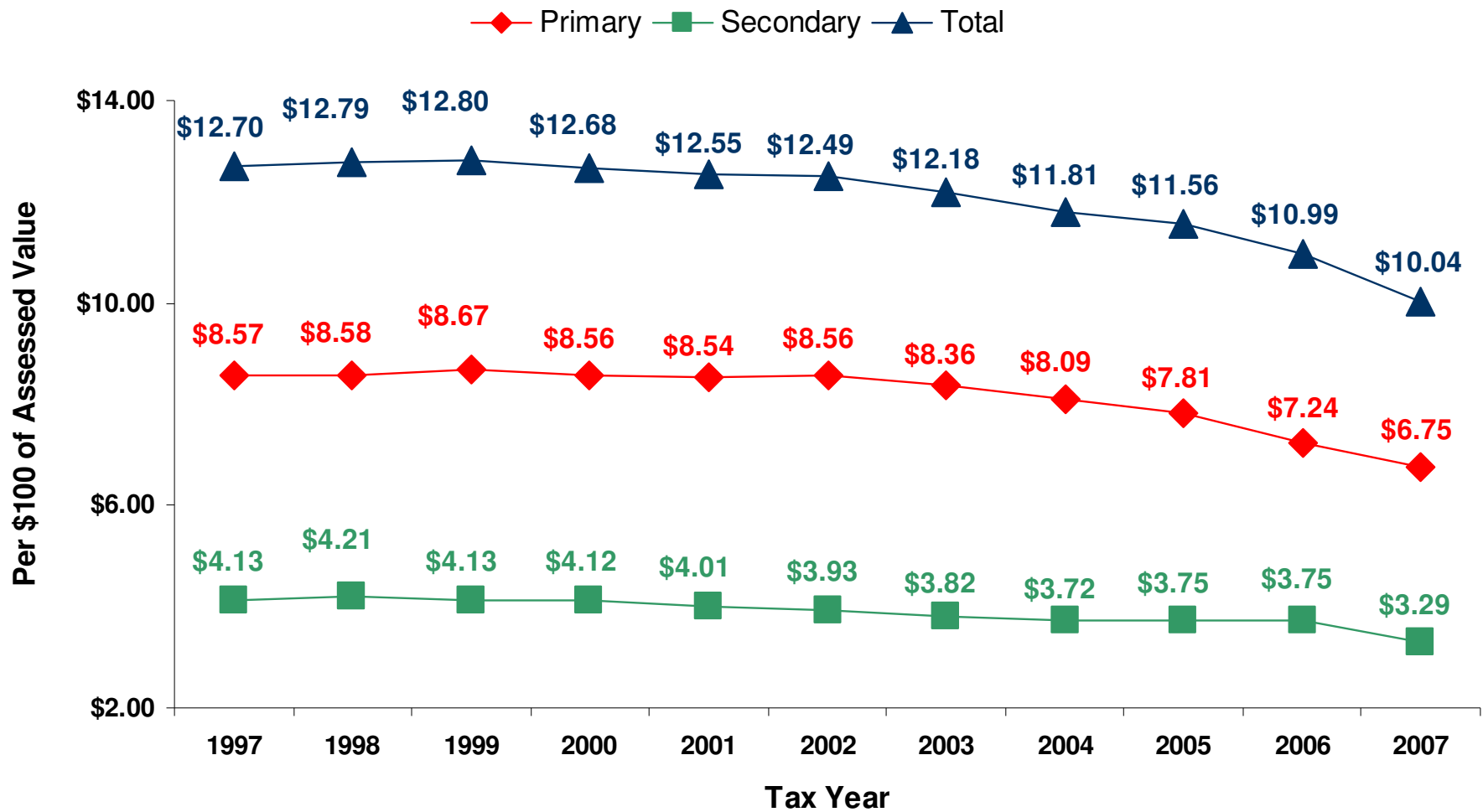
- Valuations climbed \$12.3 billion – a 27% increase.
- Levies grew \$331,178,679 – a 9.2% increase.
- State avg. primary rate fell \$1.08 – a 13.8% decrease.

Secondary Taxes

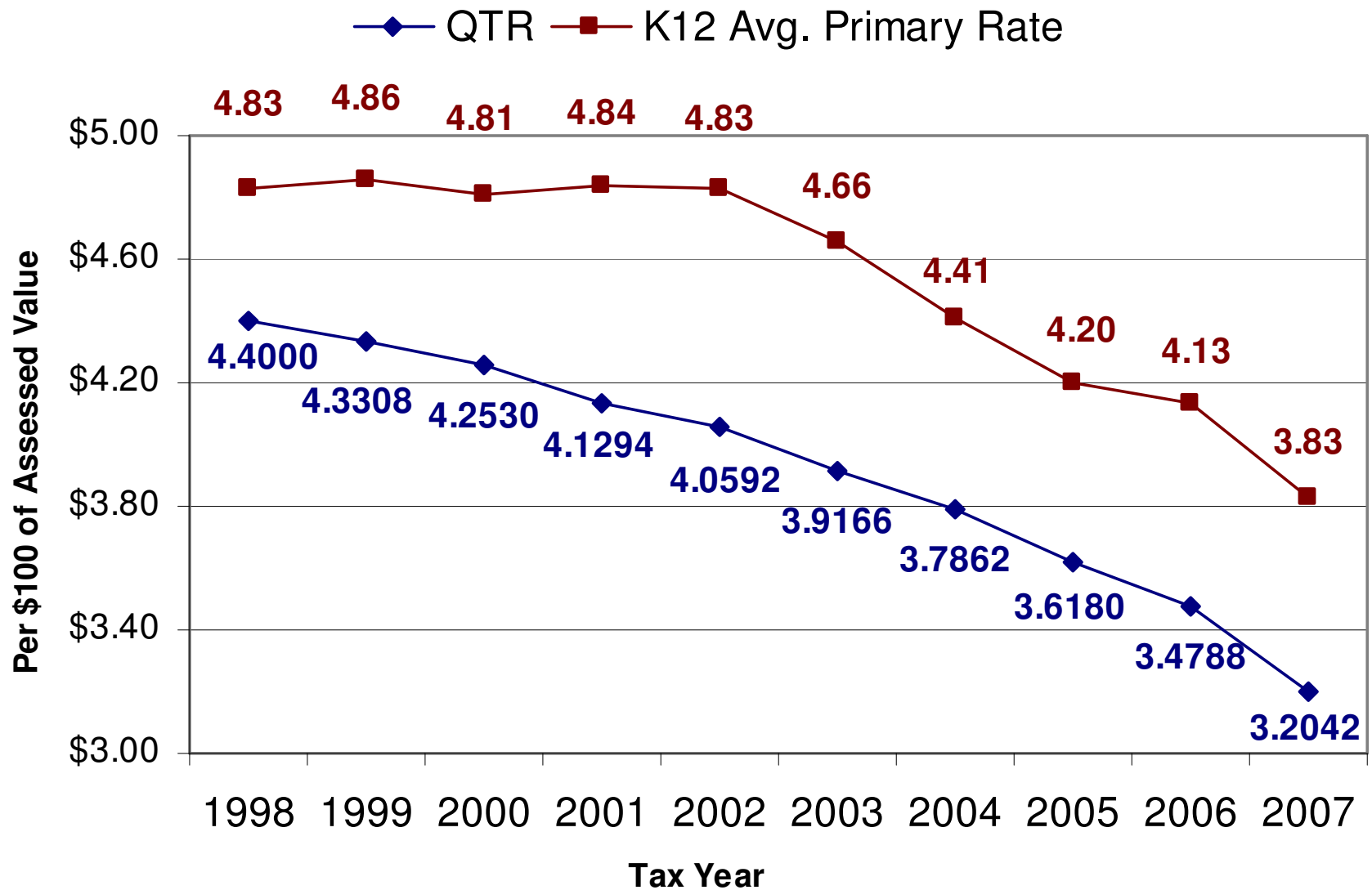
TWO-YEAR CHANGE

- Valuations climbed \$22.9 billion – a 47% increase.
- Levies climbed \$528.8 million – a 28% increase.
- State avg. rate fell 46 cents – 12.3 drop.

Primary & Secondary Statewide Average Property Tax Rates



Success with state-level TNT



ATRA Recommendations for 2008

- First, permanent repeal of state eq. rate is imperative if taxpayers are going to maintain confidence in the current system.

Secondary Property Tax Reforms:

- Policymakers need to protect taxpayers from unreasonable secondary property tax increases on levies they did not vote for.

Secondary Property Tax Reforms

- Secondary property taxes for the operating budgets of special districts do not have levy limits – most have **tax rate caps**.
 - County Flood, Library, Health Services, Jail
 - Levies climbed 33% in 2007
 - Fire Districts
 - Levies climbed 28% in 2007

Other Secondary Problem Areas

- Most voter approved G.O. bonds and overrides have fixed limits on the levies – meaning rates should fall when values increase significantly.
 - ***HOWEVER....***
 - Tax rates for debt service levies of some cities is fixed ie Phoenix, Gilbert, Tempe

Mohave County/Bullhead Elementary/Colorado River Union/Bullhead F.D.

	2005		2006		2007	
Secondary (full cash value)	\$155,200		\$185,907		\$257,069	
Primary (limited value)	\$155,200		\$170,737		\$192,320	
Secondary net assessed value (NAV)	\$15,520		\$18,591		\$25,707	
Primary NAV	\$15,520		\$17,074		\$19,232	
Secondary value % Chg.			19.8%		38.3%	
Primary value % Chg.			10.0%		12.6%	
Secondary Taxes	Rate/\$100	Tax	Rate/\$100	Tax	Rate/\$100	Tax
County	1.0103	\$156.80	1.0103	\$187.82	1.0103	\$259.72
Community College	0.0000	\$0.00	0.0000	\$0.00	0.0000	\$0.00
City/F.D.	2.3490	\$364.56	2.2490	\$418.10	2.2420	\$576.35
School District	1.2235	\$189.89	0.6826	\$126.90	0.5249	\$134.94
Total Secondary	4.5828	\$711.25	3.9419	\$732.83	3.7772	\$971.00
1-Yr. \$ Change			-\$0.6409	\$21.58	-0.1647	\$238.17
1-Yr. % Change			-14.0%	3.0%	-4.2%	32.5%
2-Yr. \$ Change					-0.8056	\$259.75
2-Yr. % Change					-17.6%	36.5%
Primary Taxes	Rate/\$100	Tax	Rate/\$100	Tax	Rate/\$100	Tax
State Equalization Rate	0.4358	\$67.64	0.0000	\$0.0000	0.0000	\$0.0000
County	1.7500	\$271.60	1.6777	\$286.45	1.5298	\$294.21
Community College	0.9404	\$145.95	0.8982	\$153.36	0.8221	\$158.11
City	0.0000	\$0.00	0.0000	\$0.00	0.0000	\$0.00
School District (rebate adj.)	2.1486	\$333.47	2.4364	\$415.98	2.2726	\$437.07
Total Primary	5.2748	\$818.66	5.0123	\$855.78	4.6245	\$889.38
1-Yr. \$ Change			-\$0.2626	\$37.12	-0.3878	\$33.61
1-Yr. % Change			-5.0%	4.5%	-7.7%	3.9%
2-Yr. \$ Change					-0.6503	\$70.73
2-Yr. % Change					-12.3%	8.6%
	Rate/\$100	Tax	Rate/\$100	Tax	Rate/\$100	Tax
Total Primary & Secondary Taxes	9.8576	\$1,529.91	8.9542	\$1,588.60	8.4017	\$1,860.38
1-Yr. \$ Change			-\$0.9035	\$58.70	-0.5525	\$271.78
1-Yr. % Change			-9.2%	3.8%	-6.2%	17.1%
2-Yr. \$ Change					-1.4559	\$330.48
2-Yr. % Change					-14.8%	21.6%

Summary of Bullhead City (2005-2007)

- Secondary Value Climb 66%
- Secondary Rates Fall 17.6%
- Secondary Taxes Climb 36.5%

- Primary Values Climb 24%
- Primary Rates Fall 12.3%
- Primary Taxes Climb 21.6%

- Total Taxes Climb 21.6%