



ATRA

Legislative Review



2025

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Information without action is futile

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ATRA's 2025 LEGISLATIVE REVIEW

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ARIZONA TAX RESEARCH ASSOCIATION

1814 W. Washington St.
Phoenix, AZ 85007
(602) 253-9121

www.arizonatax.org

Chairman of the Board	Bill Molina
Legislative Policy Committee Chairwoman	Rebecca Hudson-Nunez
President	Kevin McCarthy
Vice President	Jennifer Stielow
Office Manager	Kathleen Farnsworth

ATRA is Arizona's only statewide taxpayer organization dedicated to protecting taxpayers and advocating for sound fiscal policy. A considerable amount of ATRA's work on behalf of taxpayers is done at the state capitol during the annual legislative session. Each year, through its legislative program adopted by the Board of Directors, ATRA advocates for tax and fiscal policies to improve Arizona's public finance system.

The ATRA Legislative Policy Committee meets every Friday during the legislative session to review the impact of all proposed legislation on taxpayers and Arizona's public finance system. ATRA coordinates its advocacy efforts in the Legislature on important tax legislation. Through testimony in committees and dissemination of information to legislators, ATRA serves as the leading taxpayer advocate at the Legislature.

ATRA staff would like to thank the members of ATRA's Legislative Policy Committee and Chairwoman Rebecca Hudson-Nunez for their guidance and combined efforts during the 2025 legislative session. Special appreciation also goes out to members of ATRA's Tax Policy Committee whose knowledge, under the leadership of Chairwoman Heidi Thomas, has consistently proven to be indispensable to this organization's success during the legislative session and throughout the year.

During the First Regular Session of the 57th Legislature, 1,854 bills and resolutions were introduced. Of the 1,724 bills introduced, 439 passed, 265 were signed into law, and 174 were vetoed. Thirty-five of the 130 resolutions introduced were adopted by the Legislature. This document summarizes key legislation ATRA supported, opposed, and monitored during the legislative session. This year's session lasted through June 27th, setting the General Effective date to September 26, 2025.

Additionally, ATRA would like to thank ATRA board member Steve Trussell, Executive Director of Arizona Rock Products Association and the Arizona Mining Association, and his staff for not only continuing to host the Legislative Policy Committee meetings at their office, but for providing a hybrid virtual option for ATRA as well.

LEGISLATION LISTED BY BILL NUMBER

LEGEND FOR ATRA'S POSITION:

S = Supported M = Monitored O = Opposed FA = Favorably Amended

	BILL NUMBER, SHORT TITLE, AND PRIMARY SPONSOR	POSITION	FINAL STATUS/CHAPTER #	PAGE
HB2002	transportation tax; deposit; county board (Martinez)	S	Held in House WM	6
HB2020	teacher retention; study; report (Gress)	S	Held in Senate Rules	6
HB2118	TPT; sourcing; business location; receipt (Carter N)	S	Held in Senate Finance	6
HB2119	model city tax code; notice (Carter N)	S	Chapter 144	5
HB2124	hospitals; interfacility transport (Willoughby)	M	Held awaiting House Third Read	12
HB2169	school districts; board meetings; expenditures (Gress)	S	Vetoed	7
HB2197	certificate of necessity; repeal (Willoughby)	O	Held in House Rules	10
HB2302	accommodation schools; building renewal grants (Biasiucci)	O	Held in House ED	10
HB2368	auditor general; records; financial institutions (Gress)	S	Chapter 133	5
HB2369	auditor general; county treasurer; review (Gress)	S	Chapter 250	5
HB2389	business personal property; exemption (Carter N)	M	Held in Senate Rules	12
HB2457	fire districts; formation; county sups (Marshall)	O	Held in House WM	10
HB2515	TNT; bonds; notices (Olson)	S	Vetoed	7
HB2704	tax; distribution; county stadium district (Weninger)	O	Chapter 251	9
HB2873	tourism improvement areas; municipalities; counties (Wilmeth)	O	Held awaiting House Third Read	10
HB2920	qualifying tax rate; tax bill (Olson)	S	Vetoed	7
HCR2003	expenditure limit; school districts; authorization (Gress)	S	Held awaiting House COW	8
HCR2021	food; municipal tax; exemption (Biasiucci)	M	Transmitted to Sec. of State	12
HCR2047	state land trust; permanent funds (Gress)	O	Retained in House COW	11
SB1036	public resources; influencing elections; penalties (Kavanagh)	S	Vetoed	8
SB1050	GPLET; notice; abatement period (Leach)	S	Vetoed	8
SB1069	personal property exemption; increase (Mesnard)	S	Enacted in SB1749	6
SB1091	school districts; bonds; overrides; ballots (Hoffman)	M	Vetoed	13
SB1120	assessor's valuations; special districts; petitions (Mesnard)	FA	Chapter 61	12
SB1121	property tax; limited value; methodology (Mesnard)	O	Held in Senate Rules	11
SB1144	jail facilities excise tax (Payne)	M	Chapter 155	13
SB1148	CORP; defined contribution; membership election (Payne)	O	Failed Senate 3rd Read/see SB1739	11
SB1224	property tax; limited property value (Mesnard)	M	Chapter 96	13
SB1274	tax corrections act of 2025 (Mesnard)	S	Chapter 182	5
SB1365	PSPRS; member contributions (Kavanagh)	O	Held awaiting Senate Third Read	12
SB1464	tax laws; interpretation; application; hearing (Mesnard)	S	Vetoed	8
SB1473	K-12; school funding; revisions (Farnsworth)	S	Held in House ED	8
SB1700	county board of equalization; decisions (Gowan)	S	Chapter 76	6
SB1749	2025-2026; taxation; omnibus (Kavanagh)	S	Chapter 247	6
SCR1005	S/E: teacher salary increases (Mesnard)	O	Held awaiting Senate COW	12
SCR1008	municipalities; counties; vote; fee increases (Petersen)	M	Held in House Rules	13
SCR1015	state land trust; permanent funds (Mesnard)	O	Held awaiting Senate COW	11

PASSED LEGISLATION ATRA SUPPORTED

HB2119 model city tax code; notice (Carter)

Chapter 144

HB2119 requires a municipality that proposes to adopt or repeal a model or city option in the model city tax code (MCTC) to notify all businesses in the affected business class by mail at least 60 days before the date the proposed ordinance is approved or rejected by the governing body of the municipality. Exceptions apply to options pertaining to use tax or to impose a two-tiered retail tax rate structure. When applying for a business license, a municipality must provide notice of any model or local option in the MCTC that will apply to the applicant. HB2119 was amended in the Senate to reinforce the Arizona Department of Revenue's (ADOR) current authority to share taxpayer information with the cities for notification purposes. See *ATRA Position Paper in Appendix*.

HB2368 auditor general; records; financial institutions (Gress)

Chapter 133

HB2368 expands the financial information the office of the auditor general (OAG) may have access to in performance of its official duties, including access to financial institutions' or enterprises' information, accounts, books, records, statements, reports, communications, and other similar records relating to any state agency, board, commission, department, institution, program, advisory council or committee or political subdivision of this state. An authorized representative of the financial institution or enterprise must certify all information provided to the OAG.

HB2369 auditor general; county treasurer; review (Gress)

Chapter 250

Requires the OAG to perform procedural reviews of county treasurers' offices, which may include evaluating compliance with the uniform system of accounting for county treasurers prescribed by the OAG and Administrative and Accounting Internal Controls. The OAG must provide the results of the procedural review in writing, including any recommendations, to the county treasurer, county board of supervisors (BOS) and the Joint Legislative Audit committee (JLAC). A county treasurer's office that is subject to a review must notify the OAG in writing whether the office agrees or disagrees with the findings and whether the office will implement or modify the recommendations or refuse to implement the recommendations. At the request of the OAG, the county treasurer must submit a written status report on correcting the deficiencies and implementing the recommendations of the review within a one-year period after receiving the results. The OAG is required to follow up and review the treasurer's progress and provide a status report to the BOS and JLAC during that period. The OAG may review a treasurer's progress after the one-year period if there are outstanding deficiencies or recommendations that have not been implemented. Requires the treasurer to participate in any hearing scheduled during the review period by JLAC or any other legislative committee designated by JLAC.

SB1274 tax corrections act of 2025 (Mesnard)

Chapter 182

The annual tax corrections act of 2025 under SB1274 includes several provisions to provide clarity in state statute. The measure specifies that the current prohibition of an ADOR employee from receiving compensation for filing a tax return is extended to any individual acting as an agent or contractor of the department or any manager or supervisor of that individual. Allows a part-time or seasonal employee whose labor is in connection with planting, cultivating, harvesting or field packing of seasonal agricultural crops to elect to have income tax withheld.

Requires entities that distribute prize winnings to deduct the highest income tax rate from the payments to recipients, which is currently 2.5%, rather than 20% of the amount prescribed by federal law. Specifies that interest from the 2023 Arizona Families Tax Rebate does not accrue and is not payable. A House amendment would have eliminated a city or towns' authority to apply TPT to online lodging transactions of more than 29 consecutive days; however, that preemption was struck in conference committee due to opposition from the cities.

SB1700 county board of equalization; decisions (Gowan)

Chapter 76

SB1700 prohibits any decision by the county board of equalization from exceeding the county assessor's noticed valuation or classification. ATRA supported the measure because it mirrors the current standard for the state board of equalization.

SB1749 2025-2026; taxation; omnibus

Chapter 247

The tax omnibus measure enacted under SB1749 includes several measures that were originally introduced in separate bills. SB1749 includes an ATRA-backed measure that was introduced by Senator Mesnard under SB1069 to increase the exemption on locally assessed business personal property from the current \$248k to \$500k (*See ATRA Position Paper in Appendix*). SB1749 also includes a measure that was originally introduced under HB2672 that fully exempts tax on property owned by a veteran who has a service-connected disability that is rated at 100% by the U.S. Department of Veterans Affairs. The TPT exemption for four-inch pipes or valves proposed initially under HB2082 is extended to pipes or valves used to transport wastewater. Also included in SB1749 was a measure introduced under HB2155 to increase the income tax subtraction for unreimbursed adoption expenses from \$3,000 to \$5,000 for a single individual and \$10,000 for a married couple.

FAILED LEGISLATION ATRA SUPPORTED

HB2002 transportation tax; deposit (Martinez)

Held in House Ways & Means

HB2002 would have required the net TPT revenues remaining after distribution of the Pinal County Regional Transportation Authority (RTA) transportation sales tax refund deadline of April 9, 2026 be transferred to the Arizona Department of Transportation for transportation projects in Pinal County. A proposed strike-everything amendment by House Ways & Means Chairman Justin Olson would have diverted Pinal County's existing transportation TPT to the county's regional area road fund until the remaining balance was exhausted. Due to a lack of consensus, the bill never received a hearing.

HB2020 teacher retention; study; report (Gress)

Held in Senate Rules

HB2020 would have required school districts and charters to include the number of full-time equivalent teachers, disaggregated by grade level and subject taught, in their current-year budgets. The bill would have also required ADE to conduct an annual study on statewide teacher retention, turnover, and teaching position vacancies. Though HB2020 ultimately stalled in the Senate awaiting Rules, it was included in the Senate General Appropriations Act, SB1735, including the original \$100,000 appropriation.

HB2118 TPT; sourcing; business location; receipt (Carter)

Held in Senate Finance

HB2118 would have codified an ADOR draft ruling on TPT sourcing that was not published due to city disagreement with the department's interpretation. Specifically, the bill would have clarified that under the TPT sourcing law, an order is received when all the information

necessary to accept the order has been received by or on behalf of the seller *at a business location of the seller*, regardless of where the order is accepted or approved. The measure also specified that the location of servers used to transmit the information necessary to accept the order to a business location does not determine where the order is received. The bill also clarified that a business location is defined as “a physical space that a person can occupy, such as an office or a room in a house, and in which business is carried on.” The bill passed the House on a partisan vote but was held in Senate Finance at the request of the sponsor. See *ATRA Position Paper and the ADOR draft ruling in the Appendix*.

HB2169 school districts; board meetings; expenditures (Gress)

Vetoed

HB2169 would have struck existing statute allowing school district governing boards to meet at any available public facility, regardless of where the facility is located, and requires all meetings to be held at a public facility within the district’s boundaries. It would have additionally required that all district meeting materials be made available publicly online and retained online for at least five years. For districts with more than 5,000 enrolled students, video recordings of the meetings would have to be made publicly available online and retained for five years. It would have required any out-of-state travel by district officials or board members to be approved by the governing board on a per-trip basis, alongside a public estimation of cost and statement of travel purpose, in a public meeting at least one month prior to travel. Though the bill received a near unanimous 58-1-1 vote in the House, it received a party line vote in the Senate and was ultimately vetoed by the Governor.

HB2515 truth in taxation; bonds; notices (Olson)

Vetoed

HB2515 was an ATRA-backed bill sponsored by Rep. Olson that would have updated the values used in the property tax estimates for truth-in-taxation notices, override elections, and bond elections to more accurately reflect the current average market values for residential and commercial properties. Those values would have been both \$100k/\$400k for residential properties and \$1M/\$2M for commercial properties.

Additionally, the bill would have required the ballot for general obligation (G.O.) bond elections to include the following language: *“Principal of and interest on the bonds will be payable from a continuing, direct, annual, ad valorem tax levied against all taxable property located within the boundaries of the (jurisdiction). The bonds will be payable from the tax without limit as to rate or amount.”* This language is found in the prospectus that accompanies the bonds when sold on the market to describe the security and repayment structure of G.O. bonds. This addition is critical, as some districts have falsely argued that their bond sales would not increase taxes in the official district statement of their publicity pamphlets. In addition to misleading voters, if challenged in court, these statements could jeopardize the sale of the bonds. Ultimately, HB2515 was vetoed by the Governor.

HB2920 qualifying tax rate; tax bill (Olson)

Vetoed

HB2920 would have required county treasurers to disaggregate a school district property tax rate to separately state the qualifying tax rate (QTR) from the rest of the district’s primary rate. HB2920 received party line votes in both chambers before being ultimately vetoed by the Governor, whose statement read, “Property tax statements currently delineate school district taxes for operational and voter-approved purposes, and school districts cannot increase property taxes unless specifically allowed by law.”

SB1036 public resources; influencing elections; penalties (Kavanagh)

Vetoed

SB1036 would have allowed a resident to initiate a suit in superior court against governmental entities that are alleged to have violated the laws prohibiting the use of public resources to influence an election. The penalties collected by the court as a result would be paid to the resident. SB1036 was vetoed after receiving near party-line votes in both chambers.

SB1050 GPLET; notice; abatement period (Leach)

Vetoed

As introduced, SB1050 would have reduced the maximum abatement period under the Government Property Lease Excise Tax (GPLET) from 8 to 4 years. Additionally, the measure would have closed a loophole by requiring the net assessed value of the abated properties to be included in the state aid calculation. The bill would have also added community colleges to the list of taxing entities that the lessor must notify prior to entering into a GPLET agreement. As part of the notification process, the lessor would be required to provide an estimate of the property taxes the taxing entities would forego as a result of the agreement. The bill was amended in the Senate to keep the 8-year abatement in place but limit the abatement of taxes to all entities except school districts. SB1050 passed on a partisan vote and was subsequently vetoed. *See ATRA Position Paper in Appendix.*

SB1464 tax laws; interpretation; application; hearing (Mesnard)

Vetoed

SB1464 would have required ADOR to notify the chairpersons of the legislative tax committees if ADOR proposes a new interpretation or application of the laws under Titles 42 or 43 that would adversely affect taxpayers prospectively. Affected taxpayers were also given the option to notify the tax chairs as well. The committee chairpersons could hold a hearing on the proposed new interpretation or application and ADOR would be required to provide testimony regarding the reasons the interpretation or application is necessary. SB1464 passed on a partisan vote and was subsequently vetoed.

SB1473 K-12; school funding; revisions (Farnsworth)

Held in House ED

SB1473 was an ATRA-backed bill that was sponsored by Senator Farnsworth intended to support a more equitable school finance system by instituting a new optional funding formula for public school districts. Districts with no secondary property tax and with a support level ratio over 50% would be able to opt into a more streamlined and secure funding formula currently used by charter schools. In return for the funding increase, these districts would forgo locally funded bonds and overrides. Despite receiving near unanimous support in the Senate Finance Committee, SB1473 passed 16-11-3 from the Senate before stalling in the House without committee action.

HCR2003 expenditure limit; school districts (Gress)

Held awaiting House COW

HCR2003 would have authorized the expenditure of local revenues by school districts in excess of the constitutional aggregate expenditure limitation for FY26. Though the bill would have required a two-thirds majority vote of both chambers for passage, and despite near unanimous support in the House Education Committee, the bill was never heard on the floor. However, AEL relief was granted for FY26 in SCR1041 and for FY27 in SCR1042.

PASSED LEGISLATION ATRA OPPOSED

HB2704 tax; distribution; county stadium district (Weninger)

Chapter 251

HB2704 diverts state and local transaction privilege tax (TPT) and income tax revenues to the Maricopa County Stadium District for improvements to Chase Field as follows:

TPT Tax Increment Financing (TIF): Beginning the first month following the effective date of this act through December 31, 2056, requires the TPT revenues collected from the state, county, and city be distributed to the Maricopa County Stadium District (District) related to retail, amusements, restaurants, and prime contracting activities with respect to events held at a major league baseball facility (Chase Field) or an adjacent facility owned and operated by a county stadium district or baseball franchise (organization). The county TPT is limited to the 0.5% county transportation excise tax and the city TPT is capped at the first 2% of the city rate. The annual TPT revenues diverted from the city tax is capped at \$3.5M, which is increased by 3% each year.

Income tax TIF: Beginning July 1, 2026 through December 31, 2056, the state treasurer is required to transmit 82% of all state income tax revenue reported in the prior tax year to the District from all sources reported by ADOR from resident employees who are members of any professional franchise organization domiciled inside this state for services rendered in this state, including their spouses income, and nonresident employees domiciled outside of this state.

Revenue Cap: The total amount of TIF revenue to the District is capped at \$500M, which increases by 3% each year. In the event the organization leaves, the following penalties apply: \$10M if the organization leaves on or before October 1, 2035; \$5M if the organization leaves between October 2, 2035 and October 1, 2045; and \$1M if the organization leaves between October 2, 2045 and before October 1, 2050. Any remaining unexpended and unencumbered monies must be returned to the taxing jurisdiction from which they were generated. The organization is also required to pay any remaining debts of the District in the event the organization leaves or if the Legislature repeals the transmittal of monies before January 1, 2056 due to the failure of the organization to contribute financially (see "Legislative Intent" below).

Board of Directors (BOD): Eliminates the county board of supervisors (BOS) as the BOD and restructures the new BOD as follows: two members appointed by the mayor of the municipality in which the facility is operated; one member appointed by the county BOS chairperson; one ex officio member without the power to vote who represents the organization and is appointed by the Governor; four members who are residents of the county who have experience in construction, redevelopment, architecture, economic development or commercial or public finance, two appointed by the Governor, one by the Senate President and one by the Senate Minority Leader; two members who own businesses located within three miles of the facility, one appointed by the Speaker of the House and one by the House Minority Leader.

Reporting requirements: On or before November 1 of each year through 2055, the District BOD must report to JLBC and the Office of Strategic Planning & Budgeting (OSPB) all new projects for reconstructing, equipping, repairing, maintaining or improving a major league baseball facility or adjacent buildings, which must include the projects the franchise contributed monies toward and the amount of the contribution.

Legislative intent: The organization will contribute at least \$250M of the organization's own monies for the purposes of reconstructing, equipping, repairing, maintaining or improving the facility and the adjacent buildings.

See ATRA Position Paper in Appendix.

FAILED LEGISLATION ATRA OPPOSED

HB2197 certificate of necessity; repeal (Willoughby)

Held in House Rules

HB2197 would have repealed the certificate of necessity (CON) process and requirements to operate a ground ambulance service in Arizona. Eliminating the CON process would remove the Department of Health Services' oversight of emergency transport services in Arizona. HB2197 passed the House Regulatory Oversight Committee with a 3-2 vote and was held in House Rules.

HB2302 accommodation schools; bldg renewal grants (Biasiucci)

Held in House ED

HB2302 would have made accommodation schools eligible to receive monies from the Building Renewal Grant fund. This eligibility would have been limited to renewal projects for buildings, or portions thereof, which were constructed before 2014 using funds from the former School Facilities Board. HB2302 was assigned to the House Education Committee, but was never heard.

HB2457 fire districts; formation; county supervisors (Marshall)

Held in House WM

HB2457 would have allowed formation of a fire district with 65% voter approval instead of the current petition process that requires signatures from the majority of property owners and owners with majority of net assessed value. A county board of supervisors would be required to revise boundaries of the district to ensure no property would contribute more than 2.5% of the total district funding burden. This alternative district formation process would be good through December 2027 and limited to a fire district with 5,000 or fewer persons in counties with population less than 500,000. This year's attempt was similar to last year's proposal under HB2330 that was advanced specifically for a small fire district in northern Arizona that failed to obtain the requisite number of signatures. ATRA strongly opposed the measure since it would limit approval of a new property tax only to those who are registered to vote in the area. HB2457 passed the House Public Safety & Law Enforcement Committee with a 13-1 vote but was ultimately held in House WM. *See ATRA Position Paper in Appendix.*

HB2873 tourism improvement areas (Wilmeth)

Held awaiting House 3rd Read

HB2873 would have allowed a municipality or county to approve the formation of a tourism improvement area upon a petition signed by the lodging business owners who represent at least 67% of the total lodging business rooms available within the proposed area. The governing body would be required to conduct a public hearing at least 30 days after mailing notice to all lodging business owners. Any lodging business proposed to be subjected to an assessment could submit a written objection to the governing body at any time before the conclusion of the hearing. If objections are received from the owners who represent at least 50% or more of the total lodging rooms, the hearing must end and no further proceedings on the formation of the area may be held for a period of one year after the hearing. If the objections do not represent 34% or more of the total rooms, the governing body may adopt a resolution to form the area. Boundaries may be contiguous or noncontiguous. HB2873 would have required each governing body to contract with an owners' association to manage the area. The

association would need to establish, charge and collect assessments on the businesses and levy an assessment up to \$5/room sold per night, which could be tiered based on the annual average daily room rate. The lodging business owner would be required to pay the assessment to ADOR at the same time of paying TPT. Lodging business assessments may vary by types or classes and may be levied based on any of the following: a fixed amount; rate per transaction; fixed rate per transaction per day; percentage of sales; or any combination of methods. ATRA opposed the measure since it would grant quasi-governmental and taxation authority to private entities. HB2873 was held awaiting House 3rd Read.

HCR2047/SCR1015 state land trust; perm. funds (Gress/Mesnard) Retained in COW

These identical measures, introduced by Rep. Gress and Sen. Mesnard, would have allowed voters the opportunity at the next general election to reboot the Prop 123 state trust permanent fund distribution of 6.9% but would be earmarked for a statewide program to increase the base salary of all eligible teachers. The increased distribution of 6.9% would remain in place for fiscal years 2026 through 2036 with clauses allowing the Legislature, with Governor approval, to reduce the distribution rate to between 2.5% and 6.9%. In 2036, the distribution rate would decrease to 2.5%. These two measures were held in their respective chambers and, despite Rep. Livingston's revival of the measure in HCR2031, the Legislature ultimately failed to pass a Prop 123 continuation before adjourning sine die. Prop 123, which was passed in 2016 by voters, expired on June 30th of this year.

SB1121 property tax; limited value; methodology (Mesnard) Held in Senate Rules

SB1121 would have allowed Arizona's 15 county assessors statutory authority to calculate Rule B percentages either on a countywide or market area basis. This proposal was in response to the *Machu Picchu Holdings v. Pinal County* case in which the court ruled that calculating Rule B on a neighborhood or market area basis, rather than countywide, violated state statute. Since the court ruled that the methodology was in violation of statute, it did not address whether the methodology violated Arizona's Uniformity Clause or the U.S. Equal Protection Act. ATRA opposed the measure because it would create disparate treatment among properties, leading to more litigation, and run afoul of the constitutional Uniformity Clause. Following a stakeholder meeting with the assessors, the bill sponsor requested the bill be held since consensus could not be reached.

SB1148 CORP; defined contribution (Payne) Failed Senate 3rd Read

As introduced, SB1148 would have allowed corrections officers hired on or after July 1, 2026 to make an irrevocable election to participate in either the defined benefit (DB) plan under the Corrections Officer Retirement Plan (CORP) or the defined contribution (DC) plan under the Public Safety Personnel Retirement System (PSPRS). A retroactivity clause extended the same election opportunity to employees hired after July 1, 2018. Following a strike-everything (S/E) amendment and subsequent amendments to the S/E, the Senate engrossed version would have set the employee contribution rate for CORP members in the PSPRS DC plan hired on or after July 1, 2026 at 7.5%, up from the current 7%. For members hired on or after July 1, 2018 but before July 1, 2026, the rate would be set at 7%, down from 9%. The employer contribution rate for all CORP members in the PSPRS DC plan who are hired on or after July 1, 2018 would be 10%, up from the current 5%. SB1148 failed on reconsideration in the Senate with a vote of 11-16-2. However, a provision in the budget under SB1739 increased the DC employer contribution rate from 5% to 5.5%, beginning July 1, 2026, for CORP members hired on or after July 1, 2018.

SCR1005/SB1240 S/E: teacher salary increases (Mesnard) Held awaiting Senate COW
These two measures formed a companion bill package: SCR1005 was the constitutional amendment that would allow for an increased distribution rate from the Permanent Funds, and SB1240 was the statutory bill that outlined how the new revenue would be used to provide mandatory base salary increases for teachers. They were both held in the Senate.

SB1365 PSPRS; member contributions (Kavanagh) Held in Senate 3rd Read
SB1365 would have capped the PSPRS member contribution rate at 9.5% of the member's compensation. Any additional contribution required by the employer would be paid by the employer. SB1365 was held awaiting Senate 3rd Read.

LEGISLATION ATRA FAVORABLY AMENDED

SB1120 assessor's valuations; special districts; petitions (Mesnard) Chapter 61
As introduced, SB1120 would have altered the special district creation petition requirements for fire districts, community park maintenance, sanitary & hospital districts that requires the majority of property owners and owners with majority of value to sign a petition. The measure would have limited the signatures to only *real* property owners and the value test to only the limited assessed values-both of which would eliminate centrally valued property from participating in the district creation process. In response to ATRAs concerns, the bill was amended to include both real and personal property owners and the valuation test was adjusted to include the limited property value for locally assessed property and full cash value for centrally valued property.

SELECTED LEGISLATION ATRA MONITORED

HB2124 hospitals; interfacility transport (Willoughby) Held awaiting House 3rd Read
HB2124 would have exempted ambulance services owned or operated by a direct or indirect (defined) owner of a hospital for interfacility transports from obtaining a CON. HB2124 was held awaiting House 3rd Read.

HB2389 business personal property; exemption (Carter N) Held in Senate Rules
HB2389 would have exempted all locally assessed business personal property, effective beginning in tax year 2032. A Joint Legislative Budget Committee (JLBC) fiscal note estimated the bill would have a state general fund impact as high as \$73.8 million beginning in FY 2033. HB2389 passed the House and Senate Committees on partisan votes and was held awaiting Senate Rules.

HCR2021 food; municipal tax; exemption (Biasiucci) Transmitted to Secretary of State
As initially introduced, HCR2021 would have prohibited cities and towns from levying a TPT rate on the sale of food for home consumption if approved by voters at the 2026 general election. Following opposition from the cities, the bill was amended to prohibit cities from levying a TPT rate of more than 2% on food for home consumption. For cities that levy a tax rate less than 2% or that do not currently tax food, voter approval is required to levy a rate up to 2%. The adoption or subsequent increase to the rate may not occur in the 24-month period preceding the June 30, 2027 effective date of the act.

SB1091 school districts; bonds; overrides; ballots (Hoffman)**Vetoed**

SB1091 would have required school districts asking for an override continuation to include an estimated tax rate reduction, should the measure fail, in the voter informational pamphlet. Similarly, if a district's bond sale authority was expiring and they sought a new sale at the same rate, the informational pamphlet would have had to carry the same tax rate reduction language. SB1091 met party-line votes in both chambers on both the floor and committees, and was subsequently vetoed by the Governor, who stated in her veto letter that the measure was "duplicative, ineffective, nonsensical, and objectionable."

SB1144 jail facilities excise tax; extension (Payne)**Chapter 155**

SB1144 allows the Maricopa County Board of Supervisors to call an election to request voter approval for an extension of the 1/5-cent sales tax for an additional twenty years to support the Maricopa County adult and juvenile jail system. If approved, the tax will be effective beginning in the month following expiration of the existing tax.

SB1224 property tax; limited property value (Mesnard)**Chapter 96**

Requires a Rule B calculation of the limited property value for property that previously qualified for the senior valuation protection if title is conveyed to a person that does not qualify or the current owner no longer qualifies or did not reapply. Also applies to other locally assessed property that previously qualified for a statutory calculation of the full cash value and no longer qualifies.

SCR1008 municipalities; counties; vote; fee increases (Petersen) Held in House Rules

Subject to voter approval, SCR1008 would have prohibited a county, city, or town from imposing any assessment, tax, or fee without a two-thirds affirmative vote of the council or board. The bill left the Senate on a 17-12-1 vote but ultimately stalled in the House before being heard in the Rules Committee.

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HB2118 TPT; sourcing; business location; receipt (Carter) 19

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2025 LEGISLATIVE PROGRAM

Introduction/State Budget

ATRA's legislative program is developed each year with recognition that the Legislature and Governor's highest priority for the session should be passing a state budget that is balanced and sustainable.

ATRA will provide updated state budget recommendations to the Legislature after the JLBC and the Office of Strategic Planning and Budgeting (OSPB) have submitted their budget recommendations in January.

Taxation

Property tax reform. ATRA has led the effort to reform Arizona's property tax system and reduce the disparity in tax treatment between business and residential property. As a result of previous ATRA-backed legislation passed in 2005, 2007, 2011, 2021, and 2022, ATRA achieved its decades-long goal of reducing the class one (business) assessment ratio to 15% beginning in tax year 2027. In addition, the historic reductions in the business personal property tax, coupled with the passage of Proposition 130 in 2022, now provides opportunities for further reductions.

Prevent greater access to the property tax. For the 2025 session, ATRA will oppose efforts by the state and local governments, as well as special districts, to increase access to the property tax base.

In addition, ATRA will advocate for the continued compliance with the state's Truth-in-Taxation (TNT) law. Since its passage in 1998, the state has consistently complied with the TNT law and state controlled tax rates have declined in each of the last ten years. While those rates have both risen and fallen with the fluctuations in the real estate market, ATRA believes adherence to the TNT law is an important principle that has and will continue to benefit taxpayers over time.

Targeted Property Tax Breaks. For decades, ATRA has led the effort at the Capitol to oppose rifle-shot property tax breaks to specific taxpayers. Too often, these bad precedents create a path dependency leading to more inequity in the system. ATRA will continue to support policies that provide for equitable treatment among property taxpayers and oppose efforts that undermine that important policy principle.

For the 2025 session, ATRA will pursue the following legislation:

Property Tax

Personal Property Tax Relief. In November 2022, Arizona voters approved Proposition 130, which gave state lawmakers statutory authority over business personal property tax exemptions. Under the new authority provided to the Legislature, ATRA will pursue increasing the personal property exemption from the current \$248,691 to \$500,000. (Sen. Mesnard)

General Obligation (G.O.) Bond Elections. For several years, ATRA has expressed concerns that Arizona voters and taxpayers have often been misled about the property tax implications of voter approved G.O. bonds. Those concerns were heightened in 2024 when some school districts actually used the statutorily required publicity pamphlet to suggest that the bonds WILL NOT INCREASE THE TAX RATE. These claims go beyond the use of public funds to influence the outcome of an election and are a complete contravention of the legal framework for selling G.O. bonds. In order to ensure taxpayers understand the tax implications of the G.O. bonds, ATRA will pursue legislation to require that the “purpose statement” in the publicity pamphlets include the following notice to taxpayers:

Principal of and interest on the Bonds will be payable from a continuing, direct, annual, ad valorem tax levied against all taxable property located within the boundaries of the District. The Bonds will be payable from such tax without limit as to rate or amount. (Rep. Olson)

Sales Tax

City Taxpayer Notification for Model Options. Through the Model City Tax Code (MCTC), Arizona cities are allowed to tax transactions that are exempt at the state and county level. Regrettably, in too many instances, businesses are not made aware of a city tax liability until they are audited by a city. ATRA will propose legislation requiring the city to notice any business that is subject to a model or local option of that obligation when they receive their business license. Upon initial adoption of a model or local option, the city is required to directly notify each impacted business by mail. (Rep. Carter)

TPT Sourcing Rules. The 2024 legislative session included a bill that called for a major change to Arizona’s TPT sourcing laws for businesses with a physical presence in Arizona. ATRA opposed that change and it did not become law. ATRA anticipates another round of proposals regarding sourcing for in-state transactions and will support changes that provide clarity to current law that sources the sales by in-state businesses to the business location.

Public Finance

Government Property Lease Excise Tax (GPLET) Reform. GPLET continues to be a highly controversial feature of Arizona’s public finance system. ATRA participated in

several major successful GPLET reform efforts in 2010, 2017, and 2018 to limit cities use of their tax exempt status to harvest property taxes for private projects. However, a historic Arizona Supreme Court Gift Clause decision in 2021 (*Schires v. Carlat*) has made those reforms potentially moot. Arizona's Gift Clause states that a municipality may not "give or loan its credit in the aid of, or make any donation or grant, by subsidy or otherwise, to any individual, association, or corporation." To determine a violation of the Gift Clause, the courts rely on the *Wisturber* two-pronged test to determine whether the expenditure has a public purpose and if the consideration received by the government is grossly disproportionate to the amount paid to the private entity. In considering the direct payments that were bargained for in the case, the court determined that the agreement failed *Wisturber's* second prong and therefore violated the Gift Clause. To reduce Gift Clause challenges to future GPLET agreements, ATRA will pursue legislation to limit the current 8-year abatement period to 4 years so that the "give" doesn't exceed the "get."

In addition, the legislation will amend school finance statutes to require school districts to include the assessed valuation of GPLET property in abatement in the calculation for state equalization assistance. Lastly, in order to reduce the potential for Gift Clause violations for GPLET deals outside the Central Business District, the legislation will reduce the maximum GPLET lease term from the current 25 years to 10 years. (Sen. Leach)

GPLET Transparency. Current law requires a government lessor to notify the county and any city, town and school district in which a government property improvement is located 60 days prior to approval of the lease or development agreement. ATRA will pursue legislation to also require the lessor to notify the impacted community college district, if applicable. The legislation will also require the lessor to provide an estimate of the property tax revenue that each taxing entity will forego during the term of the GPLET abatement period or the term of the GPLET excise tax lease.

ATRA's legislation will improve the existing transparency measures by requiring ADOR to post all county treasurer GPLET reports to the ADOR website and require lessors to timely update their databases in a format prescribed by ADOR. (Sen. Leach)

School Finance Reform. For decades, ATRA has advocated for a school finance system that is equitable and reflective of Arizona's K12 system that encourages and promotes parental choice. ATRA has also argued that a more equitable school finance system reduces the state's exposure to the continuous litigation facing the state. ATRA will support the following school finance reform in the 2025 session to create a state student funding formula. This proposal would allow any school district with no secondary property tax (no bonds or overrides) to switch to a new state funding formula similar to the current charter funding system. Upon the approval of district voters, eligible districts would opt into the new state funding system (an average of \$1,200 more per pupil) and agree to forgo bond and override funding. In order to offset some of the state general fund impacts of the new state funding formula, district voters would also be required to

approve an additional property tax rate of \$0.35 for elementary and union districts or \$0.70 for unified districts.

Informational Pamphlets; Property Tax Estimates. Several Arizona statutes require local governments to provide estimates of the property tax increases associated with truth-in-taxation notices, override elections, and bond elections. Currently those estimates require the use of a \$100K home and a \$1M business. ATRA will pursue legislation to update those estimates to \$400K for homes and \$1.5 million for a business. (Rep. Olson)



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ATRA SUPPORTS HB2118

Clarifies TPT Sourcing for Businesses Located in this State

Under current law, the retail sale of tangible personal property (TPP) is sourced to the seller's business location if the seller receives the order *at a business location in this state* (origin-based) and to the purchaser's location if the *seller receives an order from a location outside of this state* (destination-based). HB2118 clarifies that a business location is a "physical space that a person can occupy, such as an office or a room in a house, and in which business is carried on" and regardless of where the servers are located when transmitting the information necessary to accept the order.

In 2023, the Arizona Department of Revenue (ADOR) drafted a taxpayer ruling that would have clarified exactly what is being proposed under HB2118. Under the draft Arizona Transaction Privilege Tax Ruling TPR 23-X, the Department outlined that when sourcing retail sales of TPP, **"Servers alone neither establish a business location nor receive orders. A business location is a physical place that a person can occupy—such as an office or a room in a house—and in which business is carried on."**

This ruling would have provided clarity for taxpayers; however, it was never published due to opposition from Arizona's cities and towns. This clarification is necessary because Arizona cities are actually auditing businesses and enforcing an interpretation of sourcing that is dramatically different than the clear reading of current state law.

Despite cities opposition to ADOR's draft ruling, A.R.S. § 42-6005 clearly states that *"If the state statutes and model city tax code are the same and the department has issued written guidance, the department's interpretation is binding on cities and towns."*

Taxpayers deserve clarity in Arizona's complicated TPT system and shouldn't be threatened with city audits that undermine the department's interpretation of Arizona's tax laws.



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ARIZONA TRANSACTION PRIVILEGE TAX RULING TPR 23-X

The following are excerpts from the ADOR Draft TPR 23-X on TPT Sourcing:

Business location

Although no controlling precedent defines *business location*, in the tax case *ACN Opportunity, LLC v. Employment Department*, the Oregon Supreme Court, in construing a statute containing the phrase “maintains a business location,” did define the term.²⁶ The state legislature had not defined *business location*, so the court “assume[d] that the legislature intended to give [the term its] ordinary meaning[.]”²⁷ Turning therefore to a reliable dictionary, the court discovered that “[i]n part, *Webster’s* defines ‘location’ to mean ‘a position or site occupied or available for occupancy (as by a building) or marked by some distinguishing feature.’”²⁸ Relying on that definition, the court recognized that “a business location must be a physical space that a person can occupy, such as an office or a room in a house.”²⁹

The Arizona Legislature likewise has not defined *business location* for the purposes of sourcing a retail sale. Following the rules of statutory construction observed in Arizona, as by the *ACN Opportunity* court, the term must be given its ordinary meaning.³⁰ The Department accordingly adopts Oregon’s approach and also adds to that court’s definition the commonsense clarification that a business location is a location where the taxpayer’s business is carried on. Specifically, a *business location* is a physical space that a person can occupy such as an office or a room in a house and in which business is carried on.

Receipt of order

Just as *business location* is undefined in the statute, so too is *receipt of order*. In the paradigmatic case—i.e., where a retailer has a brick-and-mortar storefront—there can be little doubt about the fact of receipt. However, the difficulty arises where a retailer lacks such a storefront, such that (1) all orders are submitted online, and (2) those orders are transmitted to servers before being handled by business personnel.

Just as contract formation requires manifestation of assent, so too does order receipt require manifestation of such receipt. And, just as the manifestation of assent generally requires no act, the manifestation of receipt also typically requires no act, as in a traditional receipt of in-person order at a brick-and-mortar retail storefront. Contrastingly, if order information is remotely transmitted to a seller through one or more servers, manifestation of receipt by act is required in order to establish the receipt of the order. Thus, for example, where order information is submitted to servers that transmit the information to a business location where employees (or agents) of a seller act on that order information, order receipt is established by the business location sufficient to satisfy A.R.S. § 42-5040(A)(1) and to enable the Department to satisfy its levying and collection duties under A.R.S. § 42-5008(A).

So, if order information is submitted to one or more servers, a subsequent physical act by the vendor in response to that order information at a business location is necessary in order to manifest receipt and thereby establish order receipt.

*Sourcing Retail Sales of TPP – Online Businesses*³¹

A specialized case of retail sourcing arises where a retailer lacks a brick-and-mortar storefront, such that (1) all orders are submitted online, and (2) those orders are transmitted to servers before being handled by business personnel. Under such circumstances, the servers themselves do *not* establish a business location at which the order is received, such that the sales are not sourced to the servers.

Servers alone neither establish a business location nor receive orders. A *business location* is a physical place that a person can occupy—such as an office or a room in a house—and in which business is carried on.³² Because a server is not itself such a physical place, it neither is, nor establishes, a business location. And just as contract formation requires manifestation of assent, so too does order receipt require manifestation of receipt.³³ “Receipt” by servers therefore does not constitute receipt of order. Instead, order receipt is established by the actions of the employees (or agents) at the business location sufficient to satisfy A.R.S. § 42-5040(A)(1): where order information is submitted to servers that subsequently transmit the information to a business location at which employees (or agents) act on that order information, regardless of whatever intermediate events may occur.



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ATRA SUPPORTS HB2119 ***Model City Tax Code Notifications***

Arizona is one of a few states that allows for an independent municipal sales tax structure. Through the Model City Tax Code (MCTC), Arizona cities are allowed to tax transactions that are exempt at the state and county level. Additionally, through the adoption of “local” and “model” options, the tax base among the state’s 91 cities and towns can also vary.

For decades, this has caused confusion among taxpayers who are not taxable at the state level and are not made aware of a city tax liability until they are audited by a city.

HB2119 requires municipalities to inform city business license applicants if they’re subject to a local or model option at the time of obtaining the application from the city. Furthermore, a municipality is required to notify all businesses in an affected business classification at least 60 days before the adoption or repeal of a local or model option.

ATRA worked with the Arizona Department of Revenue (ADOR) on the Senate Finance amendment that reinforces ADOR’s current authority to share taxpayer information with the cities for notification purposes. The amendment also further clarifies that only those cities that issue business licenses will be required to notify business license applicants if they will be taxable under a MCTC local or model option.



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ATRA SUPPORTS HB2515

Improves Transparency in Bond & Override Elections

In most elections to pass a bond or budget override, political subdivisions are required to mail an informational pamphlet to voters. Importantly, these pamphlets contain statutory language intended to inform voters about the debt service and other tax implications of the debt if approved. Under HB2515, residential properties will use both \$100,000 and \$400,000 valuation figures for calculating the tax impact, while commercial properties will use \$1 million and \$2 million valuation figures in both informational pamphlets and Truth-in-Taxation (TNT) notices.

As real property values have grown considerably in recent years, a residential property valued at \$100,000 no longer accurately reflects a typical home in urban Arizona. Accordingly, tax estimates calculated based on that value will often not provide taxpayers an accurate idea of what they might owe in future property taxes when they vote on a bond or override. Accordingly, HB2515 includes both \$100,000 and \$400,000 in required valuations for tax calculations to capture a broader range of properties in both urban and rural parts of the state. TNT notices, published by local governments when they raise property taxes above the current level, also include similar home value-based tax calculations and will receive the same update under HB2515.

Currently, a ballot with a measure to authorize the sale of general obligation (G.O.) bonds must include the following language: "the issuance of these bonds will result in a property tax increase sufficient to pay the annual debt service on bonds." HB2515 would add the following language to the same area of the ballot:

"Principal of and interest on the bonds will be payable from a continuing, direct, annual, ad valorem tax levied against all taxable property located within the boundaries of the (name of district or jurisdiction). The bonds will be payable from the tax without limit as to rate or amount."

This language is identical to that found in bond prospectuses to describe the security and repayment structure of the G.O. bonds. This addition is critical, as some districts have falsely argued that their bond sales would not increase taxes in the official district statement of their publicity pamphlets. In addition to misleading voters, if challenged in court, these statements could jeopardize the sale of the bonds.



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ATRA SUPPORTS SB1050

With Senate Finance Amendment

Arizona's Constitutional Gift Clause Challenges

In 2021, the Arizona Supreme Court's historic Gift Clause decision under *Schires v. Carlat* found that the City of Peoria violated the State Constitution's Gift Clause when it promised to pay up to \$2.6 million to a private university to offer an undergraduate degree program in the city.

Arizona's Gift Clause states that a municipality may not "give or loan its credit in the aid of, or make any donation or grant, by subsidy or otherwise, to any individual, association, or corporation."

Even before the *Schires* decision, the Maricopa Superior Court found under *Englehorn v. Stanton* in 2020 that the tax subsidy under the Government Property Lease Excise Tax (GPLET) between the City of Phoenix and a developer to build a high-rise residential tower in downtown Phoenix violated the Gift Clause. Specifically, the Court ruled that the benefits to the developer over the term of the lease were "grossly disproportionate" to the amount received by the public.

To determine a Gift Clause violation, the courts rely on the *Wisturber* two-pronged test to determine whether the expenditure has a public purpose and if the consideration received by the government is grossly disproportionate to the amount paid to the private entity. In considering a violation under the second prong, only the direct payments that are bargained for in the agreement are considered and any indirect, economic benefits are not.

What is GPLET?

In the early 1980's, some cities began to aggressively use their tax exempt status for "economic development." The Legislature responded by creating the possessory interest tax to tax private concerns on certain government properties but also exempted existing deals, which the Court ultimately struck down. The Legislature responded again in 1996 and enacted GPLET to replace the tax on possessory interests.

GPLET is an excise tax that is levied on property owned by a city, town, county or county stadium district and leased to a private concern. Under GPLET, a government lessor can offer an 8-year abatement to shield the lessee from paying both property taxes and excise tax under GPLET if the property is located in a central business district.

GPLET has been a very controversial topic at the Capitol for decades that has led to several reforms; however, the recent court decisions have made all the reforms potentially moot. It is clear that the 8-year abatement under GPLET remains the most significant problem.

In 2010, 2017, and 2018, previous Legislatures attempted to reduce GPLET's role in our public finance system. From central planners picking winners and losers and creating significant inequities across property taxpayers to cost shifting budget impacts to the state general fund, GPLET has created a myriad of policy challenges.

Basis for ATRA's Support

The *Englehorn* Gift Clause challenge was the first and most significant judicial review of the GPLET structure. In ruling against the tax incentive, the lower Court questioned that "...if payments under a future GPLET agreement must more closely approximate the amount of ad valorem taxes, does the GPLET have any remaining usefulness to incent redevelopment? In other words...this judicial officer questions whether the death knell for the GPLET's usefulness has rung."

A current court case under *Paulin v. City of Phoenix* (aka *Garfield*) challenges the constitutionality of a \$7.9 million development agreement between the City of Phoenix and a private real estate developer to construct a high-rise luxury apartment building in the heart of downtown Phoenix. The Court of Appeals heard oral arguments in November 2024 and will rule on the questions of whether the deal violates the Gift Clause and Conveyance to Evade Taxation Clause.

These GPLET deals continue to be made and taxpayers can't be expected to legally challenge every one of them. To reduce Gift Clause challenges to future GPLET deals, SB1050 limits the abatement of excise taxes to all entities except for school districts. Requiring the developer to remit GPLET excise taxes to school districts plugs a hole in the "state aid" calculation, saving the state general fund millions in revenue each year. Doing so reduces the chances that the "give" doesn't exceed the "get."



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ATRA SUPPORTS SB1069

Reduces Business Personal Property Tax & Administrative Burden on Small Business

Reforming the tax on business personal property (BPP) has been a bipartisan effort for decades. In 1996, the voters approved a constitutional amendment to exempt the first \$50k on BPP per taxpayer. The constitutional exemption was later enhanced by requiring the exemption to be adjusted annually for inflation, bringing the current exemption to \$248k. In 1994, the Legislature enacted “accelerated depreciation” for newly acquired BPP and has adjusted it twice since initially enacted. In 2022, legislation was enacted to limit the tax on new BPP to a valuation factor of 2.5%. With the passage of Prop 130 in 2022, voters gave the Legislature the authority to fully exempt the tax on locally assessed BPP.

In addition to being a tax that discourages capital investment in Arizona, the BPP is also complicated and inefficient. Worse, many business taxpayers often fail to self-report because they are unaware they owe the taxes.

Previous actions by the Arizona Legislature and voters have reduced the tax base and administrative burden on small businesses, as well as the administrative burden on county assessors and treasurers who are tasked with administering the tax.

SB1069 further reduces the tax and administrative burden by increasing the BPP exemption from \$248,691 to \$500,000.



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ATRA SUPPORTS SB1473

Creates a State Student Funding Formula

For decades, ATRA has advocated for a school finance system that is equitable and reflective of Arizona's K12 system that encourages and promotes parental choice. ATRA has also argued that a more equitable school finance system reduces the state's exposure to the continuous litigation facing the state.

This proposal would allow any school district with no secondary property tax (no bonds or overrides) and with a support level ratio over 50% to switch to a new state funding formula similar to the current charter funding system. Upon the approval of district voters, eligible districts would opt into the new state funding system (an average of \$1,200 more per pupil) and agree to forgo bond and override funding. In order to offset some of the state general fund impacts of the new state funding formula, district voters would also be required to approve an additional property tax rate of \$0.32 for elementary and union districts or \$0.64 for unified districts.

With Courts ruling in favor of more equitable K12 funding practices and high public demand for greater education quality, ATRA believes SB1473 will decrease inequities in K12 funding and reduce the state's exposure to litigation.



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ATRA OPPOSES HB2457

Bypasses Longstanding Property Owner Approval for Fire District Creation

Background

Current statute allows for the creation of a fire district through a petition process that requires the signatures of more than 50% of the property owners and owners with more than 50% of the net assessed value. If established, the fire district may levy a secondary property tax on all the property within the district at a maximum tax rate of \$3.75 per \$100 of assessed value. The petition process that requires the approval from more than half of the property owners is important since the property owners will be liable for the tax.

HB2457 would allow a proposed fire district to bypass the petition process, and instead, create a new district with a vote of the registered voters.

ATRA's Opposition

HB2457 allows proponents of a new fire district to do an end run around property taxpayers by replacing the current petition process with a public vote. Particularly in rural areas of the state, vacant and improved land may be owned by taxpayers who are not registered to vote in the area and therefore would not be allowed to vote in the election. In this case, a fire district could be created by a small number of electors to impose a significant property tax on all property owners.



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ATRA OPPOSES HB2457 Taxpayers Don't Get to Say No?

Proponents of the proposed West Coconino Fire Rescue District needed one-half of the property owners and owners with more than 50% of the value to sign a petition for its creation.

Assessor's Summary of Report of Findings:

Of the 515 units (accounts) associated with the proposal of the West Coconino Fire Rescue district, 404 unique owners were identified & **110 valid signatures collected resulting in 27.2% of owners in favor of the district.** Those 110 property owners collectively own property totaling \$1,014,395 in assessed value or 34.4% of the initial assessed value of \$2,949,484.

Please note: Duplicate petition pages, duplicate owner signatures and signatures affiliated with delinquent real property accounts are considered invalid and were removed from the final calculations.

Source: Coconino County Clerk of the Board memo, 6/14/2022

Circulators failed to receive the appropriate signatures to create the district:

Based on data provided by the County, circulators failed to get signatures from 95 of the residential property taxpayers who reside within the boundaries of the proposed district.

HB2457 will allow the proponents of this new fire district to do an end-run around the current process despite their failed attempt to receive approval from the property taxpayers. With this bill, only the registered voters in the area will get to participate in the question whether or not to increase property taxes and the property taxpayers, who may or may not be registered voters in the area, don't get a say.



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ATRA OPPOSES HB2704 ***Tax Increment Financing for Chase Field***

Background

HB2704 diverts state transaction privilege tax (TPT) and income tax revenues to the Maricopa County Stadium District for improvements to Chase Field. Specifically, the District may use the revenues for reconstructing, equipping, repairing, maintaining or improving the Major League Baseball facility owned and operated by the County Stadium District.

ATRA's Opposition

The Arizona Tax Research Association (ATRA) is opposed to HB2704 for the following reasons:

- 1. Allowing local governments to harvest the state sales and income taxes to assist in the funding for local projects is not only a dangerous precedent, but it's also poor tax policy.**
- 2. Taxpayers in other communities around the state of Arizona should not be asked to participate in the funding of this local project. Diverting state sales and income taxes from the state general fund to finance this project obligates all the state's taxpayers to participate in the funding to renovate this county facility.**

Attempting to tap state funds for financing local projects became very popular in the late 1990s and ATRA strongly argued against all of those measures. In fact, this form of tax increment financing (TIF) became so popular, the Legislature ultimately sunset all of the TIF laws on the books.

Each of the TIF projects that have been debated over the years had one thing in common: they were extremely important to the communities working on them and each felt they were worthy of state assistance. The question is where do you draw the line? Are you prepared to allow TIF for other jurisdictions that will demand similar treatment?

At a minimum, if the state wishes to assist in the funding of this project, it should do so through the appropriations process with a clear understanding of the costs and where the project competes against all other requests for state funding.