PROPOSITION 116

ANALYSIS BY LEGISLATIVE COUNCIL

The Arizona Constitution currently provides that all property in Arizona is subject to property taxation unless it is specifically exempted from tax as authorized by the Constitution.

Proposition 116, known as the Small Business Job Creation Act, would amend the Arizona Constitution to allow the state to exempt from taxation the "full cash value" of equipment and machinery or "personal property" used in agriculture or in a trade or business, up to an amount equal to the annual earnings of fifty workers in this state. This exemption would apply to equipment and machinery initially acquired beginning in the 2013 tax year. To determine the amount of the exemption, the state would designate a national measure of employee earnings, which would be adjusted annually.

Under current Arizona law, the first $50,000 of full cash value of a taxpayer's equipment and machinery used in agriculture or in a trade or business is exempt from tax. The amount is adjusted annually for inflation, and is currently set at $68,079. The current exemption would continue to apply to equipment and machinery initially acquired before the 2013 tax year.

"Full cash value" refers to the market value of property unless a specific formula for valuing property for tax purposes is set out in law.

"Personal property" refers to property that is not part of real estate and includes such things as machinery, equipment and store fixtures.