

PROPOSITION 116

personal property tax exemption amount

ANALYSIS BY LEGISLATIVE COUNCIL

[CHAIRMAN'S DRAFT]

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

4 Proposition 116 would amend the Arizona Constitution to allow the Legislature to
5 exempt from taxation the "full cash value" of "personal property" used in agriculture or in
6 a trade or business, up to an amount equal to the annual earnings of fifty workers in this
7 state. This exemption would apply to personal property initially acquired beginning in
8 the 2013 tax year. To determine the amount of the exemption, the Legislature would
9 designate a national measure of employee earnings, which would be adjusted annually.

10 Under current Arizona law, the first \$50,000 of full cash value of a taxpayer's
11 personal property used in agriculture or in a trade or business is exempt from tax. The
12 amount is adjusted annually for inflation, and is currently set at \$68,079. The current
13 exemption would continue to apply to personal property initially acquired before the
14 2013 tax year.

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

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