

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2166

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 42-12004, Arizona Revised Statutes, is amended to  
3 read:

4 42-12004. Class four property

5 A. For purposes of taxation, class four is established consisting of:

6 1. Real and personal property and improvements to the property that  
7 are used solely as leased or rented property for residential purposes, that  
8 are not included in class one, two, three, six, seven or eight and that are  
9 valued at full cash value.

10 2. Child care facilities that are licensed under title 36, chapter 7.1  
11 and that are valued at full cash value.

12 3. Real and personal property and improvements to property that are  
13 used to operate nonprofit residential housing facilities that are structured  
14 to house or care for persons who are handicapped or sixty-two years of age or  
15 older and that are valued at full cash value.

16 4. Real and personal property and improvements that are used to  
17 operate licensed residential care institutions or licensed nursing care  
18 institutions that provide medical services, nursing services or health  
19 related services and that are structured to house or care for persons who are  
20 handicapped or sixty-two years of age or older and that are valued at full  
21 cash value.

22 5. Real and personal property consisting of no more than six rooms of  
23 owner-occupied residential property that are leased or rented to transient  
24 lodgers at no more than a fifty per cent average annual occupancy rate,  
25 together with furnishing no more than a breakfast meal, by the owner of the  
26 property and that is valued at full cash value.

27 6. Real and personal property consisting of residential dwellings that  
28 are maintained for occupancy by agricultural employees as a condition of

1 employment or as a convenience to the employer, that is not included in class  
2 three and that is valued at full cash value. The land associated with these  
3 dwellings shall be valued as agricultural land pursuant to chapter 13,  
4 article 3 of this title.

5 7. Real property and improvements to property constituting common  
6 areas that are valued pursuant to chapter 13, article 9 of this title.

7 8. Real and personal property that is defined as timeshare property by  
8 section 32-2197 and valued pursuant to chapter 13, article 10 of this title,  
9 except for any property used for commercial, industrial or transient  
10 occupancy purposes and included in class one to the extent of that use.

11 9. LOW INCOME MULTIFAMILY RESIDENTIAL RENTAL PROPERTIES THAT ARE  
12 VALUED PURSUANT TO CHAPTER 13, ARTICLE 11 OF THIS TITLE.

13 B. Subsection A, paragraphs 3 and 4 of this section shall not be  
14 construed to limit eligibility for exemption from taxation under chapter 11,  
15 article 3 of this title.

16 Sec. 2. Title 42, chapter 13, Arizona Revised Statutes, is amended by  
17 adding article 11, to read:

18 ARTICLE 11. VALUATION OF LOW INCOME MULTIFAMILY  
19 RESIDENTIAL RENTAL PROPERTY

20 42-13501. Definitions

21 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

22 1. "LOW INCOME HOUSING TAX CREDIT PROGRAM" MEANS THE FEDERAL LOW  
23 INCOME HOUSING TAX CREDIT PROGRAM ESTABLISHED BY THE TAX REFORM ACT OF 1986,  
24 CODIFIED IN SECTION 42 OF THE INTERNAL REVENUE CODE AND ADMINISTERED BY THE  
25 ARIZONA DEPARTMENT OF HOUSING PURSUANT TO SECTION 35-728 TO ENCOURAGE  
26 CONSTRUCTION AND REHABILITATION OF LOW INCOME RENTAL HOUSING.

27 2. "LOW INCOME MULTIFAMILY RESIDENTIAL RENTAL PROPERTY" MEANS  
28 MULTIFAMILY RESIDENTIAL PROPERTY THAT BOTH:

29 (a) RECEIVED FEDERAL INCOME TAX CREDITS PURSUANT TO SECTION 42 OF THE  
30 INTERNAL REVENUE CODE THROUGH THE LOW INCOME HOUSING TAX CREDIT PROGRAM.

31 (b) MEETS ALL OF THE FOLLOWING REQUIREMENTS:

1 (i) THE PROPERTY REMAINS BOTH INCOME AND RENT RESTRICTED CONSISTENT  
2 WITH SECTION 42 OF THE INTERNAL REVENUE CODE AND THE PROVISIONS OF THE  
3 DECLARATION OF AFFIRMATIVE LAND USE RESTRICTIVE COVENANTS AGREEMENT RECORDED  
4 ON THE PROPERTY. THE REQUIREMENT OF THIS SUBSECTION IS MET IF AN AFFIRMATIVE  
5 LAND USE RESTRICTIVE COVENANTS AGREEMENT IS NOT YET RECORDED ON THE PROPERTY  
6 BUT THE PROPERTY IS OTHERWISE SUBJECT TO BOTH INCOME AND RENT RESTRICTIONS  
7 UNDER SECTION 42 OF THE INTERNAL REVENUE CODE.

8 (ii) NO FEDERAL, STATE OR TRIBAL COURT HAS ENTERED A JUDGMENT OR ORDER  
9 BASED ON A FINDING THAT AN ACT OR OMISSION OF AN OWNER OR OPERATOR OF THE  
10 PROPERTY CONSTITUTES A BREACH OR VIOLATION OF THE DECLARATION OF AFFIRMATIVE  
11 LAND USE RESTRICTIVE COVENANTS AGREEMENT RECORDED ON THE PROPERTY OR  
12 RESTRICTIONS UNDER SECTION 42 OF THE INTERNAL REVENUE CODE IMPOSED ON THE  
13 PROPERTY BUT NOT CONTAINED WITHIN AN AFFIRMATIVE LAND USE RESTRICTIVE  
14 COVENANTS AGREEMENT.

15 42-13502. Identifying low income multifamily residential rental  
16 property

17 PROPERTY SUBJECT TO VALUATION BY THE COUNTY ASSESSOR UNDER THIS ARTICLE  
18 CONSISTS OF LAND, BUILDINGS AND PERSONAL PROPERTY OF LOW INCOME MULTIFAMILY  
19 RESIDENTIAL RENTAL PROPERTY AS DEFINED IN SECTION 42-13501.

20 42-13503. Valuation of low income multifamily residential  
21 rental property

22 A. SUBJECT TO SECTION 42-13504, THIS ARTICLE ALLOWS THE OWNER OF LOW  
23 INCOME MULTIFAMILY RESIDENTIAL RENTAL PROPERTY TO ELECT A STATUTORY INCOME  
24 METHOD FOR VALUING LOW INCOME MULTIFAMILY RESIDENTIAL RENTAL PROPERTY.

25 B. UPON TIMELY ELECTION BY THE OWNER OF A LOW INCOME MULTIFAMILY  
26 RESIDENTIAL PROPERTY, THE ASSESSOR SHALL VALUE PROPERTY UNDER THIS ARTICLE  
27 BASED ON THE INCOME APPROACH TO VALUE USING THE ACTUAL ANNUAL INCOME AND  
28 EXPENSES OF THE PROPERTY AND USING A CAPITALIZATION RATE OF TWELVE AND  
29 ONE-HALF PER CENT PLUS THE EFFECTIVE TAX RATE.

30 C. THE OWNER OF A LOW INCOME MULTIFAMILY RESIDENTIAL RENTAL PROPERTY  
31 MAY ELECT TO HAVE THE VALUATION OF THE PROPERTY DETERMINED BY THE INCOME  
32 APPROACH TO VALUE BY SUBMITTING ALL REASONABLY NECESSARY INCOME AND EXPENSE

1 INFORMATION FOR THE OWNER'S MOST RECENT FISCAL YEAR TO THE COUNTY ASSESSOR  
2 BEFORE SEPTEMBER 1 OF THE YEAR IMMEDIATELY PRECEDING THE YEAR FOR WHICH THE  
3 PROPERTY WILL BE VALUED. IF THE OWNER DOES NOT HAVE A FULL YEAR HISTORICAL  
4 INCOME AND EXPENSE DATA, THE OWNER MAY SUBMIT AND THE ASSESSOR SHALL USE FOR  
5 VALUATION PURPOSES THE PRO FORMA INCOME AND EXPENSE DATA THAT WAS PROVIDED TO  
6 THE DEPARTMENT OF HOUSING AT THE TIME A PROJECT IS APPROVED.

7 D. THE DEPARTMENT OF REVENUE SHALL PRESCRIBE A FORM FOR AN OWNER OF A  
8 LOW INCOME MULTIFAMILY RESIDENTIAL HOUSING TAX CREDIT PROJECT TO MAKE AN  
9 ELECTION TO VALUE THE PROPERTY PURSUANT TO THIS ARTICLE AND REQUIRE THE OWNER  
10 TO SUBMIT THE NECESSARY INCOME AND EXPENSE INFORMATION.

11 E. ALL INFORMATION THAT A TAXPAYER SUBMITS TO THE ASSESSOR PURSUANT TO  
12 THIS ARTICLE IS CONFIDENTIAL PURSUANT TO CHAPTER 2, ARTICLE 1, OF THIS TITLE.

13 F. FOR THE PURPOSES OF THIS SECTION:

14 1. "ACTUAL ANNUAL EXPENSES" MEANS ALL OPERATING EXPENSES INCLUDING  
15 MAINTENANCE, ADMINISTRATIVE SALARIES AND EXPENSES, UTILITIES, SECURITY  
16 EXPENSES, INSURANCE AND TAXES, EXCEPT PROPERTY TAXES ESTABLISHED PURSUANT TO  
17 SUBSECTION B. FOR PROPERTIES WHERE THE TENANTS PAY THEIR OWN UTILITY COSTS,  
18 UTILITY COSTS FOR COMMON AREAS AND VACANT UNITS ARE INCLUDED IN THE OWNER'S  
19 OPERATING EXPENSES.

20 2. "ACTUAL ANNUAL INCOME" MEANS ALL OPERATING INCOME GENERATED FROM  
21 THE RENTAL OF REAL PROPERTY INCLUDING RENTS, APPLICATION AND LATE FEES AND  
22 FORFEITED SECURITY DEPOSITS. ACTUAL INCOME DOES NOT INCLUDE THE FEDERAL  
23 INCOME TAX CREDITS OR INVESTMENT PROCEEDS RESULTING FROM THE FEDERAL INCOME  
24 TAX CREDITS THAT ARE ALLOCATED TO THE PROPERTY.

25 42-13504. Evidentiary requirements

26 AS A CONDITION OF VALUATION UNDER THIS ARTICLE, AN OWNER OR OPERATOR OF  
27 LOW INCOME MULTIFAMILY RESIDENTIAL RENTAL PROPERTY MUST PROVIDE WRITTEN  
28 DOCUMENTATION TO THE ASSESSOR CONFIRMING THAT THE PROPERTY HAS BEEN PLACED IN  
29 SERVICE AS A LOW INCOME MULTIFAMILY RESIDENTIAL RENTAL PROPERTY CONSISTENT  
30 WITH SECTION 42 OF THE INTERNAL REVENUE CODE.

1                   42-13505. Appeals

2                   A. AN OWNER OR OPERATOR OF LOW INCOME MULTIFAMILY RESIDENTIAL RENTAL  
3 PROPERTY WHO OPTS INTO THE VALUATION METHOD SET FORTH IN THIS ARTICLE MAY  
4 APPEAL THE VALUE OF THEIR PROPERTY PURSUANT TO CHAPTER 16 OF THIS TITLE. ON  
5 APPEAL, THE OWNER OR OPERATOR MAY SUBMIT MORE RECENT INCOME AND EXPENSE DATA  
6 FROM THE YEAR PRECEDING JANUARY 1 OF THE VALUATION YEAR TO BE USED IN  
7 CALCULATING THE VALUE OF THE PROPERTY BY THE VALUATION METHOD SET FORTH IN  
8 THIS ARTICLE.

9                   B. AN OWNER OR OPERATOR OF LOW INCOME MULTIFAMILY RESIDENTIAL RENTAL  
10 PROPERTY WHO DOES NOT OPT INTO THE VALUATION METHOD SET FORTH IN THIS ARTICLE  
11 MAY APPEAL THE VALUE OF THEIR PROPERTY PURSUANT TO CHAPTER 16 OF THIS TITLE."

12 Amend title to conform

JUSTIN OLSON

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2/9/11  
2:39 PM  
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