

House Engrossed Senate Bill  
property tax exemptions; statutory conformity

State of Arizona  
Senate  
Fifty-fifth Legislature  
Second Regular Session  
2022

**CHAPTER 341**  
**SENATE BILL 1095**

AN ACT

AMENDING SECTIONS 15-972, 42-11111, 42-11127, 42-11152 AND 42-15053,  
ARIZONA REVISED STATUTES; RELATING TO PROPERTY TAX EXEMPTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-972, Arizona Revised Statutes, is amended to  
3 read:

4 15-972. State limitation on homeowner property taxes;  
5 additional state aid to school districts;  
6 definitions

7 A. Notwithstanding section 15-971, there shall be additional state  
8 aid for education computed for school districts as provided in subsection  
9 B of this section.

10 B. The clerk of the board of supervisors shall compute such  
11 additional state aid for education as follows:

12 1. For a high school district or for a common school district  
13 within a high school district that does not offer instruction in high  
14 school subjects as provided in section 15-447:

15 (a) Determine the qualifying tax rate pursuant to section 41-1276  
16 for the school district.

17 (b) Determine the following percentage of the qualifying tax rate  
18 determined in subdivision (a) of this paragraph:

19 (i) 47.19 percent through December 31, 2021.

20 (ii) Fifty percent beginning from and after December 31, 2021.

21 (c) Select the lesser of the amount determined in subdivision (b)  
22 of this paragraph or fifty percent of the primary property tax rate that  
23 would be levied in lieu of this section for the district.

24 (d) Multiply the rate selected in subdivision (c) of this paragraph  
25 as a rate per \$100 assessed valuation by the assessed valuation used for  
26 primary property taxes of the residential property in the school district.

27 2. For a unified school district, for a common school district not  
28 within a high school district or for a common school district that offers  
29 instruction in high school subjects as provided in section 15-447:

30 (a) Determine the qualifying tax rate pursuant to section 41-1276  
31 for the school district.

32 (b) Determine the following percentage of the qualifying tax rate  
33 determined in subdivision (a) of this paragraph:

34 (i) 47.19 percent through December 31, 2021.

35 (ii) Fifty percent beginning from and after December 31, 2021.

36 (c) Select the lesser of the amount determined in subdivision (b)  
37 of this paragraph or fifty percent of the primary property tax rate that  
38 would be levied in lieu of this section for the district.

39 (d) Multiply the rate selected in subdivision (c) of this paragraph  
40 as a rate per \$100 assessed valuation by the assessed valuation used for  
41 primary property taxes of the residential property in the district.

42 C. The clerk of the board of supervisors shall report to the  
43 department of revenue not later than the Friday following the third Monday  
44 in August of each year the amount by school district of additional state  
45 aid for education and the data used for computing the amount as provided

1 in subsection B of this section. The department of revenue shall verify  
2 all of the amounts and report to the county board of supervisors not later  
3 than August 30 of each year the property tax rate or rates that shall be  
4 used for property tax reduction as provided in subsection E of this  
5 section.

6 D. The board of supervisors shall reduce the property tax rate or  
7 rates that would be levied in lieu of this section by the school district  
8 or districts on the assessed valuation used for primary property taxes of  
9 the residential property in the school district or districts by the rate  
10 or rates selected in subsection B, paragraph 1, subdivision (c) and  
11 paragraph 2, subdivision (c) of this section. The excess of the reduction  
12 in property taxes for a parcel of property resulting from the reduction in  
13 the property tax rate pursuant to this subsection over the amounts listed  
14 in this subsection shall be deducted from the amount of additional state  
15 aid for education. The reduction in property taxes on a parcel of  
16 property resulting from the reduction in the property tax rate pursuant to  
17 this subsection shall not exceed \$600, except as provided in subsection I  
18 of this section.

19 E. Before levying taxes for school purposes, the board of  
20 supervisors shall determine whether the total primary property taxes to be  
21 levied for all taxing jurisdictions on each parcel of residential  
22 property, in lieu of this subsection, violate article IX, section 18,  
23 Constitution of Arizona. For those properties that qualify for property  
24 tax exemptions pursuant to article IX, ~~sections~~ SECTION 2, ~~2.1 and 2.2~~,  
25 Constitution of Arizona, eligibility for the credit is determined on the  
26 basis of the limited property value that corresponds to the taxable  
27 assessed value after reduction for the applicable exemption. If the board  
28 of supervisors determines that such a situation exists, the board shall  
29 apply a credit against the primary property taxes due from each such  
30 parcel in the amount in excess of article IX, section 18, Constitution of  
31 Arizona. Such excess amounts shall also be additional state aid for  
32 education for the school district or districts in which the parcel of  
33 property is located.

34 F. The clerk of the board of supervisors shall report to the  
35 department of revenue not later than September 5 of each year the amount  
36 by school district of additional state aid for education and the data used  
37 for computing the amount as provided in subsection B of this section. The  
38 department of revenue shall verify all of the amounts and report to the  
39 board of supervisors not later than September 10 of each year the property  
40 tax rate that shall be used for property tax reduction as provided in  
41 subsection E of this section.

42 G. The clerk of the board of supervisors shall report to the  
43 department of revenue not later than September 30 of each year in writing  
44 the following:

1           1. The data processing specifications used in the calculations  
2 provided for in subsections B and E of this section.

3           2. At a minimum, copies of two actual tax bills for residential  
4 property for each distinct tax area.

5           H. The department of revenue shall report to the state board of  
6 education not later than October 12 of each year the amount by school  
7 district of additional state aid for education as provided in this  
8 section. The additional state aid for education provided in this section  
9 shall be apportioned as provided in section 15-973.

10           I. If a parcel of property is owned by a cooperative apartment  
11 corporation or is owned by the tenants of a cooperative apartment  
12 corporation as tenants in common, the reduction in the property taxes  
13 prescribed in subsection D of this section shall not exceed the amounts  
14 listed in subsection D of this section for each owner-occupied housing  
15 unit on the property. The assessed value used for determining the  
16 reduction in taxes for the property is equal to the total assessed value  
17 of the property times the ratio of the number of owner-occupied housing  
18 units to the total number of housing units on the property. For the  
19 purposes of this subsection, "cooperative apartment corporation" means a  
20 corporation:

21           1. Having only one class of outstanding stock.

22           2. Of which all of the stockholders are entitled, solely by reason  
23 of their ownership of stock in the corporation, to occupy for dwelling  
24 purposes apartments in a building owned or leased by the corporation and  
25 that are not entitled, either conditionally or unconditionally, except on  
26 a complete or partial liquidation of the corporation, to receive any  
27 distribution not out of earnings and profits of the corporation.

28           3. Of which eighty percent or more of the gross income is derived  
29 from tenant-stockholders. For the purposes of this paragraph, "gross  
30 income" means gross income as defined by the United States internal  
31 revenue code, as defined in section 43-105.

32           J. The total amount of state monies that may be spent in any fiscal  
33 year for state aid for education in this section shall not exceed the  
34 amount appropriated or authorized by section 35-173 for that purpose.  
35 This section does not impose a duty on an officer, agent or employee of  
36 this state to discharge a responsibility or create any right in a person  
37 or group if the discharge or right would require an expenditure of state  
38 monies in excess of the expenditure authorized by legislative  
39 appropriation for that specific purpose.

40           K. Notwithstanding subsection E of this section, the maximum amount  
41 of additional state aid for education that will be funded by this state  
42 pursuant to subsection E of this section shall be \$1,000,000 per county.  
43 For any county with a school district or districts that collectively would  
44 otherwise receive more than \$1,000,000 in additional state aid for  
45 education pursuant to subsection E of this section, the property tax

1 oversight commission established by section 42-17002 shall determine the  
2 proportion of the violation of article IX, section 18, Constitution of  
3 Arizona, that is attributable to each taxing jurisdiction within the  
4 affected school district or districts. Based on those proportions, the  
5 property tax oversight commission shall determine an amount that each  
6 taxing jurisdiction within the affected school district or districts shall  
7 transfer to the affected school district or districts during the fiscal  
8 year in order to compensate the affected school district or districts for  
9 its pro rata share of the reduction in additional state aid for education  
10 funding required by this subsection. In determining the proportion of the  
11 violation of article IX, section 18, Constitution of Arizona, that is  
12 attributable to each taxing jurisdiction within the affected school  
13 district or districts, the property tax oversight commission shall assume  
14 a proportion of zero for any taxing jurisdiction that has a tax rate for  
15 the fiscal year that is equal to or less than the tax rate of peer  
16 jurisdictions, as determined by the property tax oversight commission.

17 L. For the purposes of this section:

18 1. "Owner" includes any purchaser under a contract of sale or under  
19 a deed of trust.

20 2. "Residential property" includes owner-occupied real property and  
21 improvements to the property and owner-occupied mobile homes that are used  
22 as the owner's primary residence and classified as class three property  
23 pursuant to section 42-12003.

24 Sec. 2. Section 42-11111, Arizona Revised Statutes, is amended to  
25 read:

26 42-11111. Exemption for property; widows and widowers; persons  
27 with a total and permanent disability; veterans  
28 with a disability; definitions

29 A. The property of widows, ~~AND~~ widowers, ~~and~~ OF persons with TOTAL  
30 AND PERMANENT disabilities AND OF VETERANS WITH SERVICE OR NONSERVICE  
31 CONNECTED DISABILITIES who are residents of this state is exempt from  
32 taxation ~~to the extent allowed AS PROVIDED~~ by article IX, ~~sections~~ SECTION  
33 2, ~~2.1, 2.2 and 2.3,~~ Constitution of Arizona, and subject to the  
34 conditions and ~~limitations~~ LIMITS prescribed by this section.

35 B. Pursuant to article IX, section ~~2.3~~ 2, SUBSECTION F,  
36 Constitution of Arizona, the exemptions from taxation under this section  
37 are allowed in the amount of:

38 1. ~~Three thousand dollars~~ \$4,188 if the person's total assessment  
39 does not exceed ~~twenty thousand dollars~~ \$28,459. FOR A VETERAN WITH A  
40 SERVICE OR NONSERVICE CONNECTED DISABILITY, THE \$4,188 LIMIT UNDER THIS  
41 PARAGRAPH IS FURTHER LIMITED BY MULTIPLYING THE TOTAL EXEMPTION AMOUNT BY  
42 THE PERCENTAGE OF THE VETERAN'S DISABILITY, AS RATED BY THE UNITED STATES  
43 DEPARTMENT OF VETERANS AFFAIRS.

1           2. No exemption if the person's total assessment exceeds ~~twenty~~  
2 ~~thousand dollars~~ \$28,459.

3           C. On or before December 31 of each year, the department shall  
4 increase the following amounts based on the average annual percentage  
5 increase, if any, in the GDP price deflator in the two most recent  
6 complete state fiscal years:

7           1. The total allowable exemption amount and the total assessment  
8 ~~limitation~~ LIMIT amount under subsection B of this section.

9           2. The total income ~~limitation~~ LIMIT amounts under subsection E,  
10 paragraphs 1 and 2 of this section.

11 ~~For the purposes of this subsection, "GDP price deflator" means the~~  
12 ~~average of the four implicit price deflators for the gross domestic~~  
13 ~~product reported by the United States department of commerce or its~~  
14 ~~successor for the four quarters of the state fiscal year.~~

15           D. For the purpose of determining the amount of the allowable  
16 exemption pursuant to subsection B of this section, the person's total  
17 assessment shall not include the value of any vehicle that is taxed under  
18 title 28, chapter 16, article 3.

19           E. Pursuant to article IX, section ~~2.3~~ 2, SUBSECTION F,  
20 Constitution of Arizona, to qualify for this exemption, the total income  
21 from all sources of the claimant and the claimant's spouse and the income  
22 from all sources of all of the claimant's children who resided with the  
23 claimant in the claimant's residence in the year immediately preceding the  
24 year for which the claimant applies for the exemption shall not exceed:

25           1. ~~Twenty-five thousand dollars~~ \$34,901 if none of the claimant's  
26 children under eighteen years of age resided with the claimant in the  
27 claimant's residence.

28           2. ~~Thirty thousand dollars~~ \$41,870 if one or more of the claimant's  
29 children residing with the claimant in the claimant's residence ~~were~~  
30 either:

31           (a) WERE under eighteen years of age.

32           (b) ~~Totally and permanently,~~ HAD A TOTAL AND PERMANENT physical or  
33 mental ~~disabilities~~ DISABILITY, as certified by competent medical  
34 authority as provided by law.

35           F. For the purposes of subsection E of this section, "income from  
36 all sources" means the sum of the following, ~~but~~ excluding the items  
37 listed in subsection G of this section:

38           1. Adjusted gross income as defined by the department.

39           2. The amount of capital gains excluded from adjusted gross income.

40           3. Nontaxable strike benefits.

41           4. Nontaxable interest that is received from the federal government  
42 or any of its instrumentalities.

1           5. Payments that are received from a retirement program and paid  
2 by:

3           (a) This state or any of its political subdivisions.

4           (b) The United States through any of its agencies,  
5 instrumentalities or programs, except as provided in subsection G of this  
6 section.

7           6. The gross amount of any pension or annuity that is not otherwise  
8 exempted.

9           G. Notwithstanding subsection F of this section, ~~income~~ from all  
10 sources ~~does not include monies received from:~~

11           1. Cash public assistance and relief.

12           2. Railroad retirement benefits.

13           3. Payments under the federal social security act (49 Stat. 620).

14           4. Payments under the unemployment insurance laws of this state.

15           5. Payments from veterans disability pensions.

16           6. Workers' compensation payments.

17           7. ~~Loss of time~~ insurance.

18           8. Gifts from nongovernmental sources, surplus foods or other  
19 relief in kind supplied by a governmental agency.

20           H. A widow, ~~OR~~ widower, ~~or~~ a person with a TOTAL AND PERMANENT  
21 disability OR A VETERAN WITH A DISABILITY shall initially establish  
22 eligibility for exemption under this section by filing an affidavit with  
23 the county assessor under section 42-11152. Thereafter, the person is not  
24 required to file an affidavit under section 42-11152, but the person or  
25 the person's representative shall annually calculate income from the  
26 preceding year to ensure that the person still qualifies for the exemption  
27 and shall notify the county assessor in writing of any event that  
28 disqualifies the ~~widow, widower or person with a disability~~ PERSON from  
29 further exemption. Regardless of whether the person or representative  
30 notifies the assessor as required by this subsection, the property is  
31 subject to tax as provided by law from the date of disqualification,  
32 including interest, penalties and proceedings for tax delinquencies.  
33 Disqualifying events include:

34           1. The person's death.

35           2. The remarriage of a widow or widower.

36           3. The person's income from all sources exceeding the limits  
37 prescribed by subsection E of this section.

38           4. The conveyance of title to the property to another owner.

39           I. Any dollar amount of exemption that is unused in a tax year  
40 against the limited property value of property and improvements owned by  
41 the individual may be applied for the tax year against the value of  
42 personal property subject to special property taxes, including the taxes  
43 collected pursuant to title 5, chapter 3, article 3 and title 28, chapter  
44 16, article 3.

1 J. An individual is not entitled to property tax exemptions in the  
2 aggregate that exceed the maximum allowed to a widow, ~~OR~~ widower, ~~OR~~ A  
3 person with a TOTAL AND PERMANENT disability OR A VETERAN WITH A  
4 DISABILITY even if the ~~person~~ INDIVIDUAL is eligible for an exemption in  
5 more than one category.

6 K. FOR THE PURPOSES OF THIS SECTION:

7 1. "GDP PRICE DEFLATOR" MEANS THE AVERAGE OF THE FOUR IMPLICIT  
8 PRICE DEFLATORS FOR THE GROSS DOMESTIC PRODUCT REPORTED BY THE UNITED  
9 STATES DEPARTMENT OF COMMERCE OR ITS SUCCESSOR FOR THE FOUR QUARTERS OF  
10 THE STATE FISCAL YEAR.

11 2. "VETERAN" MEANS AN INDIVIDUAL WHO HAS SERVED IN, AND BEEN  
12 DISCHARGED, SEPARATED OR RELEASED UNDER HONORABLE CONDITIONS FROM, ACTIVE  
13 OR INACTIVE SERVICE IN THE UNIFORMED SERVICES OF THE UNITED STATES,  
14 INCLUDING:

15 (a) ALL REGULAR, RESERVE AND NATIONAL GUARD COMPONENTS OF THE  
16 UNITED STATES ARMY, NAVY, AIR FORCE, MARINE CORPS AND COAST GUARD.

17 (b) THE COMMISSIONED CORPS OF THE NATIONAL OCEANIC AND ATMOSPHERIC  
18 ADMINISTRATION.

19 (c) THE COMMISSIONED CORPS OF THE UNITED STATES PUBLIC HEALTH  
20 SERVICE.

21 (d) A NURSE IN THE SERVICE OF THE AMERICAN RED CROSS OR IN THE ARMY  
22 AND NAVY NURSE CORPS.

23 (e) ANY OTHER CIVILIAN SERVICE THAT IS AUTHORIZED BY FEDERAL LAW TO  
24 BE CONSIDERED ACTIVE MILITARY DUTY FOR THE PURPOSE OF LAWS ADMINISTERED BY  
25 THE UNITED STATES SECRETARY OF VETERANS AFFAIRS.

26 Sec. 3. Section 42-11127, Arizona Revised Statutes, is amended to  
27 read:

28 42-11127. Exempt personal property

29 A. Pursuant to article IX, section 2, subsection ~~(6)~~ F,  
30 Constitution of Arizona, personal property that is class two property  
31 pursuant to section 42-12002, paragraph 2, subdivision (a) or (b) AND that  
32 is used for agricultural purposes or personal property that is class one  
33 property pursuant to section 42-12001 AND that is used in a trade or  
34 business as described in section 42-12001, paragraphs 8 through 11 or 13  
35 is exempt from taxation up to a maximum amount of ~~fifty thousand dollars~~  
36 \$207,366 of full cash value for each taxpayer.

37 B. On or before December 31 of each year, the department shall  
38 increase the maximum amount of the exemption for the following tax year  
39 based on the percentage increase, if any, in the employment cost index for  
40 total compensation for private industry workers in the two most recent  
41 complete state fiscal years. For the purposes of this subsection,  
42 "employment cost index" means the average of the employment cost indices  
43 reported by the bureau of labor statistics of the United States department  
44 of labor or its successor for the eight quarters of the two most recent  
45 state fiscal years.

1           Sec. 4. Section 42-11152, Arizona Revised Statutes, is amended to  
2 read:

3           42-11152. Affidavit; false statements

4           A. Except as provided in sections 42-11104, 42-11109, 42-11110,  
5 42-11111 and 42-11131 and except for property described in sections  
6 42-11125, 42-11127, 42-11132 and 42-11132.01, a person who claims  
7 exemption from taxation under article IX, section 2, ~~2.1 or 2.2~~,  
8 Constitution of Arizona, shall:

9           1. When initially claiming the exemption, appear before the county  
10 assessor to make an affidavit as to the person's eligibility. If a  
11 personal appearance before the county assessor would create a severe  
12 hardship, the county assessor may arrange a mutually satisfactory meeting  
13 place to make an affidavit as to the person's eligibility.

14           2. When claiming the exemption in subsequent years, appear before  
15 the county assessor or a notary public to make an affidavit as to the  
16 person's eligibility.

17           3. Fully answer all questions on the eligibility form or otherwise  
18 required by the assessor for that purpose.

19           B. At the assessor's discretion, the assessor may require  
20 additional proof of the facts stated by the person before allowing an  
21 exemption.

22           C. A person who is in the United States military service and who is  
23 absent from this state or who is confined in a veterans' hospital or  
24 another licensed hospital may make the required affidavit in the presence  
25 of any officer who is authorized to administer oaths on a form obtained  
26 from the county assessor.

27           D. A false statement that is made or sworn to in the affidavit is  
28 perjury.

29           Sec. 5. Section 42-15053, Arizona Revised Statutes, is amended to  
30 read:

31           42-15053. Duty to report personal property; exemption;  
32 contents of report; confidentiality

33           A. On or before February 1 of each year, the assessor shall mail a  
34 form, notice or demand to each person that owns or has charge or control  
35 of taxable personal property in this state. Each person shall prepare and  
36 deliver to the assessor a correct report of property on or before April 1  
37 of each year. On written request and for good cause shown, the assessor  
38 may extend for up to thirty days the time for filing the report.

39           B. Property that is not required to be reported as provided by  
40 subsection D of this section is exempt from the reporting requirement of  
41 subsection A of this section. The county assessor may not require a  
42 person that owns or has charge or control of property that is not required  
43 to be reported as provided by subsection D of this section to apply to be  
44 exempt from the reporting requirement of subsection A of this section.

1 C. The duty to report taxable property pursuant to this section  
2 applies regardless of whether the person or entity that owns or has charge  
3 or control of the personal property also owns real property in the county  
4 with a value of \$200 or more.

5 D. The assessor shall not require a report of:

6 1. The breed, number, age or location of livestock on hand from  
7 individuals, corporations, partnerships or any other business if the  
8 livestock is exempt from taxation pursuant to article IX, section 13,  
9 Constitution of Arizona.

10 2. The personal property that is class two (P) property pursuant to  
11 section 42-12002, paragraph 2 and that is used for agricultural purposes  
12 or that is class one, subclasses 8 through 11 and 13 property pursuant to  
13 section 42-12001 and that is used in a trade or business that is exempt  
14 from taxation pursuant to article IX, section 2, subsection ~~(6)~~ E,  
15 Constitution of Arizona.

16 E. Every assessment made against property that is subject to  
17 taxation is valid whether or not the form, notice or demand was sent or  
18 received.

19 F. The department shall prescribe in detail the contents of  
20 property reports including the specific wording to be used by county  
21 assessors and the method of reporting property. The report shall not  
22 include any question that is not germane to the valuation function.

23 G. A report that is furnished under this section:

24 1. Is not open to public inspection, but the report may be used as  
25 evidence in any prosecution brought under section 42-15055.

26 2. May be subject to audit. On completing an audit or on  
27 discovering property that has not been reported, any property that was  
28 found to have escaped taxation is liable for the amount of taxes due  
29 determined under chapter 16, article 6 of this title, plus a penalty equal  
30 to ten percent of that amount. The county treasurer shall credit monies  
31 received as penalties under this paragraph to the county general fund.

32 Sec. 6. Conditional enactment

33 This act does not become effective unless the Constitution of  
34 Arizona is amended by vote of the people at the next general election to  
35 consolidate and reorganize provisions relating to property tax exemptions.

APPROVED BY THE GOVERNOR JULY 06, 2022.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JULY 06, 2022.