

Senate Engrossed
tax exemptions; affidavit

State of Arizona
Senate
Fifty-sixth Legislature
First Regular Session
2023

SENATE BILL 1230

AN ACT

AMENDING SECTIONS 42-5009, 42-11104, 42-11109, 42-11110, 42-11111,
42-11131, 42-11132, 42-11132.01, 42-11132.02, 42-11152 AND 42-11153,
ARIZONA REVISED STATUTES; RELATING TO 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 42-5009, Arizona Revised Statutes, is amended to
3 read:

4 42-5009. Certificates establishing deductions; liability for
5 making false certificate; tax exclusion;
6 definitions

7 A. A person who conducts any business classified under article 2 of
8 this chapter may establish entitlement to the allowable deductions from
9 the tax base of that business by both:

10 1. Marking the invoice for the transaction to indicate that the
11 gross proceeds of sales or gross income derived from the transaction was
12 deducted from the tax base.

13 2. Obtaining a certificate executed by the purchaser indicating the
14 name and address of the purchaser, the precise nature of the business of
15 the purchaser, the purpose for which the purchase was made, the necessary
16 facts to establish the appropriate deduction and the tax license number of
17 the purchaser to the extent the deduction depends on the purchaser
18 conducting business classified under article 2 of this chapter and a
19 certification that the person executing the certificate is authorized to
20 do so on behalf of the purchaser. The certificate may be disregarded if
21 the seller has reason to believe that the information contained in the
22 certificate is not accurate or complete.

23 B. A person who does not comply with subsection A of this section
24 may establish entitlement to the deduction by presenting facts necessary
25 to support the entitlement, but the burden of proof is on that person.

26 C. The department may prescribe a form for the certificate
27 described in subsection A of this section. Under such rules as it may
28 prescribe, the department may also describe transactions with respect to
29 which a person is not entitled to rely solely on the information contained
30 in the certificate provided for in subsection A of this section but must
31 instead obtain such additional information as required by the rules in
32 order to be entitled to the deduction.

33 D. If a seller is entitled to a deduction by complying with
34 subsection A of this section, the department may require the purchaser
35 that caused the execution of the certificate to establish the accuracy and
36 completeness of the information required to be contained in the
37 certificate that would entitle the seller to the deduction. If the
38 purchaser cannot establish the accuracy and completeness of the
39 information, the purchaser is liable in an amount equal to any tax,
40 penalty and interest that the seller would have been required to pay under
41 this article if the seller had not complied with subsection A of this
42 section. Payment of the amount under this subsection exempts the
43 purchaser from liability for any tax imposed under article 4 of this
44 chapter. The amount shall be treated as tax revenues collected from the

1 seller in order to designate the distribution base for purposes of section
2 42-5029.

3 E. If a seller is entitled to a deduction by complying with
4 subsection B of this section, the department may require the purchaser to
5 establish the accuracy and completeness of the information provided to the
6 seller that entitled the seller to the deduction. If the purchaser cannot
7 establish the accuracy and completeness of the information, the purchaser
8 is liable in an amount equal to any tax, penalty and interest that the
9 seller would have been required to pay under this article if the seller
10 had not complied with subsection B of this section. Payment of the amount
11 under this subsection exempts the purchaser from liability for any tax
12 imposed under article 4 of this chapter. The amount shall be treated as
13 tax revenues collected from the seller in order to designate the
14 distribution base for purposes of section 42-5029.

15 F. The department may prescribe a form for a certificate used to
16 establish entitlement to the deductions described in section 42-5061,
17 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.
18 Under rules the department may prescribe, the department may also require
19 additional information for the seller to be entitled to the deduction. If
20 a seller is entitled to the deductions described in section 42-5061,
21 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3,
22 the department may require the purchaser who executed the certificate to
23 establish the accuracy and completeness of the information contained in
24 the certificate that would entitle the seller to the deduction. If the
25 purchaser cannot establish the accuracy and completeness of the
26 information, the purchaser is liable in an amount equal to any tax,
27 penalty and interest that the seller would have been required to pay under
28 this article. Payment of the amount under this subsection exempts the
29 purchaser from liability for any tax imposed under article 4 of this
30 chapter. The amount shall be treated as tax revenues collected from the
31 seller in order to designate the distribution base for purposes of section
32 42-5029.

33 G. If a seller claims a deduction under section 42-5061,
34 subsection A, paragraph 25 and establishes entitlement to the deduction
35 with an exemption letter that the purchaser received from the department
36 and the exemption letter was based on a contingent event, the department
37 may require the purchaser that received the exemption letter to establish
38 the satisfaction of the contingent event within a reasonable time. If the
39 purchaser cannot establish the satisfaction of the event, the purchaser is
40 liable in an amount equal to any tax, penalty and interest that the seller
41 would have been required to pay under this article if the seller had not
42 been furnished the exemption letter. Payment of the amount under this
43 subsection exempts the purchaser from liability for any tax imposed under
44 article 4 of this chapter. The amount shall be treated as tax revenues
45 collected from the seller in order to designate the distribution base for

1 purposes of section 42-5029. For the purposes of this subsection,
2 "reasonable time" means a time limitation that the department determines
3 and that does not exceed the time limitations pursuant to section 42-1104.

4 H. The department shall prescribe forms for certificates used to
5 establish the satisfaction of the criteria necessary to qualify the sale
6 of a motor vehicle for the deductions described in section 42-5061,
7 subsection A, paragraph 14, paragraph 28, ~~subdivision (a)~~ and paragraph 44
8 and subsection U. Except as provided in subsection J of this section, to
9 establish entitlement to these deductions, a motor vehicle dealer shall
10 retain:

11 1. A valid certificate as prescribed by this subsection completed
12 by the purchaser and obtained before the issuance of the nonresident
13 registration permit authorized by section 28-2154.

14 2. A copy of the nonresident registration permit authorized by
15 section 28-2154.

16 3. A legible copy of a current valid driver license issued to the
17 purchaser by another state or foreign country that indicates an address
18 outside of this state. For the sale of a motor vehicle to a nonresident
19 entity, the entity's representative must have a current valid driver
20 license issued by the same jurisdiction as that in which the entity is
21 located.

22 4. For the purposes of the deduction provided by section 42-5061,
23 subsection A, paragraph 14, subdivision (a), a certificate documenting the
24 delivery of the motor vehicle to an out-of-state location.

25 I. Notwithstanding subsection A, paragraph 2 of this section, if a
26 motor vehicle dealer has established entitlement to a deduction by
27 complying with subsection H of this section, the department may require
28 the purchaser who executed the certificate to establish the accuracy and
29 completeness of the information contained in the certificate that entitled
30 the motor vehicle dealer to the deduction. If the purchaser cannot
31 establish the accuracy and completeness of the information, the purchaser
32 is liable in an amount equal to any tax, penalty and interest that the
33 motor vehicle dealer would have been required to pay under this article
34 and under articles IV and V of the model city tax code as defined in
35 section 42-6051. Payment of the amount under this subsection exempts the
36 purchaser from liability for any tax imposed under article 4 of this
37 chapter and any tax imposed under article VI of the model city tax code as
38 defined in section 42-6051. The amount shall be treated as tax revenues
39 collected from the motor vehicle dealer in order to designate the
40 distribution base for purposes of section 42-5029.

41 J. To establish entitlement to the deduction described in section
42 42-5061, subsection A, paragraph 44, a public consignment auction dealer
43 as defined in section 28-4301 shall submit the valid certificate
44 prescribed by subsection H of this section to the department and retain a
45 copy for its records.

1 K. Notwithstanding any other law, compliance with subsection H of
2 this section by a motor vehicle dealer entitles the motor vehicle dealer
3 to the exemption provided in section 42-6004, subsection A, paragraph 4.

4 L. The department shall prescribe a form for a certificate to be
5 used by a person that is not subject to tax under section 42-5075 when the
6 person is engaged by a contractor that is subject to tax under section
7 42-5075 for a project that is taxable under section 42-5075. The
8 certificate permits the person purchasing tangible personal property to be
9 incorporated or fabricated by the person into any real property,
10 structure, project, development or improvement to provide documentation to
11 a retailer that the sale of tangible personal property qualifies for the
12 deduction under section 42-5061, subsection A, paragraph 27,
13 subdivision (b). A prime contractor shall obtain the certificate from the
14 department and shall provide a copy to any such person working on the
15 project. The prime contractor shall obtain a new certificate for each
16 project to which this subsection applies. For the purposes of this
17 subsection, the following apply:

18 1. The person that is not subject to tax under section 42-5075 may
19 use the certificate issued pursuant to this subsection only with respect
20 to tangible personal property that will be incorporated into a project for
21 which the gross receipts are subject to tax under section 42-5075.

22 2. The department shall issue the certificate to the prime
23 contractor on receiving sufficient documentation to establish that the
24 prime contractor meets the requirements of this subsection.

25 3. If any person uses the certificate provided under this
26 subsection to purchase tangible personal property to be used in a project
27 that is not subject to tax under section 42-5075, the person is liable in
28 an amount equal to any tax, penalty and interest that the seller would
29 have been required to pay under this article if the seller had not
30 complied with subsection A of this section. Payment of the amount under
31 this section exempts the person from liability for any tax imposed under
32 article 4 of this chapter. The amount shall be sourced under section
33 42-5040, subsection A, paragraph 2.

34 M. Notwithstanding any other law, compliance with subsection L of
35 this section by a person that is not subject to tax under section 42-5075
36 entitles the person to the exemption allowed by section 465,
37 subsection (k) of the model city tax code when purchasing tangible
38 personal property to be incorporated or fabricated by the person into any
39 real property, structure, project, development or improvement.

40 N. The requirements of subsections A and B of this section do not
41 apply to owners, proprietors or tenants of agricultural lands or farms who
42 sell livestock or poultry feed that is grown or raised on their lands to
43 any of the following:

1 1. Persons who feed their own livestock or poultry.

2 2. Persons who are engaged in the business of producing livestock
3 or poultry commercially.

4 3. Persons who are engaged in the business of feeding livestock or
5 poultry commercially or who board livestock noncommercially.

6 0. A vendor who has reason to believe that a certificate prescribed
7 by this section is not accurate or complete will not be relieved of the
8 burden of proving entitlement to the exemption. A vendor that accepts a
9 certificate in good faith will be relieved of the burden of proof and the
10 purchaser may be required to establish the accuracy of the claimed
11 exemption. If the purchaser cannot establish the accuracy and
12 completeness of the information provided in the certificate, the purchaser
13 is liable for an amount equal to the transaction privilege tax, penalty
14 and interest that the vendor would have been required to pay if the vendor
15 had not accepted the certificate.

16 P. Notwithstanding any other law, an online lodging operator, as
17 defined in section 42-5076, shall be entitled to an exclusion from any
18 applicable taxes for any online lodging transaction, as defined in section
19 42-5076, facilitated by an online lodging marketplace, as defined in
20 section 42-5076, for which the online lodging operator has obtained from
21 the online lodging marketplace written notice that the online lodging
22 marketplace is registered with the department to collect applicable taxes
23 for all online lodging transactions facilitated by the online lodging
24 marketplace, and transaction history documenting tax collected by the
25 online lodging marketplace, pursuant to section 42-5005, subsection L.

26 Q. The department shall prescribe the form of a certificate to be
27 used by a person purchasing an aircraft to document eligibility for a
28 deduction pursuant to section 42-5061, subsection B, paragraph 8,
29 subdivision (a), item (v) or an exemption pursuant to section 42-5159,
30 subsection B, paragraph 8, subdivision (a), item (v), relating to
31 aircraft. The person must provide this certificate and documentation
32 confirming that the operational control of the aircraft has been
33 transferred or will be transferred immediately after the purchase to one
34 or more persons described in section 42-5061, subsection B, paragraph 8,
35 subdivision (a), item (i), (ii), (iii) or (iv) or section 42-5159,
36 subsection B, paragraph 8, subdivision (a), item (i), (ii), (iii) or (iv).
37 Operational control of the aircraft must be transferred for at least fifty
38 percent of the aircraft's flight hours. If such operational control is
39 not transferred for at least fifty percent of the aircraft's flight hours
40 during the recapture period, the owner of the aircraft is liable for an
41 amount equal to any tax that the seller or purchaser would have been
42 required to pay under this chapter at the time of the sale, plus penalty
43 and interest. The recapture period begins on the date that operational
44 control of the aircraft is first transferred and ends on the later of the
45 date the aircraft is fully depreciated for federal income tax purposes or

1 five years after operational control was first transferred. For the
2 purposes of this subsection, operational control of the aircraft must be
3 within the meaning of federal aviation administration operations
4 specification A008, or its successor, except that:

5 1. If it is determined that operational control has been
6 transferred for less than fifty percent but more than forty percent of the
7 aircraft's flight hours, the owner of the aircraft is liable for an amount
8 equal to any tax that the seller or purchaser would have been required to
9 pay under this chapter at the time of the sale, plus interest.

10 2. If the aircraft is sold during the recapture period, the seller
11 is not liable for the amount determined pursuant to this subsection unless
12 the operational control of the aircraft had not been transferred for at
13 least fifty percent of the aircraft's flight hours at the time of the
14 sale.

15 R. Notwithstanding any other law, a shared vehicle owner is
16 entitled to an exclusion from any applicable taxes for a shared vehicle
17 transaction that is facilitated by a peer-to-peer car sharing program and
18 for which the peer-to-peer car sharing program has collected and remitted
19 applicable taxes.

20 S. A QUALIFYING COMMUNITY HEALTH CENTER, QUALIFYING HEALTH CARE
21 ORGANIZATION OR QUALIFYING HOSPITAL OR ANY OTHER ENTITY THAT IS RECOGNIZED
22 AS NONPROFIT UNDER SECTION 501(c) OF THE UNITED STATES INTERNAL REVENUE
23 CODE AND THAT IS REQUIRED TO OBTAIN AN EXEMPTION LETTER FROM THE
24 DEPARTMENT SHALL:

25 1. APPLY TO THE DEPARTMENT FOR THE EXEMPTION LETTER AND FULLY
26 ANSWER ANY ELIGIBILITY QUESTIONS REQUIRED BY THE DEPARTMENT FOR THE
27 PURPOSES OF THE EXEMPTION LETTER. IF THE DEPARTMENT APPROVES THE
28 EXEMPTION LETTER APPLICATION, THE EXEMPTION LETTER IS VALID UNTIL THE
29 ENTITY IS NO LONGER QUALIFIED FOR THE EXEMPTION LETTER.

30 2. NOTIFY THE DEPARTMENT IN WRITING IF THE ENTITY NO LONGER
31 QUALIFIES FOR THE EXEMPTION LETTER. REGARDLESS OF WHETHER THE ENTITY
32 NOTIFIES THE DEPARTMENT AS REQUIRED BY THIS PARAGRAPH, IF THE ENTITY NO
33 LONGER QUALIFIES FOR THE EXEMPTION LETTER, THE ENTITY IS LIABLE IN AN
34 AMOUNT EQUAL TO ANY TAX, PENALTY AND INTEREST THAT THE SELLER WOULD HAVE
35 BEEN REQUIRED TO PAY UNDER THIS ARTICLE IF THE SELLER HAD NOT BEEN
36 FURNISHED THE EXEMPTION LETTER. PAYMENT OF THE AMOUNT UNDER THIS
37 PARAGRAPH EXEMPTS THE ENTITY FROM LIABILITY FOR ANY TAX IMPOSED UNDER
38 ARTICLE 4 OF THIS CHAPTER. THE AMOUNT SHALL BE TREATED AS TAX REVENUES
39 COLLECTED FROM THE SELLER IN ORDER TO DESIGNATE THE DISTRIBUTION BASE FOR
40 THE PURPOSES OF SECTION 42-5029.

41 ~~S.~~ T. For the purposes of this section, "peer-to-peer car sharing
42 program", "shared vehicle owner" and "shared vehicle transaction" have the
43 same meanings prescribed in section 28-9601.

1 Sec. 2. Section 42-11104, Arizona Revised Statutes, is amended to
2 read:

3 42-11104. Exemption for educational and library property

4 A. Libraries, colleges, school buildings and other buildings that
5 are used for education, with their furniture, libraries and equipment and
6 the land that is appurtenant to and used with them, are exempt from
7 taxation if they are used for education and not used or held for profit.

8 B. Property and buildings are exempt from taxation if leased from:

9 1. A school district pursuant to a lease or lease-purchase
10 agreement under section 15-342, paragraph 9 or 10.

11 2. A community college district pursuant to a lease or
12 lease-purchase agreement under section 15-1444.

13 C. Property and buildings, including land, improvements, furniture
14 and equipment, that are owned by a nonprofit organization that is
15 recognized under section 501(c)(3) of the internal revenue code and that
16 operates as:

17 1. A charter school pursuant to section 15-183 are exempt from
18 taxation beginning on the date the nonprofit organization acquires
19 ownership of the property and buildings if the property and buildings are
20 used for education and are not used or held for profit.

21 2. A trap and skeet shooting club that teaches, trains, sponsors,
22 coaches or hosts or sponsors clinics, shooting leagues, competitive
23 tournaments or other events, including hunter and firearm safety classes,
24 are exempt from taxation if the property and buildings are used for
25 education purposes and not used or held for profit.

26 3. A residential treatment and education facility are exempt from
27 taxation beginning on the date the nonprofit organization acquires
28 ownership of the property and buildings if the property and buildings are
29 used for education and are not used or held for profit.

30 D. Within ten days after receiving an initial affidavit of
31 eligibility submitted under section 42-11152 by a nonprofit organization
32 described under subsection C of this section, the county assessor, on
33 request, shall issue a receipt for the affidavit.

34 E. ~~if~~ A nonprofit organization described under subsection C of this
35 section ~~files~~ SHALL FILE with the assessor THE AFFIDAVIT REQUIRED BY
36 SECTION 42-11152 AND evidence of the organization's tax exempt status
37 under section 501(c)(3) of the internal revenue code, ~~the organization is~~
38 ~~exempt from the requirement of filing subsequent affidavits under section~~
39 ~~42-11152 until all or part of the property is conveyed to a new owner or~~
40 ~~is no longer used for education. At that time the organization shall~~
41 ~~notify the assessor of the change in writing~~ WHEN INITIALLY CLAIMING THE
42 EXEMPTION.

43 F. A nonprofit organization described under subsection C of this
44 section that acquires ownership of property that was previously owned by
45 another nonprofit organization and used primarily for education shall

1 comply with the requirements of section 42-11152 to qualify and establish
2 eligibility for exemption.

3 G. If a nonprofit organization described under subsection C of this
4 section that holds title to property used primarily for education fails to
5 file the affidavit required by section 42-11152 in a timely manner, but
6 otherwise qualifies for exemption, the county board of supervisors, on
7 petition by the organization, shall direct the county treasurer to:

8 1. Refund any property taxes paid by the organization for a tax
9 year if the organization submits a claim for the refund to the county
10 treasurer within one year after the date the taxes were paid. The county
11 treasurer shall pay the claim within thirty days after it is submitted to
12 the treasurer. The county treasurer is entitled to a credit for the
13 refund in the next accounting period with each taxing jurisdiction to
14 which the tax monies may have been transmitted.

15 2. Forgive and strike off from the tax roll any property taxes and
16 accrued interest and penalties that are due but not paid.

17 Sec. 3. Section 42-11109, Arizona Revised Statutes, is amended to
18 read:

19 42-11109. Exemption for religious property: affidavit

20 A. Property or buildings that are used or held primarily for
21 religious worship, including land, improvements, furniture and equipment,
22 are exempt from taxation if the property is not used or held for profit.

23 B. Within ten days after receiving an initial affidavit of
24 eligibility submitted under section 42-11152 by a nonprofit organization
25 that owns property used primarily for religious worship, the county
26 assessor, on request, shall issue a receipt for the affidavit.

27 C. ~~if~~ The organization ~~files~~ SHALL FILE with the assessor THE
28 AFFIDAVIT REQUIRED BY SECTION 42-11152 AND evidence of the organization's
29 tax exempt status under section 501(c)(3) of the internal revenue code;
30 ~~the organization is exempt from the requirement of filing subsequent~~
31 ~~affidavits under section 42-11152 until all or part of the property is~~
32 ~~conveyed to a new owner or is no longer used for religious worship. At~~
33 ~~that time the organization shall notify the assessor of the change in~~
34 ~~writing~~ WHEN INITIALLY CLAIMING THE EXEMPTION.

35 D. A nonprofit organization that obtains title to property that was
36 previously owned by another nonprofit organization and used primarily for
37 religious worship shall comply with the requirements of section 42-11152
38 to qualify and establish eligibility for exemption.

39 E. If a nonprofit organization that holds title to property used
40 primarily for religious worship fails to file the affidavit required by
41 section 42-11152 in a timely manner, but otherwise qualifies for
42 exemption, the county board of supervisors, on petition by the
43 organization, shall direct the county treasurer to:

44 1. Refund any property taxes paid by the organization for a tax
45 year if the organization submits a claim for the refund to the county

1 treasurer within one year after the date the taxes were paid. The county
2 treasurer shall pay the claim within thirty days after it is submitted to
3 the treasurer. The county treasurer is entitled to credit for the refund
4 in the next accounting period with each taxing jurisdiction to which the
5 tax monies may have been transmitted.

6 2. Forgive and strike off from the tax roll any property taxes and
7 accrued interest and penalties that are due but not paid.

8 Sec. 4. Section 42-11110, Arizona Revised Statutes, is amended to
9 read:

10 42-11110. Exemption for cemeteries

11 A. Cemeteries as defined in section 32-2101 that are set apart and
12 used to inter deceased human beings and historic private burial sites and
13 historic private cemeteries as defined in section 41-511.04 are exempt
14 from taxation.

15 B. The owner of a cemetery, historic private burial site or
16 historic private cemetery shall initially establish qualification for
17 exemption under this section by filing an affidavit with the county
18 assessor under section 42-11152. Thereafter, the owner ~~is not required to~~
19 ~~file an affidavit under~~ SHALL NOTIFY THE COUNTY ASSESSOR PURSUANT TO
20 section 42-11152 ~~unless~~ IF:

21 1. Any part of the property is no longer, or will not be, used as a
22 cemetery or has been rezoned, and the assessor shall sever that part of
23 the property from the exempt parcel.

24 2. Any interest in the title to any part of the property is
25 conveyed to a new owner.

26 Sec. 5. Section 42-11111, Arizona Revised Statutes, is amended to
27 read:

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

31 A. The property of widows and widowers, of persons with total and
32 permanent disabilities and of veterans with service or nonservice
33 connected disabilities who are residents of this state is exempt from
34 taxation as provided by article IX, section 2, Constitution of Arizona,
35 and subject to the conditions and limits prescribed by this section.

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

39 1. \$4,188 if the person's total assessment does not exceed \$28,459.
40 For a veteran with a service or nonservice connected disability, the
41 \$4,188 limit under this paragraph is further limited by multiplying the
42 total exemption amount by the percentage of the veteran's disability, as
43 rated by the United States department of veterans affairs.

44 2. No exemption if the person's total assessment exceeds \$28,459.

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

5 1. The total allowable exemption amount and the total assessment
6 limit amount under subsection B of this section.

7 2. The total income limit amounts under subsection E, paragraphs 1
8 and 2 of this section.

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

13 E. Pursuant to article IX, section 2, subsection F, Constitution
14 of Arizona, to qualify for this exemption, the total income from all
15 sources of the claimant and the claimant's spouse and the income from all
16 sources of all of the claimant's children who resided with the claimant in
17 the claimant's residence in the year immediately preceding the year for
18 which the claimant applies for the exemption shall not exceed:

19 1. \$34,901 if none of the claimant's children under eighteen years
20 of age resided with the claimant in the claimant's residence.

21 2. \$41,870 if one or more of the claimant's children residing with
22 the claimant in the claimant's residence either:

23 (a) Were under eighteen years of age.

24 (b) Had a total and permanent physical or mental disability, as
25 certified by competent medical authority as provided by law.

26 F. For the purposes of subsection E of this section, "income from
27 all sources" means the sum of the following, excluding the items listed in
28 subsection G of this section:

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

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

31 3. Nontaxable strike benefits.

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

34 5. Payments that are received from a retirement program and paid
35 by:

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

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

40 6. The gross amount of any pension or annuity that is not otherwise
41 exempted.

42 G. Notwithstanding subsection F of this section, income from all
43 sources does not include monies received from:

44 1. Cash public assistance and relief.

45 2. Railroad retirement benefits.

- 1 3. Payments under the federal social security act (49 Stat. 620).
- 2 4. Payments under the unemployment insurance laws of this state.
- 3 5. Payments from veterans disability pensions.
- 4 6. Workers' compensation payments.
- 5 7. Loss of time insurance.
- 6 8. Gifts from nongovernmental sources, surplus foods or other
- 7 relief in kind supplied by a governmental agency.

8 H. A widow or widower, a person with a total and permanent
9 disability or a veteran with a disability shall ~~initially~~ establish
10 eligibility for exemption under this section by filing an affidavit with
11 the county assessor under section 42-11152 ~~WHEN INITIALLY CLAIMING THE~~
12 ~~EXEMPTION. EACH YEAR~~ thereafter, ~~the person is not required to file an~~
13 ~~affidavit under section 42-11152, but~~ the person or the person's
14 representative shall annually calculate income from the preceding year to
15 ensure that the person still qualifies for the exemption ~~and shall~~ **AND**
16 notify the county assessor in writing of any event that disqualifies the
17 person from further exemption. Regardless of whether the person or
18 representative notifies the assessor as required by this subsection, the
19 property is subject to tax as provided by law from the date of
20 disqualification, including interest, penalties and proceedings for tax
21 delinquencies. Disqualifying events include:

- 22 1. The person's death.
- 23 2. The remarriage of a widow or widower.
- 24 3. The person's income from all sources exceeding the limits
- 25 prescribed by subsection E of this section.
- 26 4. The conveyance of title to the property to another owner.
- 27 I. Any dollar amount of exemption that is unused in a tax year
- 28 against the limited property value of property and improvements owned by
- 29 the individual may be applied for the tax year against the value of
- 30 personal property subject to special property taxes, including the taxes
- 31 collected pursuant to title 5, chapter 3, article 3 and title 28, chapter
- 32 16, article 3.

33 J. An individual is not entitled to property tax exemptions ~~in the~~
34 ~~aggregate that exceed the maximum allowed to~~ **UNDER MORE THAN ONE CATEGORY**
35 **AS** a widow or widower, a person with a total and permanent disability or a
36 veteran with a disability even if the individual is eligible for an
37 exemption in more than one category.

38 K. For the purposes of this section:

39 1. "GDP price deflator" means the average of the four implicit
40 price deflators for the gross domestic product reported by the United
41 States department of commerce or its successor for the four quarters of
42 the state fiscal year.

43 2. "Veteran" means an individual who has served in, and been
44 discharged, separated or released under honorable conditions from, active

1 or inactive service in the uniformed services of the United States,
2 including:

3 (a) All regular, reserve and national guard components of the
4 United States army, navy, air force, marine corps and coast guard.

5 (b) The commissioned corps of the national oceanic and atmospheric
6 administration.

7 (c) The commissioned corps of the United States public health
8 service.

9 (d) A nurse in the service of the American red cross or in the army
10 and navy nurse corps.

11 (e) Any other civilian service that is authorized by federal law to
12 be considered active military duty for the purpose of laws administered by
13 the United States secretary of veterans affairs.

14 Sec. 6. Section 42-11131, Arizona Revised Statutes, is amended to
15 read:

16 42-11131. Exemption for low-income Indian housing;
17 definitions

18 A. Property owned and operated by a federally recognized Indian
19 tribe or its tribally designated housing authority is exempt from
20 taxation, subject to the following requirements:

21 1. The property must be used exclusively for the charitable purpose
22 of providing ~~low-income~~ LOW-INCOME rental housing and related facilities
23 for the use of Indians.

24 2. The property may not be used, held or operated for profit.

25 3. No part of the net earnings of the housing authority, if any,
26 may inure to the benefit of any private shareholder or individual.

27 4. The housing was designed and constructed, in whole or in part,
28 using federal financial assistance pursuant to the Native American Housing
29 assistance and self-determination act OF 1996 (P.L. 104-330; 25 United
30 States Code chapter 43) or using tribal government monies.

31 B. To apply for an initial exemption under this section, an Indian
32 tribe or tribal housing authority must submit the following documents to
33 the county assessor:

34 1. Documents establishing the federal recognition of the Indian
35 tribe.

36 2. Documents establishing that the housing authority, if any:

37 (a) Is formally designated by the tribe for the purposes of owning
38 and operating rental housing facilities for Indians.

39 (b) Is recognized as a charitable institution pursuant to section
40 501(c)(3) of the internal revenue code.

41 3. Legally binding documents that establish a current agreement or
42 other restriction that limits the property's use to ~~low-income~~ LOW-INCOME
43 rental housing and related facilities for Indians.

1 C. An Indian tribe or tribal housing authority ~~that submits the~~
2 ~~documentation required by subsection B of this section for initial tax~~
3 ~~exempt status is exempt from the requirement of filing subsequent~~
4 ~~affidavits under section 42-11152 until~~ SHALL NOTIFY THE COUNTY ASSESSOR
5 IN WRITING PURSUANT TO SECTION 42-11152 IF the property is conveyed to a
6 new owner or is no longer used for the qualifying purposes under
7 subsection A, paragraph 1 of this section. ~~If any part of the property is~~
8 ~~conveyed to a new owner or is no longer used for those qualifying~~
9 ~~purposes,~~ or if any legal or equitable interest in any part of the
10 property is conveyed to a new owner, ~~the tribe or housing authority shall~~
11 ~~notify the assessor of the change in writing.~~

12 D. This section shall not be interpreted to prevent an Indian tribe
13 or tribal housing authority from making voluntary payments in lieu of
14 property taxes to a county, city, town, school district or other political
15 subdivision for providing services, improvements or facilities for the
16 benefit of a ~~low income~~ LOW-INCOME housing project owned and operated by
17 the tribe or housing authority. Any payments in lieu of tax may not exceed
18 the maximum amount permitted under applicable federal law, if any, or the
19 estimated cost to the county, city, town, school district or other
20 political subdivision of the services, improvements or facilities to be
21 provided, whichever is less.

22 E. For the purposes of this section:

23 1. "Indian" has the same meaning prescribed in 25 United States
24 Code section 4103.

25 2. "Indian tribe" has the same meaning prescribed in 25 United
26 States Code section 4103.

27 3. "~~low income~~ LOW-INCOME rental housing" means housing for
28 individuals or families having an income that does not exceed the income
29 for a ~~low income~~ LOW-INCOME family, as defined in 25 United States Code
30 section 4103.

31 4. "Related facilities" means nonhousing facilities that are
32 located on the ~~low income~~ LOW-INCOME housing property and that are
33 available for the use of Indian tenants in conjunction with their use of
34 the housing facilities.

35 Sec. 7. Section 42-11132, Arizona Revised Statutes, is amended to
36 read:

37 42-11132. Property leased to educational institutions

38 A. Property, buildings and fixtures that are leased to a nonprofit
39 charter school or a residential treatment and education facility and that
40 are used for educational instruction in any grade or program through grade
41 twelve shall be classified as class nine property pursuant to section
42 42-12009. If only part of a parcel of real property or improvements to
43 real property is leased for operation of a charter school or a residential
44 treatment and education facility, only the portion so leased qualifies as
45 class nine property.

1 B. Property, buildings and fixtures that are owned by an
2 educational, a religious or a charitable organization, institution or
3 association and leased to a nonprofit educational organization,
4 institution or association are exempt from taxation if the property is
5 used for educational instruction in any grade or program through grade
6 twelve.

7 C. If the educational, religious or charitable organization,
8 institution or association that owns the property files **THE AFFIDAVIT**
9 **REQUIRED BY SECTION 42-11152**, evidence of the organization's,
10 institution's or association's tax exempt status under section 501(c)(3)
11 of the internal revenue code and an affidavit by the educational
12 organization, institution or association that it uses the property for
13 educational instruction as described in subsection B of this section, the
14 property qualifies for the tax exemption under this section. ~~and is exempt~~
15 ~~from the requirement of filing subsequent affidavits under THE~~
16 **EDUCATIONAL, RELIGIOUS OR CHARITABLE ORGANIZATION, INSTITUTION OR**
17 **ASSOCIATION SHALL NOTIFY THE COUNTY ASSESSOR IN WRITING PURSUANT TO**
18 section 42-11152 ~~anti~~ **IF** all or part of the property is conveyed to a new
19 owner or is no longer used for educational purposes. ~~At that time the~~
20 ~~educational, religious or charitable organization, institution or~~
21 ~~association must notify the assessor of the change in writing.~~

22 Sec. 8. Section 42-11132.01, Arizona Revised Statutes, is amended
23 to read:

24 **42-11132.01. Property leased to a church, religious assembly**
25 **or religious institution**

26 A. Property, buildings and fixtures that are leased to a nonprofit
27 church, religious assembly or religious institution and that are primarily
28 used **OR HELD** for religious worship shall be classified as class nine
29 property pursuant to section 42-12009. If only part of the parcel or
30 improvements is leased to a nonprofit church, religious assembly or
31 religious institution and primarily used or held for religious worship,
32 only the portion so leased qualifies as class nine property. To qualify
33 under this subsection, the church, religious assembly or institution must
34 annually file with the assessor an affidavit that it:

35 1. Continues to use or hold the property primarily for religious
36 worship.

37 2. Is the sole economic beneficiary of the classification of the
38 property as class nine pursuant to section 42-12009, subsection A,
39 paragraph 5.

40 B. Property, buildings and fixtures that are owned by an
41 educational, religious or charitable organization, institution or
42 association, that are leased to a nonprofit church, religious assembly or
43 religious institution and that are primarily used **OR HELD** for religious
44 worship are exempt from taxation.

1 C. If the educational, religious or charitable organization,
2 institution or association that owns the property files with the assessor
3 ~~THE AFFIDAVIT REQUIRED BY SECTION 42-11152~~, evidence of the organization's
4 tax exempt status under section 501(c)(3) of the internal revenue code and
5 an affidavit by the nonprofit church, religious assembly or religious
6 institution that it uses or holds the property primarily for religious
7 worship as described in subsection B of this section, the property
8 qualifies for the tax exemption under this section. ~~and is exempt from the~~
9 ~~requirement of filing subsequent affidavits under~~ THE EDUCATIONAL,
10 RELIGIOUS OR CHARITABLE ORGANIZATION, INSTITUTION OR ASSOCIATION SHALL
11 NOTIFY THE COUNTY ASSESSOR IN WRITING PURSUANT TO section 42-11152 ~~until~~
12 IF all or part of the property is conveyed to a new owner or is no longer
13 primarily used or held by the church, assembly or institution. ~~At that~~
14 ~~time the educational, religious or charitable organization, institution or~~
15 ~~association must notify the assessor of the change in writing.~~

16 Sec. 9. Section 42-11132.02, Arizona Revised Statutes, is amended
17 to read:

18 42-11132.02. Property leased to veterans' organization:
19 definition

20 A. Property, buildings and fixtures that are leased to a veterans'
21 organization shall be classified as class nine property pursuant to
22 section 42-12009. If only part of the parcel or improvements is leased to
23 a veterans' organization and primarily used or held for THE OPERATIONS OF
24 THE veterans' organization ~~operations~~, only the portion so leased
25 qualifies as class nine property. To qualify under this subsection, the
26 veterans' organization must annually file with the assessor an affidavit
27 that it:

28 1. Continues to use or hold the property primarily for the
29 OPERATIONS OF THE veterans' organization ~~operations~~.

30 2. Is the sole economic beneficiary of the classification of the
31 property as class nine pursuant to section 42-12009, subsection A,
32 paragraph 6.

33 B. Property, buildings and fixtures that are owned by a veterans'
34 organization, that are leased to a veterans' organization and that are
35 primarily used for THE OPERATIONS OF THE veterans' organization ~~operations~~
36 are exempt from taxation.

37 C. If the veterans' organization that owns the property files with
38 the assessor ~~THE AFFIDAVIT REQUIRED BY SECTION 42-11152~~, evidence of the
39 VETERANS' organization's tax-exempt status under section 501(c)(3) or
40 501(c)(19) of the internal revenue code and an affidavit by the veterans'
41 organization that it uses or holds the property primarily for THE
42 OPERATIONS OF THE veterans' organization ~~operations~~ as described in
43 subsection B of this section, the property qualifies for the tax exemption
44 under this section. ~~and is exempt from the requirement of filing~~
45 ~~subsequent affidavits under~~ THE VETERANS' ORGANIZATION SHALL NOTIFY THE

1 COUNTY ASSESSOR IN WRITING PURSUANT TO section 42-11152 ~~until~~ IF all or
2 part of the property is conveyed to a new owner or is no longer primarily
3 used or held by the veterans' organization. ~~At that time the veterans'~~
4 ~~organization shall notify the assessor of the change in writing.~~

5 D. For the purposes of this section, "veterans' organization" means
6 a United States veterans' organization that qualifies as a charitable
7 organization and that is recognized under section 501(c)(3) or 501(c)(19)
8 of the internal revenue code.

9 Sec. 10. Section 42-11152, Arizona Revised Statutes, is amended to
10 read:

11 42-11152. Affidavit; electronic submission; acknowledgment of
12 receipt; false statements

13 A. Except ~~as provided in sections 42-11104, 42-11109, 42-11110,~~
14 ~~42-11111 and 42-11131 and except~~ for property described in sections
15 42-11125, ~~AND 42-11127, 42-11132, 42-11132.01 and 42-11132.02,~~ a person
16 who claims exemption from taxation under article IX, section 2,
17 Constitution of Arizona, shall:

18 1. When initially claiming the exemption ~~and claiming the exemption~~
19 ~~in subsequent years~~, file an affidavit with the county assessor, signed
20 under penalty of perjury, as to the person's eligibility.

21 2. Fully answer all questions on the eligibility form or otherwise
22 required by the assessor for that purpose.

23 3. NOTIFY THE COUNTY ASSESSOR IN WRITING IF ALL OR PART OF THE
24 PROPERTY IS CONVEYED TO A NEW OWNER, THE PROPERTY IS NO LONGER USED FOR
25 THE PURPOSE THAT QUALIFIES THE PROPERTY FOR THE EXEMPTION OR THERE IS ANY
26 EVENT THAT OTHERWISE DISQUALIFIES THE PERSON OR PROPERTY FROM THE
27 EXEMPTION.

28 B. At the assessor's discretion, the assessor may require
29 additional proof of the facts stated by the person before allowing an
30 exemption.

31 C. The county assessor may accept affidavits required by this
32 section electronically. If the county assessor accepts electronic
33 affidavits, the county assessor shall provide an electronic
34 ~~acknowledgment~~ ACKNOWLEDGMENT of receipt to the person who submitted the
35 affidavit.

36 D. A false statement that is made in the affidavit is perjury.

37 Sec. 11. Section 42-11153, Arizona Revised Statutes, is amended to
38 read:

39 42-11153. Deadline for filing affidavit

40 A. ~~Except as provided in section 42-11104, subsection E, section~~
41 ~~42-11109, subsection B, section 42-11110, subsection B, section 42-11111,~~
42 ~~subsection H, section 42-11131, subsection C and section 42-11132,~~
43 ~~subsection C, section 42-11132.01, subsection C, and section 42-11132.02,~~
44 ~~subsection C,~~ A failure by a taxpayer who is entitled to an exemption to
45 make an INITIAL affidavit AS REQUIRED BY SECTION 42-11152 or furnish

1 evidence required by this article between the first Monday in January and
2 March 1 of ~~each~~ THE year constitutes a waiver of the exemption.

3 B. If a widow or widower or A person with a disability whose
4 property is exempt from tax under section 42-11111, or an organization
5 that is exempt from federal income tax under section 501(c) of the
6 internal revenue code and is exempt from property tax under article 3 of
7 this chapter, submits a petition after the deadlines prescribed by
8 subsection A of this section, the person or organization may have the
9 waiver redeemed by the county board of supervisors at any regular meeting,
10 except that taxes that were due and payable before the petition was
11 submitted may not be refunded or abated.

12 Sec. 12. Applicability

13 This act applies to tax years beginning from and after December 31,
14 2023.