

REFERENCE TITLE: property tax exemptions; inflation adjustment

State of Arizona
Senate
Fifty-sixth Legislature
Second Regular Session
2024

SB 1496

Introduced by
Senator Mesnard

AN ACT

AMENDING SECTION 42-11111, 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 42-11111, Arizona Revised Statutes, is amended
3 to read:

4 42-11111. Exemption for property; widows and widowers; persons
5 with a total and permanent disability; veterans
6 with a disability; definitions

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

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

15 1. \$4,188 if the person's total assessment does not exceed ~~\$28,459~~
16 THE AMOUNT PROVIDED IN PARAGRAPH 2 OF THIS SUBSECTION. For a veteran with
17 a service or nonservice connected disability, the \$4,188 limit under this
18 paragraph is further limited by multiplying the total exemption amount by
19 the percentage of the veteran's disability, as rated by the United States
20 department of veterans affairs.

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

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

26 1. The total allowable exemption amount ~~and the total assessment~~
27 ~~limit amount~~ under subsection B, PARAGRAPH 1 of this section BASED ON THE
28 AVERAGE ANNUAL PERCENTAGE INCREASE, IF ANY, IN THE GDP PRICE DEFLATOR IN
29 THE TWO MOST RECENT COMPLETE STATE FISCAL YEARS.

30 2. BEGINNING IN TAX YEAR 2025, THE TOTAL ASSESSMENT LIMIT AMOUNT
31 UNDER SUBSECTION B, PARAGRAPH 2 OF THIS SECTION BASED ON THE AVERAGE
32 ANNUAL PERCENTAGE INCREASE, IF ANY, IN THE FEDERAL HOUSE PRICE INDEX FOR
33 THE TWO MOST RECENT COMPLETE STATE FISCAL YEARS.

34 ~~2.~~ 3. The total income limit amounts under subsection E,
35 paragraphs 1 and 2 of this section BASED ON THE AVERAGE ANNUAL PERCENTAGE
36 INCREASE, IF ANY, IN THE GDP PRICE DEFLATOR IN THE TWO MOST RECENT
37 COMPLETE STATE FISCAL YEARS.

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

42 E. Pursuant to article IX, section 2, subsection F, Constitution of
43 Arizona, to qualify for this exemption, the total income from all sources
44 of the claimant and the claimant's spouse and the income from all sources
45 of all of the claimant's children who resided with the claimant in the

1 claimant's residence in the year immediately preceding the year for which
2 the claimant applies for the exemption shall not exceed:

3 1. \$34,901 if none of the claimant's children under eighteen years
4 of age resided with the claimant in the claimant's residence.

5 2. \$41,870 if one or more of the claimant's children residing with
6 the claimant in the claimant's residence either:

7 (a) Were under eighteen years of age.

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

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

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

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

15 3. Nontaxable strike benefits.

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

18 5. Payments that are received from a retirement program and paid
19 by:

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

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

24 6. The gross amount of any pension or annuity that is not otherwise
25 exempted.

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

28 1. Cash public assistance and relief.

29 2. Railroad retirement benefits.

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

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

32 5. Payments from veterans disability pensions.

33 6. Workers' compensation payments.

34 7. Loss of time insurance.

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

37 H. A widow or widower, a person with a total and permanent
38 disability or a veteran with a disability shall establish eligibility for
39 exemption under this section by filing an affidavit with the county
40 assessor under section 42-11152 when initially claiming the
41 exemption. Each year thereafter, the person or the person's
42 representative shall annually calculate income from the preceding year to
43 ensure that the person still qualifies for the exemption and notify the
44 county assessor in writing of any event that disqualifies the person from
45 further exemption. Regardless of whether the person or representative

1 notifies the assessor as required by this subsection, the property is
2 subject to tax as provided by law from the date of disqualification,
3 including interest, penalties and proceedings for tax delinquencies.
4 Disqualifying events include:

- 5 1. The person's death.
- 6 2. The remarriage of a widow or widower.
- 7 3. The person's income from all sources exceeding the limits
8 prescribed by subsection E of this section.

9 4. The conveyance of title to the property to another owner.
10 I. Any dollar amount of exemption that is unused in a tax year
11 against the limited property value of property and improvements owned by
12 the individual may be applied for the tax year against the value of
13 personal property subject to special property taxes, including the taxes
14 collected pursuant to title 5, chapter 3, article 3 and title 28, chapter
15 16, article 3.

16 J. An individual is not entitled to property tax exemptions under
17 more than one category as a widow or widower, a person with a total and
18 permanent disability or a veteran with a disability even if the individual
19 is eligible for an exemption in more than one category.

- 20 K. For the purposes of this section:
- 21 1. "Competent medical authority" means any of the following:
22 (a) An individual licensed under title 32, chapter 8, 13, 14, 17,
23 19.1, 25 or 29 or a comparable law of another state.
24 (b) A registered nurse practitioner as defined in section 32-1601.
25 (c) The United States department of veterans affairs, as evidenced
26 by a disability award letter.

27 2. "FEDERAL HOUSE PRICE INDEX" MEANS THE AVERAGE MEASURE OF
28 MOVEMENT OF SINGLE-FAMILY HOUSE PRICES IN THE UNITED STATES PUBLISHED BY
29 THE FEDERAL HOUSING FINANCE AGENCY, OR ITS SUCCESSOR, FOR THIS STATE.

30 ~~2.~~ 3. "GDP price deflator" means the average of the four implicit
31 price deflators for the gross domestic product reported by the United
32 States department of commerce or its successor for the four quarters of
33 the state fiscal year.

34 ~~3.~~ 4. "Person with a total and permanent disability" means a
35 person who is unable to engage in any substantial gainful activity, for
36 pay or profit, by reason of any physical or mental impairment that is
37 expected to last for a continuous period of at least twelve months or
38 result in death within twelve months as certified by a competent medical
39 authority.

40 ~~4.~~ 5. "Veteran" means an individual who has served in, and been
41 discharged, separated or released under honorable conditions from, active
42 or inactive service in the uniformed services of the United States,
43 including:

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

1 (b) The commissioned corps of the national oceanic and atmospheric
2 administration.

3 (c) The commissioned corps of the United States public health
4 service.

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

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