

House Engrossed

business personal property; exemption.

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HOUSE BILL 2389

AN ACT

AMENDING SECTIONS 15-445, 15-448, 15-459, 15-481, 42-5075, 42-11054, 42-11127, 42-12001, 42-12002, 42-12004, 42-12006, 42-12007, 42-12054 AND 42-12058, ARIZONA REVISED STATUTES; REPEALING SECTIONS 42-13054, 42-13055 AND 42-13056, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-13304, 42-13351, 42-15002, 42-15005 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 15-445, Arizona Revised Statutes, is amended to
3 read:

4 15-445. Residents of unorganized territory; school district
5 elections

6 A. The county school superintendent, on receiving notification from
7 the state school superintendent pursuant to section 15-825.02, subsection
8 B, shall do all of the following before calling an election:

9 1. Establish the boundaries of the proposed school district, taking
10 into consideration communities of interest and excluding Indian
11 reservations and other federal lands where reasonable to do so. During
12 the period that the county school superintendent is considering the new
13 school district boundaries, the county school superintendent shall conduct
14 at least two public meetings at which public testimony is heard and
15 questions are answered.

16 2. Identify adjacent school districts that accept at least
17 twenty-five ~~percent~~ PERCENT of their open enrollment or certificate of
18 educational convenience students from the unorganized territory and that
19 are willing to accept the unorganized territory into the existing school
20 district. If there is only one adjacent school district that meets these
21 criteria, the boundaries of that school district shall be reestablished to
22 include the unorganized territory without an election.

23 3. If there is more than one adjacent school district that meets
24 the criteria prescribed in paragraph 2 of this subsection, prepare a
25 pamphlet and a ballot question that includes the proposed boundaries and
26 identifies existing adjacent school districts that are willing to accept
27 the unorganized territory into the existing school district. The pamphlet
28 shall be mailed to each household with one or more qualified electors.
29 The pamphlet and ballot shall require the voters within the boundaries
30 proposed by the county school superintendent to join an existing adjacent
31 school district. The pamphlet and ballot shall include the full cash
32 value, the assessed valuation and the estimated amount of the primary
33 property taxes and the estimated amount of the secondary property taxes
34 under each of the ballot options for each of the following:

35 (a) An owner occupied residence whose assessed valuation is the
36 average assessed valuation of property classified as class three, as
37 prescribed by section 42-12003 for the current year in the school
38 district.

39 (b) An owner occupied residence whose assessed valuation is
40 one-half of the assessed valuation of the residence in subdivision (a).

41 (c) An owner occupied residence whose assessed valuation is twice
42 the assessed valuation of the residence in subdivision (a).

1 (d) A business whose assessed valuation is the average of the
2 assessed valuation of property classified as class one, as prescribed by
3 section 42-12001, ~~paragraphs~~ PARAGRAPH 12 ~~and 13~~ for the current year in
4 the school district.

5 B. The county school superintendent shall schedule the election on
6 the next available general election date allowed by law.

7 C. On a canvass of the vote and a determination by the county
8 school superintendent that a majority of the voters approve joining an
9 existing adjacent school district, the county school superintendent shall
10 notify the existing school district of the following:

11 1. That the boundaries of the school district shall be revised to
12 include the property identified in the boundaries established by the
13 county school superintendent.

14 2. That the school district shall provide the same educational
15 services that are currently provided to students who reside in current
16 boundaries of the school district to all students within the revised
17 boundaries at the beginning of the next school year.

18 D. If the adjacent school district is a common school district that
19 is within the boundaries of a union high school district, the unorganized
20 territory shall join both the common school district and the union high
21 school district. If the adjacent school district is a common school
22 district that is not within the boundaries of a UNION high school
23 district, the unorganized territory shall join the common school district,
24 and high school pupils who reside in the previously unorganized territory
25 shall be educated in the same manner as high school pupils who reside in
26 the common school district.

27 Sec. 2. Section 15-448, Arizona Revised Statutes, is amended to
28 read:

29 15-448. Formation of unified school district; board
30 membership; budget

31 A. One or more common school districts and a high school district
32 with coterminous or overlapping boundaries may establish a unified school
33 district pursuant to this section. Unification of a common school
34 district and a high school district is not authorized by this section if
35 any of the high school facilities owned by the new unified school district
36 would not be located within its boundaries.

37 B. Formation of a unified school district shall be by resolutions
38 approved by the governing boards of the unifying school districts and
39 certification of approval by such governing boards to the county school
40 superintendent of the county or counties in which such individual school
41 districts are located. A common school district and high school district
42 that unify pursuant to this section shall not exclude from the same
43 unification a common school district that has overlapping boundaries with
44 the high school district and that wishes to unify. Except as provided in
45 subsection D of this section, the formation of a unified school district

1 becomes effective on July 1 of the next fiscal year following the
2 certification of the county school superintendent. An election is not
3 required to form a unified school district pursuant to this section.
4 Notice of the proposed vote of the governing boards on the resolutions
5 prescribed in this subsection shall be posted in at least three public
6 places in each of the school districts proposed to be unified at least
7 ninety days before the proposed vote. At least ninety days before the
8 governing boards vote on the resolutions prescribed in this subsection,
9 the governing boards shall mail a pamphlet to each household with one or
10 more qualified electors that lists the full cash value, the assessed
11 valuation and the estimated amount of the primary property taxes and the
12 estimated amount of the secondary property taxes under the proposed
13 unification for each of the following:

14 1. An owner-occupied residence whose assessed valuation is the
15 average assessed valuation of property classified as class three, as
16 prescribed by section 42-12003 for the current year in the school
17 district.

18 2. An owner-occupied residence whose assessed valuation is one-half
19 of the assessed valuation of the residence in paragraph 1 of this
20 subsection.

21 3. An owner-occupied residence whose assessed valuation is twice
22 the assessed valuation of the residence in paragraph 1 of this subsection.

23 4. A business whose assessed valuation is the average of the
24 assessed valuation of property classified as class one, as prescribed by
25 section 42-12001, ~~paragraphs~~ PARAGRAPH 12 ~~and 13~~ for the current year in
26 the school district.

27 C. The boundaries of the unified school district shall be the
28 boundaries of the former common school district or districts that unify.
29 The boundaries of the common school district or districts that are not
30 unifying remain unchanged. The county school superintendent, immediately
31 on receipt of the approved resolutions prescribed by subsection B of this
32 section, shall file with the board of supervisors, the county assessor and
33 the superintendent of public instruction a transcript of the boundaries of
34 the unified school district. The boundaries shown in the transcript shall
35 become the legal boundaries of the school districts on July 1 of the next
36 fiscal year.

37 D. On formation of the unified school district, the governing board
38 consists of the members of the former school district governing boards and
39 the members shall hold office until January 1 following the first general
40 election after formation of the district. For the purpose of all actions
41 that are necessary to operate the unified district for the next year, the
42 unified school district governing board is constituted and may conduct
43 meetings after the adoption of the unification resolutions prescribed by
44 subsection B of this section.

1 E. Beginning on January 1 following the first general election
2 after formation of the unified school district, the governing board shall
3 have five members. At the first general election after the formation of
4 the district, members shall be elected in the following manner:

5 1. The three candidates receiving the highest, the second highest
6 and the third highest number of votes shall be elected to four-year terms.

7 2. The two candidates receiving the fourth and fifth highest number
8 of votes shall be elected to two-year terms. Thereafter all offices shall
9 have four-year terms.

10 F. The new unified school district may appoint a resident of the
11 remaining common school district to serve as a nonvoting member of the
12 governing board to represent the interests of the high school pupils who
13 reside in the remaining common school district and who attend school in
14 the unified school district.

15 G. For the first year of operation, the unified school district
16 governing board shall prepare a consolidated budget based on the student
17 counts from the school districts comprising the unified school
18 district. The unified school district may budget for unification
19 assistance pursuant to section 15-912.01.

20 H. The governing board of the unified school district shall prepare
21 policies, curricula and budgets for the district. These policies shall
22 require that:

23 1. The base compensation of each certificated teacher for the first
24 year of operation of the new unified school district shall not be lower
25 than the certificated teacher's base compensation for the prior year in
26 the previously existing school districts.

27 2. The certificated teacher's years of employment in the previously
28 existing school districts shall be included in determining the teacher's
29 certificated years of employment in the new unified school district.

30 I. On formation of a unified school district, any existing override
31 authorization of the former high school district and the former common
32 school district or districts shall continue until expiration based on the
33 revenue control limit of the school district or districts that had
34 override authorization before unification. The unified school district
35 may request new override authorization for the budget year as provided in
36 section 15-481 based on the combined revenue control limit of the new
37 district after unification. If the unified school district's request for
38 override authorization is approved, it will replace any existing override
39 for the budget year.

40 J. The unified school district shall admit high school pupils who
41 reside in a common school district that was located within the boundaries
42 of the former high school district. For the purposes of determining
43 student count and for apportionment of state aid, the school membership of
44 these pupils is deemed to be enrollment in the unified school district.

1 K. All assets and liabilities of the unifying school districts
2 shall be transferred and assumed by the new unified school district. Any
3 existing bonded indebtedness of a common school district or a high school
4 district unifying pursuant to this section shall be assumed by the new
5 unified school district and shall be regarded as an indebtedness of the
6 new unified school district for the purpose of determining the debt
7 incurring authority of the district. Taxes for the payment of such bonded
8 indebtedness shall be levied on all taxable property in the new unified
9 school district, but nothing in this subsection shall be construed to
10 relieve from liability to taxation for the payment of all taxable property
11 of the former high school district if necessary to prevent a default in
12 the payment of any bonded indebtedness of the former high school district.
13 The residents of a common school district that does not unify shall not
14 vote in bond or override elections of the unified school district and
15 shall not be assessed taxes as a result of a bond or override election of
16 the unified school district.

17 L. If the remaining common school district had authorization for an
18 override as provided in section 15-481 or 15-482, the override
19 authorization continues for the remaining common school district or
20 districts in the same manner as before the formation of the unified school
21 district.

22 M. The bonding authorization and bonding limitations continue for
23 the remaining common school district or districts in the same manner as
24 before the formation of the unified school district.

25 N. This section does not relieve a school district formed pursuant
26 to section 15-457 or 15-458 of its liability for any outstanding bonded
27 indebtedness.

28 O. For school districts that become unified after July 1, 2004 and
29 where all of the common schools were eligible for the small school
30 district weight pursuant to section 15-943, paragraph 1, subdivision (a)
31 when computing their base support level and base revenue control limit
32 before unification, the unified school district may continue to use the
33 small school district weight as follows:

34 1. Annually determine the common school student count and the
35 weighted student count pursuant to section 15-943, paragraph 1,
36 subdivision (a) for each common school district before unification.

37 2. Calculate the sum of the common school districts' student counts
38 and weighted student counts determined in paragraph 1 of this subsection.

39 3. Divide the sum of the weighted student counts by the sum of the
40 student counts determined in paragraph 2 of this subsection.

41 4. The amount determined in paragraph 3 of this subsection shall be
42 the weight for the common schools in the unified school district.

43 P. A unified school district may calculate its revenue control
44 limit and district support level by using subsection O of this section as
45 follows:

1 1. Determine the number of individual school districts that existed
2 before unification into a single school district.

3 2. Multiply the amount determined in paragraph 1 of this subsection
4 by six hundred.

5 3. Multiply the amount determined in paragraph 2 of this subsection
6 by 0.80.

7 4. If the amount determined in paragraph 3 of this subsection
8 exceeds the student count of the unified school district, the unified
9 school district is eligible to use subsection 0 of this section.

10 Q. Subsections 0 and P of this section shall remain in effect until
11 the aggregate student count of the common school districts before
12 unification exceeds the aggregate number of students of the common school
13 districts before unification authorized to utilize section 15-943,
14 paragraph 1, subdivision (a).

15 Sec. 3. Section 15-459, Arizona Revised Statutes, is amended to
16 read:

17 15-459. Consolidation of districts; petition; election;
18 notice; report; ballots; canvass of votes;
19 governing board

20 A. On the request of the governing boards of two or more school
21 districts in the same county or in adjacent counties or on receipt of
22 petitions bearing the signatures of ten percent or more of the number of
23 qualified electors who voted in whichever of the last two general
24 elections resulted in the higher number of ballots cast and who reside in
25 each of two or more school districts in the same county or in adjacent
26 counties to consolidate the school districts or parts of the districts,
27 the county school superintendent of each of the counties affected, within
28 ten days, shall call an election to determine the question on
29 consolidation.

30 B. Consolidations allowed pursuant to subsection A of this section
31 include:

32 1. To change the boundaries of a school district to include any
33 part of an adjacent school district.

34 2. If all the common school districts within the boundaries of an
35 existing union high school district desire to consolidate into one common
36 school district.

37 3. If two or more adjacent school districts of the same type, both
38 or all being common, union high or unified school districts, desire to
39 consolidate into one common, union high or unified school district.

40 4. If a common school district that is not a part of a union high
41 school district desires to consolidate with an adjacent unified school
42 district.

43 5. If two or more common school districts desire to consolidate
44 into one school district and unify the consolidated district with a union
45 high school district to form one unified school district.

1 6. To change the boundaries of a school district that has received
2 a letter grade of A or B pursuant to section 15-241 to include another
3 school district within twenty miles.

4 C. If a school district provides only financing for pupils who are
5 instructed by another school district in the same county or in an adjacent
6 county, the school district or any part of the school district may be
7 consolidated with the school district providing the instructional program
8 as follows:

9 1. The governing board of the financing school district approves
10 the consolidation or ten percent of the qualified electors residing in the
11 school district, or that part of the school district proposed for
12 consolidation, petitions the county school superintendent to call an
13 election to approve the proposed consolidation.

14 2. At an election called by the county school superintendent of
15 each of the counties affected, a majority of the persons voting in the
16 school district, or that part of the school district providing financing,
17 approve the proposed consolidation and a majority of the persons voting in
18 the district providing instruction approve the proposed consolidation.

19 D. Elections held as provided in subsection C of this section shall
20 be conducted in the same manner as elections prescribed in subsections F
21 through J of this section and shall be held concurrently as prescribed in
22 section 15-458.

23 E. Sections 15-457, 15-975 and 15-997 apply to school districts
24 that are consolidated as provided in subsection C of this section.

25 F. Notice of the election to determine consolidation of school
26 districts shall be posted in at least three public places in each of the
27 school districts proposed to be consolidated at least ninety days before
28 the election.

29 G. The county school superintendent shall prepare and the governing
30 board shall distribute a report on the proposed boundary changes in a
31 manner similar to that prescribed in section 15-481, subsection B. The
32 report shall contain the following information:

33 1. The date of the election.

34 2. The polling places and times they are open.

35 3. The full cash value, the assessed valuation and the estimated
36 amount of the primary property taxes and the estimated amount of the
37 secondary property taxes under the proposed boundary changes for each of
38 the following:

39 (a) An owner-occupied residence whose assessed valuation is the
40 average assessed valuation of property classified as class three, as
41 prescribed by section 42-12003 for the current year in the school
42 district.

43 (b) An owner-occupied residence whose assessed valuation is
44 one-half of the assessed valuation of the residence in subdivision (a) of
45 this paragraph.

1 (c) An owner-occupied residence whose assessed valuation is twice
2 the assessed valuation of the residence in subdivision (a) of this
3 paragraph.

4 (d) A business whose assessed valuation is the average of the
5 assessed valuation of property classified as class one, as prescribed by
6 section 42-12001, ~~paragraphs~~ PARAGRAPH 12 ~~and 13~~ for the current year in
7 the school district.

8 4. A consolidation plan to include:

9 (a) The proposed boundary changes.

10 (b) The impact of the proposed boundary changes, including where
11 pupils will attend school, changes in pupil transportation services,
12 changes in availability of special education services, changes in
13 pupil-teacher ratio and operational costs.

14 (c) If subsection P of this section applies to one or more of the
15 existing school districts, a detailed description of desegregation funding
16 and expenses for the resulting school district as set forth in subsection
17 P of this section.

18 (d) Any other information the county school superintendent deems
19 appropriate to include.

20 H. Ballots shall be prepared by the county school superintendent,
21 shall be delivered to the inspector at least forty-eight hours before the
22 opening of the polls as prescribed in section 16-509 and shall contain the
23 information prescribed in subsection G, paragraph 3 of this section and
24 the following statement: "Do you support consolidation under the
25 specified provisions of the consolidation plan? Yes () No ()." If the
26 election is to simultaneously consolidate and unify two or more common
27 school districts, the ballot shall contain: "Do you support the
28 consolidation of the (insert names of common school districts) and the
29 subsequent unification of the consolidated districts with the (insert
30 name of union high school district) to form one unified school district
31 under the consolidation and unification plan? Yes () No ()."

32 I. The county school superintendent shall hold the election during
33 the fiscal year preceding the fiscal year consolidation is proposed to be
34 effective on a date prescribed by section 16-204. The election shall be
35 held in the manner and electors shall possess qualifications as prescribed
36 for the election of governing board members. The results of the election
37 shall be reported to the county school superintendent.

38 J. The county school superintendent and the chairman of the board
39 of supervisors, on the seventh day after the election, shall canvass the
40 vote. If a majority of the votes cast in each district approved the
41 consolidation, the districts are consolidated and become one district from
42 and after June 30 next following the election. If parts of two or more
43 school districts are proposed to be consolidated, a majority of the voters
44 in the part of a school district or districts not included in the proposed
45 consolidation and a majority of the voters in the part of the school

1 district or districts proposed for consolidation must approve the
2 consolidation.

3 K. If the consolidated district includes territory located in two
4 or more counties, the county of jurisdiction is the county in which the
5 largest number of qualified electors of the consolidated school district
6 resides, except that if all of the existing school buildings are in one
7 county, that county is the county of jurisdiction. The county school
8 superintendent of the jurisdictional county shall perform all duties for
9 and with respect to the consolidated school district as required to be
10 performed by county school superintendents. The board of supervisors of
11 the jurisdictional county shall perform all duties for and with respect to
12 the consolidated school district as required to be performed by boards of
13 supervisors, except that school district taxes to be levied on property in
14 the portion of the consolidated school district lying in another county
15 shall be levied by the board of supervisors of the other county or
16 counties and on receipt shall be transferred to the county of
17 jurisdiction. All school buildings located within the consolidated school
18 district, together with all equipment and furnishings, become the property
19 of the consolidated school district. Any assumed indebtedness is an
20 indebtedness of the consolidated school district for the purpose of
21 determining the debt incurring authority of the consolidated school
22 district.

23 L. Consolidation pursuant to this section is not allowed if the
24 resulting school district would have a student count for the current year
25 of more than ten percent of the total student count of all school
26 districts in this state.

27 M. The governing board is constituted, may conduct meetings and
28 shall prepare policies, curricula and budgets for the new school district
29 after the canvass pursuant to subsection J of this section demonstrates
30 that a majority of the votes cast in each school district approved the
31 consolidation. These policies shall require that:

32 1. The base salary and benefits of each employee for the first year
33 of operation of the new school district shall not be lower than the
34 employee's base salary and benefits for the prior year in the previously
35 existing school district.

36 2. The employee's years of employment in the previously existing
37 school district shall be included in determining the employee's years of
38 employment in the new school district. An employee who was entitled to
39 continuing employment contract status in the previously existing school
40 district is entitled to continuing employment contract status in the new
41 school district.

42 3. Notwithstanding paragraphs 1 and 2 of this subsection and
43 pursuant to section 15-544, this section does not restrict the ability of
44 the governing board to implement a reduction in force or to scale back
45 salaries of certified teachers, administrators or noncertificated

1 employees for reasons of economy or to improve the efficient conduct of
2 schools within the district following a school district consolidation.

3 N. If all of the districts to be consolidated have authorization
4 for an override as provided in section 15-481 that would have continued
5 after the consolidation, the override authorization continues for the new
6 district and expires at the time that the earliest override would have
7 expired.

8 O. If one or more, but not all, of the districts to be consolidated
9 have authorization for an override as provided in section 15-481 that
10 would have continued after the consolidation, the override authorization
11 shall only apply to the schools included under the terms of the prior
12 override authorization. Consolidation of school districts does not
13 consolidate or pool the liability to be taxed for the override, and only
14 property that was located within the boundaries of the district that
15 approved the override before consolidation is to pay taxes to support the
16 override. This subsection also applies if all of the districts to be
17 consolidated have authorization for overrides, but the authorizations are
18 pursuant to different subsections of section 15-481 or the override
19 amounts are not the same percentage of the revenue control limit.

20 P. Notwithstanding section 15-457, consolidation of school
21 districts does not consolidate or pool the liability of the former school
22 districts into the resulting school district. Outstanding indebtedness
23 incurred by a school district before consolidation shall be repaid without
24 interruption according to existing debt schedules as determined by the
25 county board of supervisors. If a school district consolidates after
26 July 1, 2004, the new school district may pay tuition to the district of
27 attendance when a pupil is precluded by distance or lack of transportation
28 from attending school in the district of a pupil's residence.

29 Q. If one or more of the previously existing school districts were
30 authorized to budget for expenses of complying with or continuing to
31 implement activities that were required or permitted by court order of
32 desegregation or administrative agreement with the United States
33 department of education office for civil rights directed toward
34 remediating alleged or proven racial discrimination pursuant to section
35 15-910, this authorization does not expire on the effective date of
36 consolidation but only applies to schools included in the court order or
37 administrative agreement.

38 R. If the formation of a new consolidated and unified school
39 district is authorized, the terms of the governing board members of the
40 common and union high school districts do not expire on the effective date
41 of the unification. The governing board members of the previously
42 existing school districts shall serve as provided in section 15-430,
43 except that the power of the governing board members of the previously
44 existing school districts acting as the governing board of the unified
45 school district is limited to the maintenance and operation of the

1 previously existing school districts and compliance with the consolidation
2 and unification plan.

3 Sec. 4. Section 15-481, Arizona Revised Statutes, is amended to
4 read:

5 15-481. Override election; budget increases; informational
6 pamphlet; notice; ballot; effect

7 A. If a proposed budget of a school district exceeds the aggregate
8 budget limit for the budget year, at least ninety days before the proposed
9 election the governing board shall order an override election to be held
10 on the first Tuesday following the first Monday in November as prescribed
11 by section 16-204, subsection F for the purpose of presenting the proposed
12 budget to the qualified electors of the school district who by a majority
13 of those voting either shall affirm or reject the budget. At the same
14 time as the order of the election, the governing board shall publicly
15 declare the deadline for submitting arguments, as set by the county school
16 superintendent pursuant to subsection B, paragraph 9 of this section, to
17 be submitted in the informational pamphlet and shall immediately post the
18 deadline in a prominent location on the district's website. In addition,
19 the governing board shall prepare an alternate budget that does not
20 include an increase in the budget of more than the amount allowed as
21 provided in section 15-905. If the qualified electors approve the
22 proposed budget, the governing board of the school district shall follow
23 the procedures prescribed in section 15-905 for adopting a budget that
24 includes the authorized increase. If the qualified electors disapprove
25 the proposed budget, the governing board shall follow the procedures
26 prescribed in section 15-905 for adopting a budget that does not include
27 the proposed increase or the portion of the proposed increase that exceeds
28 the amount authorized by a previously approved budget increase as
29 prescribed in subsection P of this section.

30 B. The county school superintendent shall prepare an informational
31 pamphlet on the proposed increase in the budget and a sample ballot and,
32 at least forty days before the election, shall transmit the informational
33 pamphlet and the sample ballot to the governing board of the school
34 district. The governing board, on receipt of the informational pamphlet
35 and the ballot, shall mail or distribute the informational pamphlet and
36 the ballot to the households in which qualified electors reside within the
37 school district at least thirty-five days before the election. Any
38 distribution of material concerning the proposed increase in the budget
39 shall not be conducted by children enrolled in the school district. The
40 informational pamphlet shall contain the following information:

41 1. The date of the election.
42 2. The voter's polling place and the times it is open.
43 3. The proposed total increase in the budget that exceeds the
44 amount allowed pursuant to section 15-905.

1 4. The total amount of the current year's budget, the total amount
2 of the proposed budget and the total amount of the alternate budget.

3 5. If the override is for a period of more than one year, a
4 statement indicating the number of years the proposed increase in the
5 budget would be in effect and the percentage of the school district's
6 revenue control limit that the district is requesting for the future
7 years.

8 6. The proposed total amount of revenues that will fund the
9 increase in the budget and the amount that will be obtained from a levy of
10 taxes on the taxable property within the school district for the first
11 year for which the budget increase was adopted.

12 7. The proposed amount of revenues that will fund the increase in
13 the budget and that will be obtained from other than a levy of taxes on
14 the taxable property within the school district for the first year for
15 which the budget increase was adopted.

16 8. The dollar amount and the purpose for which the proposed
17 increase in the budget is to be expended for the first year for which the
18 budget increase was adopted. The purpose statement shall only present
19 factual information in a neutral manner. Advocacy for the expenditures is
20 strictly limited to the arguments submitted pursuant to paragraph 9 of
21 this subsection.

22 9. At least two arguments, if submitted, but not more than ten
23 arguments for and two arguments, if submitted, but not more than ten
24 arguments against the proposed increase in the budget. The arguments
25 shall be in a form prescribed by the county school superintendent, and
26 each argument shall not exceed two hundred words. Arguments for the
27 proposed increase in the budget shall be provided in writing and signed by
28 the governing board. The ballot arguments for the proposed increase in
29 the budget shall be signed as the governing board of the school district
30 without listing any member's individual name for the arguments for the
31 proposed increase. If submitted, additional arguments in favor of the
32 proposed increase in the budget shall be provided in writing with a
33 signed, sworn statement by those in favor. Arguments against the proposed
34 increase in the budget shall be provided in writing with a signed, sworn
35 statement by those in opposition. If the argument is submitted by an
36 organization, it shall contain the sworn statement of two executive
37 officers of the organization. If the argument is submitted by a political
38 committee, it shall contain the sworn statement of the committee's
39 chairperson or treasurer. If the argument is submitted by an individual
40 and not on behalf of an organization, a political committee or any other
41 group, the **PERSON INDIVIDUAL** shall submit the argument with a sworn,
42 notarized statement. The names of persons and entities submitting written
43 arguments shall be included in the informational pamphlet. Persons
44 signing the argument shall identify themselves by giving their residence
45 address and telephone number, which may not appear in the informational

1 pamphlet, except that the person's city or town and state of residence
2 shall appear in the pamphlet. Any argument that is submitted and that
3 does not comply with this paragraph may not be included in the pamphlet.
4 The county school superintendent shall review all factual statements
5 contained in the written arguments and correct any inaccurate statements
6 of fact. The superintendent shall not review and correct any portion of
7 the written arguments that are identified as statements of the author's
8 opinion. The county school superintendent shall make the written
9 arguments available to the public as provided in title 39, chapter 1,
10 article 2. A deadline for submitting arguments to be included in the
11 informational pamphlet shall be set by the county school superintendent.

12 10. A statement that the alternate budget shall be adopted by the
13 governing board if the proposed budget is not adopted by the qualified
14 electors of the school district.

15 11. The current limited property value and the net assessed
16 valuation provided by the department of revenue, the first year tax rate
17 for the proposed override and the estimated amount of the secondary
18 property taxes if the proposed budget is adopted for each of the
19 following:

20 (a) An owner-occupied residence whose assessed valuation is the
21 average assessed valuation of property classified as class three, as
22 prescribed by section 42-12003 for the current year in the school
23 district.

24 (b) An owner-occupied residence whose assessed valuation is
25 one-half of the assessed valuation of the residence in subdivision (a) of
26 this paragraph.

27 (c) An owner-occupied residence whose assessed valuation is twice
28 the assessed valuation of the residence in subdivision (a) of this
29 paragraph.

30 (d) A business whose assessed valuation is the average of the
31 assessed valuation of property classified as class one, as prescribed by
32 section 42-12001, ~~paragraphs~~ PARAGRAPH 12 ~~and 13~~ for the current year in
33 the school district.

34 12. If the election is conducted pursuant to subsection L or M of
35 this section, the following information:

36 (a) An executive summary of the school district's most recent
37 capital improvement plan submitted to the school facilities oversight
38 board.

39 (b) A complete list of each proposed capital improvement that will
40 be funded with the budget increase and a description of the proposed cost
41 of each improvement, including a separate aggregation of capital
42 improvements for administrative purposes as defined by the school
43 facilities oversight board.

1 (c) The tax rate associated with each of the proposed capital
2 improvements and the estimated cost of each capital improvement for the
3 owner of a single family home that is valued at \$80,000.

4 C. For the purpose of this section, the school district may use its
5 staff, equipment, materials, buildings or other resources only to
6 distribute the informational pamphlet at the school district office or at
7 public hearings and to produce such information as required in subsection
8 B of this section. This subsection does not preclude school districts
9 from holding or participating in any public hearings at which testimony is
10 given by at least one person for the proposed increase and one person
11 against the proposed increase. Any written information provided by the
12 district pertaining to the override election shall include financial
13 information showing the estimated first year tax rate for the proposed
14 budget override amount.

15 D. If any amount of the proposed increase will be funded by a levy
16 of taxes in the district, the election prescribed in subsection A of this
17 section shall be held on the first Tuesday following the first Monday in
18 November as prescribed by section 16-204, subsection F. If the proposed
19 increase will be fully funded by revenues from other than a levy of taxes,
20 the elections prescribed in subsection A of this section shall be held on
21 any date prescribed by section 16-204. The elections shall be conducted
22 as nearly as practicable in the manner prescribed in article 1 of this
23 chapter, ~~— AND~~ sections 15-422, ~~through~~ 15-423, 15-424 and ~~section~~ 15-426,
24 relating to special elections, except that:

25 1. The notices required pursuant to section 15-403 shall be posted
26 not less than twenty-five days before the election.

27 2. Ballots shall be counted pursuant to title 16, chapter 4,
28 article 10.

29 E. If the election is to exceed the revenue control limit and if
30 the proposed increase will be fully funded by a levy of taxes on the
31 taxable property within the school district, the ballot shall contain the
32 words "budget increase, yes" and "budget increase, no", and the voter
33 shall signify the voter's desired choice. The ballot shall also contain
34 the amount of the proposed increase of the proposed budget over the
35 alternate budget, a statement that the amount of the proposed increase
36 will be based on a percentage of the school district's revenue control
37 limit in future years, if applicable, as provided in subsection P of this
38 section and the following statement:

39 Any budget increase authorized by this election shall be
40 entirely funded by a levy of taxes on the taxable property
41 within this school district for the year for which adopted and
42 for subsequent years, shall not be realized from monies
43 furnished by the state and shall not be subject to the
44 limitation on taxes specified in article IX, section 18,
45 Constitution of Arizona. Based on the current net assessed

1 valuation used for secondary property tax purposes, to fund
2 the proposed increase in the school district's budget would
3 require an estimated tax rate of \$ _____ per \$100 of
4 net assessed valuation used for secondary property tax
5 purposes and is in addition to the school district's tax rate
6 that will be levied to fund the school district's revenue
7 control limit allowed by law.

8 F. If the election is to exceed the revenue control limit and if
9 the proposed increase will be fully funded by revenues from other than a
10 levy of taxes on the taxable property within the school district, the
11 ballot shall contain the words "budget increase, yes" and "budget
12 increase, no", and the voter shall signify the voter's desired choice.
13 The ballot shall also contain:

14 1. The amount of the proposed increase of the proposed budget over
15 the alternate budget.

16 2. A statement that the amount of the proposed increase will be
17 based on a percentage of the school district's revenue control limit in
18 future years, if applicable, as provided in subsection P of this section.

19 3. The following statement:

20 Any budget increase authorized by this election shall be
21 entirely funded by this school district with revenues from
22 other than a levy of taxes on the taxable property within the
23 school district for the year for which adopted and for _____
24 subsequent years and shall not be realized from monies
25 furnished by the state.

26 G. Except as provided in subsection H of this section, the maximum
27 budget increase that may be requested and authorized as provided in
28 subsection E or F of this section or the combination of subsections E and
29 F of this section is fifteen percent of the revenue control limit as
30 provided in section 15-947, subsection A for the budget year. If a school
31 district requests an override pursuant to section 15-482 or to continue
32 with a budget override pursuant to section 15-482 for pupils in
33 kindergarten programs and grades one through three that was authorized
34 before December 31, 2008, the maximum budget increase that may be
35 requested and authorized as provided in subsection E or F of this section
36 or the combination of subsections E and F of this section is ten percent
37 of the revenue control limit as provided in section 15-947, subsection A
38 for the budget year.

39 H. Special budget override provisions for school districts with a
40 student count of less than one hundred fifty-four in kindergarten programs
41 and grades one through eight or with a student count of less than one
42 hundred seventy-six in grades nine through twelve are as follows:

1 1. The maximum budget increase that may be requested and authorized
 2 as provided in subsections E and F of this section is the greater of the
 3 amount prescribed in subsection G of this section or a limit computed as
 4 follows:

5 (a) For common or unified districts with a student count of less
 6 than one hundred fifty-four in kindergarten programs and grades one
 7 through eight, the limit computed as prescribed in item (i) or (ii) of
 8 this subdivision, whichever is appropriate:

9 (i)

10 Small School	Support Level Weight	Phase Down
11 Student Student	for Small Isolated	Reduction
12 Count Count Limit	School Districts	Base Level
13 _____ - 125	$\times 1.358 + (0.0005 \times$ (500 - Student Count))	$\times \$ _____ = \$ _____$

14	Small Isolated
15 Phase Down	School District
16 Base	Elementary Limit
17	<u>Reduction Factor</u>
18 \$150,000	$- \$ _____ = \$ _____$

19 (ii)

20 Small School	Support Level Weight	Phase Down
21 Student Student	for Small	Reduction
22 Count Count Limit	School Districts	Base Level
23 _____ - 125	$\times 1.278 + (0.0003 \times$ (500 - Student Count))	$\times \$ _____ = \$ _____$

24	Small
25 Phase Down	School District
26 Base	Elementary Limit
27	<u>Reduction Factor</u>
28 \$150,000	$- \$ _____ = \$ _____$

29 (b) For unified or union high school districts with a student count
 30 of less than one hundred seventy-six in grades nine through twelve, the
 31 limit computed as prescribed in item (i) or (ii) of this subdivision,
 32 whichever is appropriate:

33 (i)

34 Small School	Support Level Weight	Phase Down
35 Student Student	for Small Isolated	Reduction
36 Count Count Limit	School Districts	Base Level
37 _____ - 100	$\times 1.468 + (0.0005 \times$ (500 - Student Count))	$\times \$ _____ = \$ _____$

38	Small Isolated
39 Phase Down	District
40 Base	Secondary Limit
41	<u>Reduction Factor</u>
42 \$350,000	$- \$ _____ = \$ _____$

1	(ii)	Small School	Support Level	Weight	Phase Down
2	Student	Student	for Small		Reduction
3	<u>Count</u>	<u>Count Limit</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
4	—	100	$1.398 + (0.0004 \times$	$\times \$$	$= \$$
5			$(500 - \text{Student Count}))$		
6					

11 (c) If both subdivisions (a) and (b) of this paragraph apply to a
12 unified school district, its limit for the purposes of this paragraph is
13 the combination of its elementary limit and its secondary limit.

14 (d) If only subdivision (a) or (b) of this paragraph applies to a
15 unified school district, the district's limit for the purposes of this
16 paragraph is the sum of the limit computed as provided in subdivision (a)
17 or (b) of this paragraph plus ten percent of the revenue control limit
18 attributable to those grade levels that do not meet the eligibility
19 requirements of this subsection. If a school district budgets monies
20 outside the revenue control limit pursuant to section 15-949, subsection
21 E, the district's limit for the purposes of this paragraph is only the ten
22 percent of the revenue control limit attributable to those grade levels
23 that are not included under section 15-949, subsection E. For the
24 purposes of this subdivision, the revenue control limit is separated into
25 elementary and secondary components based on the weighted student count as
26 provided in section 15-971, subsection B, paragraph 2, subdivision (a).

27 2. If a school district utilizes this subsection to request an
28 override of more than one year, the ballot shall include an estimate of
29 the amount of the proposed increase in the future years in place of the
30 statement that the amount of the proposed increase will be based on a
31 percentage of the school district's revenue control limit in future years,
32 as prescribed in subsections E and F of this section.

33 3. Notwithstanding subsection P of this section, the maximum period
34 of an override authorized pursuant to this subsection is five years.

35 4. Subsection P, paragraphs 1 and 2 of this section do not apply to
36 overrides authorized pursuant to this subsection.

37 I. If the election is to exceed the revenue control limit as
38 provided in section 15-482 and if the proposed increase will be fully
39 funded by a levy of taxes on the taxable property within the school
40 district, the ballot shall contain the words "budget increase, yes" and
41 "budget increase, no", and the voter shall signify the voter's desired
42 choice. The ballot shall also contain the amount of the proposed increase
43 of the budget over the alternate budget, a statement that the amount of
44 the proposed increase will be based on a percentage of the school

1 district's revenue control limit in future years, if applicable, as
2 provided in subsection Q of this section, and the following statement:

3 Any budget increase authorized by this election shall be
4 entirely funded by a levy of taxes on the taxable property
5 within this school district for the year for which adopted and
6 for _____ subsequent years, shall not be realized from monies
7 furnished by the state and shall not be subject to the
8 limitation on taxes specified in article IX, section 18,
9 Constitution of Arizona. Based on the current net assessed
10 valuation used for secondary property tax purposes, to fund
11 the proposed increase in the school district's budget that
12 will be funded by a levy of taxes on the taxable property
13 within this school district would require an estimated tax
14 rate of \$_____ per \$100 of net assessed valuation used
15 for secondary property tax purposes and is in addition to the
16 school district's tax rate that will be levied to fund the
17 school district's revenue control limit allowed by law.

18 J. If the election is to exceed the revenue control limit as
19 provided in section 15-482 and if the proposed increase will be fully
20 funded by revenues other than a levy of taxes on the taxable property
21 within the school district, the ballot shall contain the words "budget
22 increase, yes" and "budget increase, no", and the voter shall signify the
23 voter's desired choice. The ballot shall also contain the amount of the
24 proposed increase of the proposed budget over the alternate budget, a
25 statement that the amount of the proposed increase will be based on a
26 percentage of the school district's revenue control limit in future years,
27 if applicable, as provided in subsection Q of this section and the
28 following statement:

29 Any budget increase authorized by this election shall be
30 entirely funded by this school district with revenues from
31 other than a levy of taxes on the taxable property within the
32 school district for the year for which adopted and for _____
33 subsequent years and shall not be realized from monies
34 furnished by the state.

35 K. The maximum budget increase that may be requested and authorized
36 as provided in subsection I or J of this section, or a combination of both
37 of these subsections, is five percent of the revenue control limit as
38 provided in section 15-947, subsection A for the budget year. For a
39 common school district not within a high school district or a common
40 school district within a high school district that offers instruction in
41 high school subjects as provided in section 15-447, five percent of the
42 revenue control limit means five percent of the revenue control limit
43 attributable to the weighted student count in preschool programs for
44 children with disabilities, kindergarten programs and grades one through
45 eight as provided in section 15-971, subsection B. For a unified school

1 district, five percent of the revenue control limit means five percent of
2 the revenue control limit attributable to the weighted student count in
3 preschool programs for children with disabilities, kindergarten programs
4 and grades one through twelve. For a union high school district, five
5 percent of the revenue control limit means five percent of the revenue
6 control limit attributable to the weighted student count in grades nine
7 through twelve.

8 L. If the election is to exceed district additional assistance and
9 if the proposed increase will be fully funded by a levy of taxes on the
10 taxable property within the school district, the ballot shall contain the
11 words "budget increase, yes" and "budget increase, no", and the voter
12 shall signify the voter's desired choice. An election held pursuant to
13 this subsection shall be held on the first Tuesday after the first Monday
14 of November. The ballot shall also contain the amount of the proposed
15 increase of the proposed budget over the alternate budget and the
16 following statement:

17 Any budget increase authorized by this election shall be
18 entirely funded by a levy of taxes on the taxable property
19 within this school district for the year in which adopted and
20 for _____ subsequent years, shall not be realized from monies
21 furnished by the state and shall not be subject to the
22 limitation on taxes specified in article IX, section 18,
23 Constitution of Arizona. Based on the current net assessed
24 valuation used for secondary property tax purposes, to fund
25 the proposed increase in the school district's budget would
26 require an estimated tax rate of \$_____ per \$100 of net
27 assessed valuation used for secondary property tax purposes
28 and is in addition to the school district's tax rate that will
29 be levied to fund the school district's district additional
30 assistance allowed by law.

31 M. If the election is to exceed district additional assistance and
32 if the proposed increase will be fully funded by revenues from other than
33 a levy of taxes on the taxable property within the school district, the
34 ballot shall contain the words "budget increase, yes" and "budget
35 increase, no", and the voter shall signify the voter's desired choice. An
36 election held pursuant to this subsection shall be held on the first
37 Tuesday after the first Monday of November. The ballot shall also contain
38 the amount of the proposed increase of the proposed budget over the
39 alternate budget and the following statement:

40 Any budget increase authorized by this election shall be
41 entirely funded by this school district with revenues from
42 other than a levy of taxes on the taxable property within the
43 school district for the year in which adopted and for _____
44 subsequent years and shall not be realized from monies
45 furnished by the state.

1 N. If the election is to exceed a combination of the revenue
2 control limit as provided in subsection E or F of this section, the
3 revenue control limit as provided in subsection I or J of this section or
4 district additional assistance as provided in subsection L or M of this
5 section, the ballot shall be prepared so that the voters may vote on each
6 proposed increase separately and shall contain statements required in the
7 same manner as if each proposed increase were submitted separately.

8 O. If the election provides for a levy of taxes on the taxable
9 property within the school district, at least thirty days before the
10 election, the department of revenue shall provide the school district
11 governing board and the county school superintendent with the current net
12 assessed valuation of the school district. The governing board and the
13 county school superintendent shall use the current net assessed valuation
14 of the school district to translate the amount of the proposed dollar
15 increase in the budget of the school district over that allowed by law
16 into a tax rate figure.

17 P. If the voters in a school district vote to adopt a budget in
18 excess of the revenue control limit as provided in subsection E or F of
19 this section, any additional increase shall be included in the aggregate
20 budget limit for each of the years authorized. Any additional increase
21 shall be excluded from the determination of equalization assistance. The
22 school district governing board, however, may levy on the net assessed
23 valuation used for secondary property tax purposes of the property in the
24 school district the additional increase if adopted under subsection E of
25 this section for the period of one year, two years or five through seven
26 years as authorized. If an additional increase is approved as provided in
27 subsection F of this section, the school district governing board may only
28 use revenues derived from the school district's prior year's maintenance
29 and operation fund ending cash balance to fund the additional increase.
30 If a budget increase was previously authorized and will be in effect for
31 the budget year or budget year and subsequent years, as provided in
32 subsection E or F of this section, the governing board may request a new
33 budget increase as provided in the same subsection under which the prior
34 budget increase was adopted, which shall not exceed the maximum amount
35 allowed under subsection G of this section. If the voters in the school
36 district authorize the new budget increase amount, the existing budget
37 increase no longer is in effect. If the voters in the school district do
38 not authorize the budget increase amount, the existing budget increase
39 remains in effect for the time period for which it was authorized. The
40 maximum additional increase authorized as provided in subsection E or F of
41 this section and the additional increase that is included in the aggregate
42 budget limit is based on a percentage of a school district's revenue
43 control limit in future years, if the budget increase is authorized for
44 more than one year. If the additional increase:

1 1. Is for two years, the proposed increase in the second year is
2 equal to the initial proposed percentage increase.

3 2. Is for five years or more, the proposed increase is equal to the
4 initial proposed percentage increase in the following years of the
5 proposed increase, except that in the next to last year it is two-thirds
6 of the initial proposed percentage increase and it is one-third of the
7 initial proposed percentage increase in the last year of the proposed
8 increase.

9 Q. If the voters in a school district vote to adopt a budget in
10 excess of the revenue control limit as provided in subsection I or J of
11 this section, any additional increase shall be included in the aggregate
12 budget limit for each of the years authorized. Any additional increase
13 shall be excluded from the determination of equalization assistance. The
14 school district governing board, however, may levy on the net assessed
15 valuation used for secondary property tax purposes of the property in the
16 school district the additional increase if adopted under subsection I of
17 this section for the period of one year, two years or five through seven
18 years as authorized. If an additional increase is approved as provided in
19 subsection J of this section, the increase may only be budgeted and
20 expended if sufficient monies are available in the maintenance and
21 operation fund of the school district. If a budget increase was
22 previously authorized and will be in effect for the budget year or budget
23 year and subsequent years, as provided in subsection I or J of this
24 section, the governing board may request a new budget increase as provided
25 in the same subsection under which the prior budget increase was adopted
26 that does not exceed the maximum amount permitted under subsection K of
27 this section. If the voters in the school district authorize the new
28 budget increase amount, the existing budget increase no longer is in
29 effect. If the voters in the school district do not authorize the budget
30 increase amount, the existing budget increase remains in effect for the
31 time period for which it was authorized. The maximum additional increase
32 authorized as provided in subsection I or J of this section and the
33 additional increase that is included in the aggregate budget limit is
34 based on a percentage of a school district's revenue control limit in
35 future years, if the budget increase is authorized for more than one year.

36 If the additional increase:

37 1. Is for two years, the proposed increase in the second year is
38 equal to the initial proposed percentage increase.

39 2. Is for five years or more, the proposed increase is equal to the
40 initial proposed percentage increase in the following years of the
41 proposed increase, except that in the next to last year it is two-thirds
42 of the initial proposed percentage increase and it is one-third of the
43 initial proposed percentage increase in the last year of the proposed
44 increase.

1 R. If the voters in a school district vote to adopt a budget in
2 excess of district additional assistance as provided in subsection L of
3 this section, any additional increase shall be included in the aggregate
4 budget limit for each of the years authorized. The additional increase
5 shall be excluded from the determination of equalization assistance. The
6 school district governing board, however, may levy on the net assessed
7 valuation used for secondary property tax purposes of the property in the
8 school district the additional increase for the period authorized but not
9 to exceed ten years. For overrides approved by a vote of the qualified
10 electors of the school district at an election held from and after
11 October 31, 1998, the period of the additional increase prescribed in this
12 subsection shall not exceed seven years for any capital override election.

13 S. If the voters in a school district vote to adopt a budget in
14 excess of district additional assistance as provided in subsection M of
15 this section, any additional increase shall be included in the aggregate
16 budget limit for each of the years authorized. The additional increase
17 shall be excluded from the determination of equalization assistance. The
18 school district governing board may only use revenues derived from the
19 school district's prior year's maintenance and operation fund ending cash
20 balance and capital outlay fund ending cash balance to fund the additional
21 increase for the period authorized but not to exceed ten years. For
22 overrides approved by a vote of the qualified electors of the school
23 district at an election held from and after October 31, 1998, the period
24 of the additional increase prescribed in this subsection shall not exceed
25 seven years for any capital override election.

26 T. In addition to subsections P and S of this section, from the
27 maintenance and operation fund and capital outlay fund ending cash
28 balances, the school district governing board shall first use any
29 available revenues to reduce its primary tax rate to zero and shall use
30 any remaining revenues to fund the additional increase authorized as
31 provided in subsections F and M of this section.

32 U. If the voters in a school district disapprove the proposed
33 budget, the alternate budget that, except for any budget increase
34 authorized by a prior election, does not include an increase in the budget
35 in excess of the amount provided in section 15-905 shall be adopted by the
36 governing board as provided in section 15-905.

37 V. The governing board may request that any override election be
38 cancelled if any change in chapter 9 of this title changes the amount of
39 the aggregate budget limit as provided in section 15-905. The request to
40 cancel the override election shall be made to the county school
41 superintendent at least eighty days before the date of the scheduled
42 override election.

43 W. For any election conducted pursuant to subsection L or M of this
44 section:

1 1. The ballot shall include the following statement in addition to
2 any other statement required by this section:

3 The capital improvements that are proposed to be funded
4 through this override election are to exceed the state
5 standards and are in addition to monies provided by the state.

6 _____ school district is proposing to increase its
7 budget by \$_____ to fund capital improvements over and
8 above those funded by the state. Under the students first
9 capital funding system, _____ school district is entitled
10 to state monies for new construction and renovation of school
11 buildings in accordance with state law.

12 2. The ballot shall contain the words "budget increase, yes" and
13 "budget increase, no", and the voter shall signify the voter's desired
14 choice.

15 3. At least eighty-five days before the election, the school
16 district shall submit proposed ballot language to the director of the
17 Arizona legislative council. The director of the Arizona legislative
18 council shall review the proposed ballot language to determine whether the
19 proposed ballot language complies with this section. If the director of
20 the Arizona legislative council determines that the proposed ballot
21 language does not comply with this section, the director, within ten
22 calendar days after receiving the proposed ballot language, shall notify
23 the school district of the director's objections, and the school district
24 shall resubmit revised ballot language to the director for approval.

25 X. If the voters approve the budget increase pursuant to subsection
26 L or M of this section, the school district shall not use the override
27 proceeds for any purposes other than the proposed capital improvements
28 listed in the informational pamphlet, except that up to ten percent of the
29 override proceeds may be used for general capital expenses, including cost
30 overruns of proposed capital improvements.

31 Y. Each school district that currently increases its budget
32 pursuant to this section shall hold a public meeting each year between
33 September 1 and October 31 at which an update of the programs or capital
34 improvements financed through the override is discussed and at which the
35 public is allowed an opportunity to comment and:

36 1. If the increase is pursuant to subsection L or M of this
37 section, at a minimum, the update shall include the progress of capital
38 improvements financed through the override, a comparison of the current
39 status and the original projections on the construction of capital
40 improvements, the costs of capital improvements and the costs of capital
41 improvements in progress or completed since the prior meeting and the
42 future capital plans of the school district. The school district shall
43 include in the public meeting a discussion of the school district's use of
44 state capital aid and voter-approved bonding in funding capital
45 improvements, if any.

1 2. If the increase is pursuant to subsection E, F, I or J of this
2 section, the update shall include at a minimum the amount expended in the
3 previous fiscal year and the amount included in the current budget for
4 each of the purposes listed in the informational pamphlet prescribed by
5 subsection B of this section.

6 Z. If a budget in excess of district additional assistance was
7 previously adopted by the voters in a school district and will be in
8 effect for the budget year or budget year and subsequent years, as
9 provided in subsection L or M of this section, the governing board may
10 request an additional budget in excess of district additional assistance.
11 If the voters in a school district authorize the additional budget in
12 excess of district additional assistance, the existing district additional
13 assistance budget increase remains in effect.

14 AA. Notwithstanding any other law, the maximum budget increase that
15 may be authorized pursuant to subsection L or M of this section is ten
16 percent of the school district's revenue control limit.

17 BB. If the election is to continue to exceed the revenue control
18 limit and if the proposed override will be fully funded by a continuation
19 of a levy of taxes on the taxable property in the school district, the
20 ballot shall contain the words "budget override continuation, yes" and
21 "budget override continuation, no", and the voter shall signify the
22 voter's desired choice. The ballot shall also contain the amount of the
23 proposed continuation of the budget increase of the proposed budget over
24 the alternate budget, a statement that the amount of the proposed increase
25 will be based on a percentage of the school district's revenue control
26 limit in future years, if applicable, as provided in subsection P of this
27 section and the following statement:

28 Any budget increase continuation authorized by this
29 election shall be entirely funded by a levy of taxes on the
30 taxable property in this school district for the year for
31 which adopted and for _____ subsequent years, shall not be
32 realized from monies furnished by the state and shall not be
33 subject to the limitation on taxes specified in article IX,
34 section 18, Constitution of Arizona. Based on the current net
35 assessed valuation used for secondary property tax purposes,
36 to fund the proposed continuation of the increase in the
37 school district's budget would require an estimated
38 continuation of a tax rate of \$ _____ per \$100 of
39 assessed valuation used for secondary property tax purposes
40 and is in addition to the school district's tax rate that will
41 be levied to fund the school district's revenue control limit
42 allowed by law.

43 CC. If the election is to continue to exceed the revenue control
44 limit as provided in section 15-482 and if the proposed override will be
45 fully funded by a continuation of a levy of taxes on the taxable property

1 in the school district, the ballot shall contain the words "budget
2 override continuation, yes" and "budget override continuation, no", and
3 the voter shall signify the voter's desired choice. The ballot shall also
4 contain the amount of the proposed continuation of the budget increase of
5 the proposed budget over the alternate budget, a statement that the amount
6 of the proposed increase will be based on a percentage of the school
7 district's revenue control limit in future years, if applicable, as
8 provided in subsection P of this section and the following statement:

9 Any budget increase continuation authorized by this
10 election shall be entirely funded by a levy of taxes on the
11 taxable property in this school district for the year for which
12 adopted and for _____ subsequent years, shall not be realized
13 from monies furnished by the state and shall not be subject to
14 the limitation on taxes specified in article IX, section 18,
15 Constitution of Arizona. Based on the current net assessed
16 valuation used for secondary property tax purposes, to fund the
17 proposed continuation of the increase in the school district's
18 budget would require an estimated continuation of a tax rate of
19 \$_____ per \$100 of net assessed valuation used for
20 secondary property tax purposes and is in addition to the
21 school district's tax rate that will be levied to fund the
22 school district's revenue control limit allowed by law.

23 Sec. 5. Section 42-5075, Arizona Revised Statutes, is amended to
24 read:

25 42-5075. Prime contracting classification; exemptions;
26 definitions

27 A. The prime contracting classification is comprised of the
28 business of prime contracting and the business of manufactured building
29 dealer. Sales for resale to another manufactured building dealer are not
30 subject to tax. Sales for resale do not include sales to a lessor of
31 manufactured buildings. The sale of a used manufactured building is not
32 taxable under this chapter. The prime contracting classification does not
33 include any work or operation performed by a person that is not required
34 to be licensed by the registrar of contractors pursuant to section
35 32-1121.

36 B. The tax base for the prime contracting classification is
37 sixty-five percent of the gross proceeds of sales or gross income derived
38 from the business. The following amounts shall be deducted from the gross
39 proceeds of sales or gross income before computing the tax base:

40 1. The sales price of land, which shall not exceed the fair market
41 value.

42 2. Sales and installation of groundwater measuring devices required
43 under section 45-604 and groundwater monitoring wells required by law,
44 including monitoring wells installed for acquiring information for a
45 permit required by law.

1 3. The sales price of furniture, furnishings, fixtures, appliances
2 and attachments that are not incorporated as component parts of or
3 attached to a manufactured building or the setup site. The sale of such
4 items may be subject to the taxes imposed by article 1 of this chapter
5 separately and distinctly from the sale of the manufactured building.

6 4. The gross proceeds of sales or gross income received from a
7 contract entered into for the modification of any building, highway, road,
8 railroad, excavation, manufactured building or other structure, project,
9 development or improvement located in a military reuse zone for providing
10 aviation or aerospace services or for a manufacturer, assembler or
11 fabricator of aviation or aerospace products within an active military
12 reuse zone after the zone is initially established or renewed under
13 section 42-1301. To be eligible to qualify for this deduction, before
14 beginning work under the contract, the prime contractor must have applied
15 for a letter of qualification from the department of revenue.

16 5. The gross proceeds of sales or gross income derived from a
17 contract to construct a qualified environmental technology manufacturing,
18 producing or processing facility, as described in section 41-1514.02, and
19 from subsequent construction and installation contracts that begin within
20 ten years after the start of initial construction. To qualify for this
21 deduction, before beginning work under the contract, the prime contractor
22 must obtain a letter of qualification from the department of revenue. This
23 paragraph shall apply for ten full consecutive calendar or fiscal years
24 after the start of initial construction.

25 6. The gross proceeds of sales or gross income from a contract to
26 provide for one or more of the following actions, or a contract for site
27 preparation, constructing, furnishing or installing machinery, equipment
28 or other tangible personal property, including structures necessary to
29 protect exempt incorporated materials or installed machinery or equipment,
30 and tangible personal property incorporated into the project, to perform
31 one or more of the following actions in response to a release or suspected
32 release of a hazardous substance, pollutant or contaminant from a facility
33 to the environment, unless the release was authorized by a permit issued
34 by a governmental authority:

35 (a) Actions to monitor, assess and evaluate such a release or a
36 suspected release.

37 (b) Excavation, removal and transportation of contaminated soil and
38 its treatment or disposal.

39 (c) Treatment of contaminated soil by vapor extraction, chemical or
40 physical stabilization, soil washing or biological treatment to reduce the
41 concentration, toxicity or mobility of a contaminant.

42 (d) Pumping and treatment or in situ treatment of contaminated
43 groundwater or surface water to reduce the concentration or toxicity of a
44 contaminant.

1 (e) The installation of structures, such as cutoff walls or caps,
2 to contain contaminants present in groundwater or soil and prevent them
3 from reaching a location where they could threaten human health or welfare
4 or the environment.

5 This paragraph does not include asbestos removal or the construction or
6 use of ancillary structures such as maintenance sheds, offices or storage
7 facilities for unattached equipment, pollution control equipment,
8 facilities or other control items required or to be used by a person to
9 prevent or control contamination before it reaches the environment.

10 7. The gross proceeds of sales or gross income that is derived from
11 a contract for the installation, assembly, repair or maintenance of
12 machinery, equipment or other tangible personal property that is either
13 deducted from the tax base of the retail classification under section
14 42-5061, subsection B or that is exempt from use tax under section
15 42-5159, subsection B and that has independent functional utility,
16 pursuant to the following provisions:

17 (a) The deduction provided in this paragraph includes the gross
18 proceeds of sales or gross income derived from all of the following:

19 (i) Any activity performed on machinery, equipment or other
20 tangible personal property with independent functional utility.

21 (ii) Any activity performed on any tangible personal property
22 relating to machinery, equipment or other tangible personal property with
23 independent functional utility in furtherance of any of the purposes
24 provided for under subdivision (d) of this paragraph.

25 (iii) Any activity that is related to the activities described in
26 items (i) and (ii) of this subdivision, including inspecting the
27 installation of or testing the machinery, equipment or other tangible
28 personal property.

29 (b) The deduction provided in this paragraph does not include gross
30 proceeds of sales or gross income from the portion of any contracting
31 activity that consists of the development of, or modification to, real
32 property in order to facilitate the installation, assembly, repair,
33 maintenance or removal of machinery, equipment or other tangible personal
34 property that is either deducted from the tax base of the retail
35 classification under section 42-5061, subsection B or exempt from use tax
36 under section 42-5159, subsection B.

37 (c) The deduction provided in this paragraph shall be determined
38 without regard to the size or useful life of the machinery, equipment or
39 other tangible personal property.

40 (d) For the purposes of this paragraph, "independent functional
41 utility" means that the machinery, equipment or other tangible personal
42 property can independently perform its function without attachment to real
43 property, other than attachment for any of the following purposes:

44 (i) Assembling the machinery, equipment or other tangible personal
45 property.

1 (ii) Connecting items of machinery, equipment or other tangible
2 personal property to each other.

3 (iii) Connecting the machinery, equipment or other tangible
4 personal property, whether as an individual item or as a system of items,
5 to water, power, gas, communication or other services.

6 (iv) Stabilizing or protecting the machinery, equipment or other
7 tangible personal property during operation by bolting, burying or
8 performing other similar nonpermanent connections to either real property
9 or real property improvements.

10 8. The gross proceeds of sales or gross income attributable to the
11 purchase of machinery, equipment or other tangible personal property that
12 is exempt from or deductible from transaction privilege and use tax under:

13 (a) Section 42-5061, subsection A, paragraph 25, 29 or 58.

14 (b) Section 42-5061, subsection B.

15 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a),
16 (b), (c), (d), (e), (f), (j), (k), (m) or (n) or paragraph 55.

17 (d) Section 42-5159, subsection B.

18 9. The gross proceeds of sales or gross income received from a
19 contract for the construction of an environmentally controlled facility
20 for the raising of poultry for the production of eggs and the sorting,
21 cooling and packaging of eggs.

22 10. The gross proceeds of sales or gross income that is derived
23 from a contract entered into with a person who is engaged in the
24 commercial production of livestock, livestock products or agricultural,
25 horticultural, viticultural or floricultural crops or products in this
26 state for the modification of any building, highway, road, excavation,
27 manufactured building or other structure, project, development or
28 improvement used directly and primarily to prevent, monitor, control or
29 reduce air, water or land pollution.

30 11. The gross proceeds of sales or gross income that is derived
31 from the installation, assembly, repair or maintenance of clean rooms that
32 are deducted from the tax base of the retail classification pursuant to
33 section 42-5061, subsection B, paragraph 17.

34 12. For taxable periods beginning from and after June 30, 2001, the
35 gross proceeds of sales or gross income derived from a contract entered
36 into for the construction of a residential apartment housing facility that
37 qualifies for a federal housing subsidy for low-income persons over
38 sixty-two years of age and that is owned by a nonprofit charitable
39 organization that has qualified under section 501(c)(3) of the internal
40 revenue code.

41 13. For taxable periods beginning from and after December 31, 1996
42 and ending before January 1, 2017, the gross proceeds of sales or gross
43 income derived from a contract to provide and install a solar energy
44 device. The contractor shall register with the department as a solar
45 energy contractor. By registering, the contractor acknowledges that it

1 will make its books and records relating to sales of solar energy devices
2 available to the department for examination.

3 14. The gross proceeds of sales or gross income derived from a
4 contract entered into for the construction of a launch site, as defined in
5 14 Code of Federal Regulations section 401.5.

6 15. The gross proceeds of sales or gross income derived from a
7 contract entered into for the construction of a domestic violence shelter
8 that is owned and operated by a nonprofit charitable organization that has
9 qualified under section 501(c)(3) of the internal revenue code.

10 16. The gross proceeds of sales or gross income derived from
11 contracts to perform postconstruction treatment of real property for
12 termite and general pest control, including wood-destroying organisms.

13 17. The gross proceeds of sales or gross income received from
14 contracts entered into before July 1, 2006 for constructing a state
15 university research infrastructure project if the project has been
16 reviewed by the joint committee on capital review before the university
17 enters into the construction contract for the project. For the purposes
18 of this paragraph, "research infrastructure" has the same meaning
19 prescribed in section 15-1670.

20 18. The gross proceeds of sales or gross income received from a
21 contract for the construction of any building, or other structure,
22 project, development or improvement owned by a qualified business under
23 section 41-1516 for harvesting or processing qualifying forest products
24 removed from qualifying projects as defined in section 41-1516 if actual
25 construction begins before January 1, 2024. To qualify for this
26 deduction, the prime contractor must obtain a letter of qualification from
27 the Arizona commerce authority before beginning work under the contract.

28 19. Any amount of the gross proceeds of sales or gross income
29 attributable to development fees that are incurred in relation to a
30 contract for construction, development or improvement of real property and
31 that are paid by a prime contractor or subcontractor. For the purposes of
32 this paragraph:

33 (a) The attributable amount shall not exceed the value of the
34 development fees actually imposed.

35 (b) The attributable amount is equal to the total amount of
36 development fees paid by the prime contractor or subcontractor, and the
37 total development fees credited in exchange for the construction of,
38 contribution to or dedication of real property for providing public
39 infrastructure, public safety or other public services necessary to the
40 development. The real property must be the subject of the development
41 fees.

42 (c) "Development fees" means fees imposed to offset capital costs
43 of providing public infrastructure, public safety or other public services
44 to a development and authorized pursuant to section 9-463.05, section

1 11-1102 or title 48 regardless of the jurisdiction to which the fees are
2 paid.

3 20. The gross proceeds of sales or gross income derived from a
4 contract entered into for the construction of a mixed waste processing
5 facility that is located on a municipal solid waste landfill and that is
6 constructed for the purpose of recycling solid waste or producing
7 renewable energy from landfill waste. For the purposes of this paragraph:

8 (a) "Mixed waste processing facility" means a solid waste facility
9 that is owned, operated or used for the treatment, processing or disposal
10 of solid waste, recyclable solid waste, very small quantity generator
11 waste or household hazardous waste. For the purposes of this subdivision,
12 "very small quantity generator waste", "household hazardous waste" and
13 "solid waste facility" have the same meanings prescribed in section
14 49-701, except that solid waste facility does include a site that stores,
15 treats or processes paper, glass, wood, cardboard, household textiles,
16 scrap metal, plastic, vegetative waste, aluminum, steel or other
17 recyclable material.

18 (b) "Municipal solid waste landfill" has the same meaning
19 prescribed in section 49-701.

20 (c) "Recycling" means collecting, separating, cleansing, treating
21 and reconstituting recyclable solid waste that would otherwise become
22 solid waste, but does not include incineration or other similar processes.

23 (d) "Renewable energy" means usable energy, including electricity,
24 fuels, gas and heat, produced through the conversion of energy provided by
25 sunlight, water, wind, geothermal, heat, biomass, biogas, landfill gas or
26 another nonfossil renewable resource.

27 21. The gross proceeds of sales or gross income derived from a
28 contract to install containment structures. For the purposes of this
29 paragraph, "containment structure" means a structure that prevents,
30 monitors, controls or reduces noxious or harmful discharge into the
31 environment.

32 C. Entitlement to the deduction pursuant to subsection B, paragraph
33 7 of this section is subject to the following provisions:

34 1. A prime contractor may establish entitlement to the deduction by
35 both:

36 (a) Marking the invoice for the transaction to indicate that the
37 gross proceeds of sales or gross income derived from the transaction was
38 deducted from the base.

39 (b) Obtaining a certificate executed by the purchaser indicating
40 the name and address of the purchaser, the precise nature of the business
41 of the purchaser, the purpose for which the purchase was made, the
42 necessary facts to establish the deductibility of the property under
43 section 42-5061, subsection B, and a certification that the person
44 executing the certificate is authorized to do so on behalf of the
45 purchaser. The certificate may be disregarded if the prime contractor has

1 reason to believe that the information contained in the certificate is not
2 accurate or complete.

3 2. A person who does not comply with paragraph 1 of this subsection
4 may establish entitlement to the deduction by presenting facts necessary
5 to support the entitlement, but the burden of proof is on that person.

6 3. The department may prescribe a form for the certificate
7 described in paragraph 1, subdivision (b) of this subsection. The
8 department may also adopt rules that describe the transactions with
9 respect to which a person is not entitled to rely solely on the
10 information contained in the certificate provided in paragraph 1,
11 subdivision (b) of this subsection but must instead obtain such additional
12 information as required in order to be entitled to the deduction.

13 4. If a prime contractor is entitled to a deduction by complying
14 with paragraph 1 of this subsection, the department may require the
15 purchaser who caused the execution of the certificate to establish the
16 accuracy and completeness of the information required to be contained in
17 the certificate that would entitle the prime contractor to the deduction.
18 If the purchaser cannot establish the accuracy and completeness of the
19 information, the purchaser is liable in an amount equal to any tax,
20 penalty and interest that the prime contractor would have been required to
21 pay under article 1 of this chapter if the prime contractor had not
22 complied with paragraph 1 of this subsection. Payment of the amount under
23 this paragraph exempts the purchaser from liability for any tax imposed
24 under article 4 of this chapter. The amount shall be treated as a
25 transaction privilege tax to the purchaser and as tax revenues collected
26 from the prime contractor in order to designate the distribution base for
27 purposes of section 42-5029.

28 D. Subcontractors or others who perform modification activities are
29 not subject to tax if they can demonstrate that the job was within the
30 control of a prime contractor or contractors or a dealership of
31 manufactured buildings and that the prime contractor or dealership is
32 liable for the tax on the gross income, gross proceeds of sales or gross
33 receipts attributable to the job and from which the subcontractors or
34 others were paid.

35 E. Amounts received by a contractor for a project are excluded from
36 the contractor's gross proceeds of sales or gross income derived from the
37 business if the person who hired the contractor executes and provides a
38 certificate to the contractor stating that the person providing the
39 certificate is a prime contractor and is liable for the tax under article
40 1 of this chapter. The department shall prescribe the form of the
41 certificate. If the contractor has reason to believe that the information
42 contained on the certificate is erroneous or incomplete, the department
43 may disregard the certificate. If the person who provides the certificate
44 is not liable for the tax as a prime contractor, that person is
45 nevertheless deemed to be the prime contractor in lieu of the contractor

1 and is subject to the tax under this section on the gross receipts or
2 gross proceeds received by the contractor.

3 F. Every person engaging or continuing in this state in the
4 business of prime contracting or dealership of manufactured buildings
5 shall present to the purchaser of such prime contracting or manufactured
6 building a written receipt of the gross income or gross proceeds of sales
7 from such activity and shall separately state the taxes to be paid
8 pursuant to this section.

9 G. For the purposes of section 42-5032.01, the department shall
10 separately account for revenues collected under the prime contracting
11 classification from any prime contractor engaged in the preparation or
12 construction of a multipurpose facility, and related infrastructure, that
13 is owned, operated or leased by the tourism and sports authority pursuant
14 to title 5, chapter 8.

15 H. For the purposes of section 42-5032.02, from and after
16 September 30, 2013, the department shall separately account for revenues
17 reported and collected under the prime contracting classification from any
18 prime contractor engaged in the construction of any buildings and
19 associated improvements that are for the benefit of a manufacturing
20 facility. For the purposes of this subsection, "associated improvements"
21 and "manufacturing facility" have the same meanings prescribed in section
22 42-5032.02.

23 I. The gross proceeds of sales or gross income derived from a
24 contract for lawn maintenance services is not subject to tax under this
25 section if the contract does not include landscaping activities. Lawn
26 maintenance service is a service pursuant to section 42-5061, subsection
27 A, paragraph 1, and includes lawn mowing and edging, weeding, repairing
28 sprinkler heads or drip irrigation heads, seasonal replacement of flowers,
29 refreshing gravel, lawn dethatching, seeding winter lawns, leaf and debris
30 collection and removal, tree or shrub pruning or clipping, garden and
31 gravel raking and applying pesticides, as defined in section 3-361, and
32 fertilizer materials, as defined in section 3-262.

33 J. Except as provided in subsection O of this section, the gross
34 proceeds of sales or gross income derived from landscaping activities is
35 subject to tax under this section. Landscaping includes installing lawns,
36 grading or leveling ground, installing gravel or boulders, planting trees
37 and other plants, felling trees, removing or mulching tree stumps,
38 removing other imbedded plants, building irrigation berms, installing
39 railroad ties and installing underground sprinkler or watering systems.

40 K. The portion of gross proceeds of sales or gross income
41 attributable to the actual direct costs of providing architectural or
42 engineering services that are incorporated in a contract is not subject to
43 tax under this section. For the purposes of this subsection, "direct
44 costs" means the portion of the actual costs that are directly expended in
45 providing architectural or engineering services.

1 L. Operating a landfill or a solid waste disposal facility is not
2 subject to taxation under this section, including filling, compacting and
3 creating vehicle access to and from cell sites within the landfill.
4 Constructing roads to a landfill or solid waste disposal facility and
5 constructing cells within a landfill or solid waste disposal facility may
6 be deemed prime contracting under this section.

7 M. The following apply in determining the taxable situs of sales of
8 manufactured buildings:

9 1. For sales in this state where the manufactured building dealer
10 contracts to deliver the building to a setup site or to perform the setup
11 in this state, the taxable situs is the setup site.

12 2. For sales in this state where the manufactured building dealer
13 does not contract to deliver the building to a setup site or does not
14 perform the setup, the taxable situs is the location of the dealership
15 where the building is delivered to the buyer.

16 3. For sales in this state where the manufactured building dealer
17 contracts to deliver the building to a setup site that is outside this
18 state, the situs is outside this state and the transaction is excluded
19 from tax.

20 N. The gross proceeds of sales or gross income attributable to a
21 written contract for design phase services or professional services,
22 executed before modification begins and with terms, conditions and pricing
23 of all of these services separately stated in the contract from those for
24 construction phase services, is not subject to tax under this section,
25 regardless of whether the services are provided sequential to or
26 concurrent with prime contracting activities that are subject to tax under
27 this section. This subsection does not include the gross proceeds of
28 sales or gross income attributable to construction phase services. For
29 the purposes of this subsection:

30 1. "Construction phase services" means services for the execution
31 and completion of any modification, including the following:

32 (a) Administration or supervision of any modification performed on
33 the project, including team management and coordination, scheduling, cost
34 controls, submittal process management, field management, safety program,
35 close-out process and warranty period services.

36 (b) Administration or supervision of any modification performed
37 pursuant to a punch list. For the purposes of this subdivision, "punch
38 list" means minor items of modification work performed after substantial
39 completion and before final completion of the project.

40 (c) Administration or supervision of any modification performed
41 pursuant to change orders. For the purposes of this subdivision, "change
42 order" means a written instrument issued after execution of a contract for
43 modification work, providing for all of the following:

44 (i) The scope of a change in the modification work, contract for
45 modification work or other contract documents.

1 (ii) The amount of an adjustment, if any, to the guaranteed maximum
2 price as set in the contract for modification work. For the purposes of
3 this item, "guaranteed maximum price" means the amount guaranteed to be
4 the maximum amount due to a prime contractor for the performance of all
5 modification work for the project.

6 (iii) The extent of an adjustment, if any, to the contract time of
7 performance set forth in the contract.

8 (d) Administration or supervision of any modification performed
9 pursuant to change directives. For the purposes of this subdivision,
10 "change directive" means a written order directing a change in
11 modification work before agreement on an adjustment of the guaranteed
12 maximum price or contract time.

13 (e) Inspection to determine the dates of substantial completion or
14 final completion.

15 (f) Preparation of any manuals, warranties, as-built drawings,
16 spares or other items the prime contractor must furnish pursuant to the
17 contract for modification work. For the purposes of this subdivision,
18 "as-built drawing" means a drawing that indicates field changes made to
19 adapt to field conditions, field changes resulting from change orders or
20 buried and concealed installation of piping, conduit and utility services.

21 (g) Preparation of status reports after modification work has begun
22 detailing the progress of work performed, including preparation of any of
23 the following:

24 (i) Master schedule updates.

25 (ii) Modification work cash flow projection updates.

26 (iii) Site reports made on a periodic basis.

27 (iv) Identification of discrepancies, conflicts or ambiguities in
28 modification work documents that require resolution.

29 (v) Identification of any health and safety issues that have arisen
30 in connection with the modification work.

31 (h) Preparation of daily logs of modification work, including
32 documentation of personnel, weather conditions and on-site occurrences.

33 (i) Preparation of any submittals or shop drawings used by the
34 prime contractor to illustrate details of the modification work performed.

35 (j) Administration or supervision of any other activities for which
36 a prime contractor receives a certificate for payment or certificate for
37 final payment based on the progress of modification work performed on the
38 project.

39 2. "Design phase services" means services for developing and
40 completing a design for a project that are not construction phase
41 services, including the following:

42 (a) Evaluating surveys, reports, test results or any other
43 information on-site conditions for the project, including physical
44 characteristics, legal limitations and utility locations for the site.

1 (b) Evaluating any criteria or programming objectives for the
2 project to ascertain requirements for the project, such as physical
3 requirements affecting cost or projected utilization of the project.

4 (c) Preparing drawings and specifications for architectural program
5 documents, schematic design documents, design development documents,
6 modification work documents or documents that identify the scope of or
7 materials for the project.

8 (d) Preparing an initial schedule for the project, excluding the
9 preparation of updates to the master schedule after modification work has
10 begun.

11 (e) Preparing preliminary estimates of costs of modification work
12 before completion of the final design of the project, including an
13 estimate or schedule of values for any of the following:

14 (i) Labor, materials, machinery and equipment, tools, water, heat,
15 utilities, transportation and other facilities and services used in the
16 execution and completion of modification work, regardless of whether they
17 are temporary or permanent or whether they are incorporated in the
18 modifications.

19 (ii) The cost of labor and materials to be furnished by the owner
20 of the real property.

21 (iii) The cost of any equipment of the owner of the real property
22 to be assigned by the owner to the prime contractor.

23 (iv) The cost of any labor for installation of equipment separately
24 provided by the owner of the real property that has been designed,
25 specified, selected or specifically provided for in any design document
26 for the project.

27 (v) Any fee paid by the owner of the real property to the prime
28 contractor pursuant to the contract for modification work.

29 (vi) Any bond and insurance premiums.

30 (vii) Any applicable taxes.

31 (viii) Any contingency fees for the prime contractor that may be
32 used before final completion of the project.

33 (f) Reviewing and evaluating cost estimates and project documents
34 to prepare recommendations on site use, site improvements, selection of
35 materials, building systems and equipment, modification feasibility,
36 availability of materials and labor, local modification activity as
37 related to schedules and time requirements for modification work.

38 (g) Preparing the plan and procedures for selection of
39 subcontractors, including any prequalification of subcontractor
40 candidates.

41 3. "Professional services" means architect services, engineer
42 services, geologist services, land surveying services or landscape
43 architect services that are within the scope of those services as provided
44 in title 32, chapter 1 and for which gross proceeds of sales or gross
45 income has not otherwise been deducted under subsection K of this section.

1 0. The gross proceeds of sales or gross income derived from a
2 contract with the owner of real property or improvements to real property
3 for the maintenance, repair, replacement or alteration of existing
4 property is not subject to tax under this section if the contract does not
5 include modification activities, except as specified in this subsection.
6 The gross proceeds of sales or gross income derived from a de minimis
7 amount of modification activity does not subject the contract or any part
8 of the contract to tax under this section. For the purposes of this
9 subsection:

10 1. Tangible personal property that is incorporated or fabricated
11 into a project described in this subsection may be subject to the amount
12 prescribed in section 42-5008.01.

13 2. Each contract is independent of any other contract, except that
14 any change order that directly relates to the scope of work of the
15 original contract shall be treated the same as the original contract under
16 this chapter, regardless of the amount of modification activities included
17 in the change order. If a change order does not directly relate to the
18 scope of work of the original contract, the change order shall be treated
19 as a new contract, with the tax treatment of any subsequent change order
20 to follow the tax treatment of the contract to which the scope of work of
21 the subsequent change order directly relates.

22 P. Notwithstanding subsection 0 of this section, a contract that
23 primarily involves surface or subsurface improvements to land and that is
24 subject to title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 is
25 taxable under this section, even if the contract also includes vertical
26 improvements. Agencies that are subject to procurement processes under
27 those provisions shall include in the request for proposals a notice to
28 bidders when those projects are subject to this section. This subsection
29 does not apply to contracts with:

30 1. Community facilities districts, fire districts, county
31 television improvement districts, community park maintenance districts,
32 cotton pest control districts, hospital districts, pest abatement
33 districts, health service districts, agricultural improvement districts,
34 county free library districts, county jail districts, county stadium
35 districts, special health care districts, public health services
36 districts, theme park districts or revitalization districts.

37 2. Any special taxing district not specified in paragraph 1 of this
38 subsection if the district does not substantially engage in the
39 modification, maintenance, repair, replacement or alteration of surface or
40 subsurface improvements to land.

41 Q. Notwithstanding subsection R, paragraph 10 of this section, a
42 person owning real property who enters into a contract for sale of the
43 real property, who is responsible to the new owner of the property for
44 modifications made to the property in the period subsequent to the
45 transfer of title and who receives a consideration for the modifications

1 is considered a prime contractor solely for purposes of taxing the gross
2 proceeds of sale or gross income received for the modifications made
3 subsequent to the transfer of title. The original owner's gross proceeds
4 of sale or gross income received for the modifications shall be determined
5 according to the following methodology:

6 1. If any part of the contract for sale of the property specifies
7 amounts to be paid to the original owner for the modifications to be made
8 in the period subsequent to the transfer of title, the amounts are
9 included in the original owner's gross proceeds of sale or gross income
10 under this section. Proceeds from the sale of the property that are
11 received after transfer of title and that are unrelated to the
12 modifications made subsequent to the transfer of title are not considered
13 gross proceeds of sale or gross income from the modifications.

14 2. If the original owner enters into an agreement separate from the
15 contract for sale of the real property providing for amounts to be paid to
16 the original owner for the modifications to be made in the period
17 subsequent to the transfer of title to the property, the amounts are
18 included in the original owner's gross proceeds of sale or gross income
19 received for the modifications made subsequent to the transfer of title.

20 3. If the original owner is responsible to the new owner for
21 modifications made to the property in the period subsequent to the
22 transfer of title and derives any gross proceeds of sale or gross income
23 from the project subsequent to the transfer of title other than a delayed
24 disbursement from escrow unrelated to the modifications, it is presumed
25 that the amounts are received for the modifications made subsequent to the
26 transfer of title unless the contrary is established by the owner through
27 its books, records and papers kept in the regular course of business.

28 4. The tax base of the original owner is computed in the same
29 manner as a prime contractor under this section.

30 R. For the purposes of this section:

31 1. "Alteration" means an activity or action that causes a direct
32 physical change to existing property. For the purposes of this paragraph:

33 (a) For existing property that is properly classified as class two
34 property under section 42-12002, paragraph 1, subdivision (c) ~~or paragraph~~
35 ~~2, subdivision (c)~~ and that is used for residential purposes, class three
36 property under section 42-12003 or class four property under section
37 42-12004, this paragraph does not apply if the contract amount is more
38 than twenty-five percent of the most recent full cash value established
39 under chapter 13, article 2 of this title as of the date of any bid for
40 the work or the date of the contract, whichever value is higher.

41 (b) For all existing property other than existing property
42 described in subdivision (a) of this paragraph, this paragraph does not
43 apply if the contract amount is more than \$750,000.

44 (c) Project elements may not be artificially separated from a
45 contract to cause a project to qualify as an alteration. The department

1 has the burden of proof that project elements have been artificially
2 separated from a contract.

3 (d) If a project for which the owner and the person performing the
4 work reasonably believed, at the inception of the contract, would be
5 treated as an alteration under this paragraph and, on completion of the
6 project, the project exceeded the applicable threshold described in either
7 subdivision (a) or (b) of this paragraph by not more than twenty-five
8 percent of the applicable threshold for any reason, the work performed
9 under the contract qualifies as an alteration.

10 (e) A change order that directly relates to the scope of work of
11 the original contract shall be treated as part of the original contract,
12 and the contract amount shall include any amount attributable to a change
13 order that directly relates to the scope of work of the original contract.

14 (f) Alteration does not include maintenance, repair or replacement.

15 2. "Contracting" means engaging in business as a contractor.

16 3. "Contractor" is synonymous with the term "builder" and means any
17 person or organization that undertakes to or offers to undertake to, or
18 purports to have the capacity to undertake to, or submits a bid to, or
19 does personally or by or through others, modify any building, highway,
20 road, railroad, excavation, manufactured building or other structure,
21 project, development or improvement, or to do any part of such a project,
22 including the erection of scaffolding or other structure or works in
23 connection with such a project, and includes subcontractors and specialty
24 contractors. For all purposes of taxation or deduction, this definition
25 shall govern without regard to whether or not such a contractor is acting
26 in fulfillment of a contract.

27 4. "Manufactured building" means a manufactured home, mobile home
28 or factory-built building, as defined in section 41-4001.

29 5. "Manufactured building dealer" means a dealer who either:

30 (a) Is licensed pursuant to title 41, chapter 37, article 4 and who
31 sells manufactured buildings to the final consumer.

32 (b) Supervises, performs or coordinates the excavation and
33 completion of site improvements or the setup of a manufactured building,
34 including the contracting, if any, with any subcontractor or specialty
35 contractor for the completion of the contract.

36 6. "Modification" means construction, grading and leveling ground,
37 wreckage or demolition. Modification does not include:

38 (a) Any project described in subsection 0 of this section.

39 (b) Any wreckage or demolition of existing property, or any other
40 activity that is a necessary component of a project described in
41 subsection 0 of this section.

42 (c) Any mobilization or demobilization related to a project
43 described in subsection 0 of this section, such as the erection or removal
44 of temporary facilities to be used by those persons working on the
45 project.

1 7. "Modify" means to make a modification or cause a modification to
2 be made.

3 8. "Owner" means the person that holds title to the real property
4 or improvements to real property that is the subject of the work, as well
5 as an agent of the title holder and any person with the authority to
6 perform or authorize work on the real property or improvements, including
7 a tenant and a property manager. For the purposes of subsection O of this
8 section, a person who is hired by a general contractor that is hired by an
9 owner, or a subcontractor of a general contractor that is hired by an
10 owner, is considered to be hired by the owner.

11 9. "Prime contracting" means engaging in business as a prime
12 contractor.

13 10. "Prime contractor" means a contractor who supervises, performs
14 or coordinates the modification of any building, highway, road, railroad,
15 excavation, manufactured building or other structure, project, development
16 or improvement, including the contracting, if any, with any subcontractors
17 or specialty contractors and who is responsible for the completion of the
18 contract. Except as provided in subsections E and Q of this section, a
19 person who owns real property, who engages one or more contractors to
20 modify that real property and who does not itself modify that real
21 property is not a prime contractor within the meaning of this paragraph
22 regardless of the existence of a contract for sale or the subsequent sale
23 of that real property.

24 11. "Replacement" means the removal from service of one component
25 or system of existing property or tangible personal property installed in
26 existing property, including machinery or equipment, and the installation
27 of a new component or system or new tangible personal property, including
28 machinery or equipment, that provides the same, a similar or an upgraded
29 design or functionality, regardless of the contract amount and regardless
30 of whether the existing component or system or existing tangible personal
31 property is physically removed from the existing property.

32 12. "Sale of a used manufactured building" does not include a lease
33 of a used manufactured building.

34 Sec. 6. Section 42-11054, Arizona Revised Statutes, is amended to
35 read:

36 42-11054. Standard appraisal methods and techniques

37 A. ~~Subject to subsection B of this section,~~ The department shall:

38 1. Prescribe guidelines for applying standard appraisal methods and
39 techniques that shall be used by the department and county assessors in
40 determining the valuation of property.

41 2. Prepare and maintain manuals and other necessary guidelines,
42 consistent with this section, reflecting the standard methods and
43 techniques to perpetuate a current inventory of taxable property and the
44 valuation of that property.

1 B. Before they are adopted, the department shall submit each
2 substantive proposed guideline, table and manual that is developed,
3 amended or otherwise modified from and after December 31, 2006 to the
4 joint legislative oversight committee on property tax assessment and
5 appeals. The department shall not finally adopt, amend or otherwise
6 modify a substantive guideline, table or manual for at least thirty days
7 after submitting the measure to the committee. The committee may hold one
8 or more informational hearings on the proposed measure within thirty days
9 after submission. In adopting, amending or modifying the measure the
10 department shall consider the committee's comments. If the committee
11 fails to hold a hearing within thirty days after submission, the
12 department may adopt, amend or modify the measure without further
13 consideration.

14 C. B. In applying prescribed standard appraisal methods and
15 techniques:

16 1. Current usage shall be included in the formula for reaching a
17 determination of full cash value.

18 2. Solar energy devices, as defined in section 44-1761, grid-tied
19 photovoltaic systems and any other device or system designed to produce
20 solar energy primarily for on-site consumption are considered to add no
21 value to the property on which such a device or system is installed.

22 3. If characterized as personal property, subject to any applicable
23 constitutional exemption from taxation, solar energy devices, as defined
24 in section 44-1761, grid-tied photovoltaic systems and any other device or
25 system designed to produce solar energy primarily for on-site consumption
26 shall be valued as provided in section 42-13056.

27 4. Energy efficient building components, renewable energy
28 equipment and combined heat and power systems are considered to add no
29 value to the property, if the property owner provides the county assessor
30 with documentation of all elements that qualify pursuant to this
31 paragraph, including documents showing actual acquisition and installation
32 costs. The documentation must be submitted to the county assessor not
33 later than six months before the notice of full cash value is issued for
34 the initial evaluation year pursuant to section 42-15101 or, if the
35 component is added after September 30 of the preceding year, not later
36 than March 31 of the initial valuation year. For the purposes of this
37 paragraph:

38 (a) "Combined heat and power system" means a system that generates
39 electricity or mechanical power and useful thermal energy in a single,
40 integrated system such that the useful power output of the facility plus
41 one-half the useful thermal output during any twelve-month period is not
42 less than 42.5 percent of the total energy input of fuel to the facility.

43 (b) "Energy efficient building components" means high performance
44 sustainable building components installed so that the buildings or
45 building components meet or exceed the energy efficiencies prescribed by

1 the United States environmental protection agency energy star program or
2 by a leadership in energy and environmental design green building rating
3 standard developed by the United States green building council, or an
4 equivalent green building standard, or that are at least fifteen percent
5 more energy efficient than the international energy conservation code in
6 effect at the time of building permit issuance.

7 (c) "Renewable energy equipment" means equipment that is used to
8 produce energy primarily for on-site consumption from renewable resources,
9 including wind, forest thinnings, agricultural waste, biogas, biomass,
10 geothermal, low-impact hydropower and solar energy not included under
11 paragraph 2 of this subsection.

12 ~~B.~~ C. If the methods and techniques prescribe using market data as
13 an indication of market value, the price paid for future anticipated
14 property value increments shall be excluded.

15 ~~E.~~ D. For the purposes of determining full cash value the
16 department and county assessors shall use and apply the ratio standard
17 guidelines issued by the department for tax year 1993 in the same manner
18 as they were applied in tax year 1993. This subsection does not apply to
19 property that is valued according to prescribed statutory methods or to
20 property for which values are determined in the year after an appeal
21 pursuant to section 42-16002.

22 Sec. 7. Section 42-11127, Arizona Revised Statutes, is amended to
23 read:

24 42-11127. Exempt personal property

25 ~~A.~~ Pursuant to article IX, section 2, subsection F, Constitution
26 of Arizona, personal property ~~that is class two property pursuant to~~
~~section 42-12002, paragraph 2, subdivision (a) or (b) and~~ that is used for
28 agricultural purposes or ~~personal property that is class one property~~
~~pursuant to section 42-12001 and that is used in a trade or business as~~
~~described in section 42-12001, paragraphs 8 through 11 or 13 AND THAT IS~~
31 ~~NOT VALUED PURSUANT TO CHAPTER 14 OF THIS TITLE~~ is exempt from taxation ~~up~~
32 ~~to a maximum amount of \$207,366 of full cash value for each taxpayer.~~

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

1 Sec. 8. Section 42-12001, Arizona Revised Statutes, is amended to
2 read:

3 **42-12001. Class one property**

4 For **THE** purposes of taxation, class one is established consisting of
5 the following subclasses:

6 1. Producing mines and mining claims, personal property used on
7 mines and mining claims, improvements to mines and mining claims and mills
8 and smelters operated in conjunction with mines and mining claims that are
9 valued at full cash value pursuant to section 42-14053.

10 2. Standing timber that is valued at full cash value.

11 3. Real and personal property of gas distribution companies,
12 electric transmission companies, electric distribution companies,
13 combination gas and electric transmission and distribution companies, and
14 companies engaged in the generation of electricity that are valued at full
15 cash value pursuant to section 42-14151.

16 4. Real and personal property of airport fuel delivery companies
17 that are valued pursuant to section 42-14503.

18 5. Real and personal property that is used by producing oil, gas
19 and geothermal resource interests that are valued at full cash value
20 pursuant to section 42-14102.

21 6. Real and personal property of water, sewer and wastewater
22 utility companies that are valued at full cash value pursuant to section
23 42-14151.

24 7. Real and personal property of pipeline companies that are valued
25 at full cash value pursuant to section 42-14201.

26 8. Real ~~and personal~~ property of shopping centers that are valued
27 at full cash value or pursuant to chapter 13, article 5 of this title, as
28 applicable, other than property that is included in class nine.

29 9. Real ~~and personal~~ property of golf courses that are valued at
30 full cash value or pursuant to chapter 13, article 4 of this title.

31 10. All **REAL** property, ~~both real and personal~~, of manufacturers,
32 assemblers or fabricators, other than property that is specifically
33 included in another class described in this article, that is valued under
34 this title.

35 11. Real and personal property that is used in communications
36 transmission facilities and that provides public telephone or
37 telecommunications exchange or interexchange access for compensation to
38 effect two-way communication to, from, through or within this state.

39 12. Real property and improvements that are devoted to any other
40 commercial or industrial use, other than property that is specifically
41 included in another class described in this article, and that are valued
42 at full cash value.

43 ~~13. Personal property that is devoted to any other commercial or
44 industrial use, other than property that is specifically included in~~

1 ~~another class described in this article, and that is valued at full cash~~
2 ~~value.~~

3 ~~14.~~ 13. Real and personal property of electric cooperatives that
4 are valued at full cash value pursuant to section 42-14159.

5 Sec. 9. Section 42-12002, Arizona Revised Statutes, is amended to
6 read:

7 **42-12002. Class two property**

8 For ~~THE~~ purposes of taxation, class two is established consisting of
9 ~~three~~ **TWO** subclasses:

10 1. Class two (R) consists of:

11 (a) Real property and improvements to property that are used for
12 agricultural purposes and that are valued at full cash value or pursuant
13 to chapter 13, article 3 of this title, as applicable.

14 (b) Real property and improvements to property that are primarily
15 used for agricultural purposes to produce trees other than standing
16 timber, vines, rosebushes, ornamental plants or other horticultural crops,
17 regardless of whether the crop is grown in containers, soil or any other
18 medium, that are not included in class one, three, four, six, seven or
19 eight and that are valued at full cash value or pursuant to chapter 13,
20 article 3 of this title, as applicable.

21 (c) Real property and improvements to property that are owned and
22 controlled by a nonprofit organization that is exempt from taxation under
23 section 501(c)(3), (4), (7), (10) or (14) of the internal revenue code if
24 the property is not used or intended for the financial benefit of members
25 of the organization or any other individual or organization, unless the
26 financial benefit is for charitable, religious, scientific, literary or
27 educational purposes, and that are valued at full cash value.

28 (d) Real property of golf courses that is valued at full cash value
29 or pursuant to chapter 13, article 4 of this title.

30 (e) Real property and improvements to property of a guest ranch
31 that meets the requirements prescribed in chapter 13, article 12 of this
32 title, that are not included in class four and that are valued at full
33 cash value.

34 (f) All other real property and improvements to property, if any,
35 that are not included in class one, three, four, six, seven or eight and
36 that are valued at full cash value.

37 **2. Class two (P) consists of:**

38 ~~(a) Personal property that is used for agricultural purposes and~~
~~that is valued at full cash value or pursuant to chapter 13, article 3 of~~
~~this title, as applicable.~~

41 ~~(b) Personal property that is primarily used for agricultural~~
~~purposes to produce trees other than standing timber, vines, rosebushes,~~
~~ornamental plants or other horticultural crops, regardless of whether the~~
~~crop is grown in containers, soil or any other medium, that is not~~
~~included in class one, three, four, six, seven or eight and that is valued~~

1 ~~at full cash value or pursuant to chapter 13, article 3 of this title, as~~
2 ~~applicable.~~

3 ~~(c) Personal property that is owned and controlled by a nonprofit~~
4 ~~organization that is exempt from taxation under section 501(c)(3), (4),~~
5 ~~(7), (10) or (14) of the internal revenue code if the property is not used~~
6 ~~or intended for the financial benefit of members of the organization or~~
7 ~~any other individual or organization, unless the financial benefit is for~~
8 ~~charitable, religious, scientific, literary or educational purposes, and~~
9 ~~that is valued at full cash value.~~

10 ~~(d) Personal property of golf courses that is valued at full cash~~
11 ~~value or pursuant to chapter 13, article 4 of this title.~~

12 ~~(e) Personal property of a guest ranch that meets the requirements~~
13 ~~prescribed in chapter 13, article 12 of this title and that is not~~
14 ~~included in class four and that is valued at full cash value.~~

15 ~~(f) All other personal property that is not included in class one,~~
16 ~~three, four, six, seven or eight and that is valued at full cash value.~~

17 3. 2. Class two (C) consists of real property, and improvements to
18 real property, that is burdened by a conservation easement that has been
19 created and is currently in effect pursuant to title 33, chapter 2,
20 article 4.

21 Sec. 10. Section 42-12004, Arizona Revised Statutes, is amended to
22 read:

23 **42-12004. Class four property**

24 A. For the purposes of taxation, class four is established
25 consisting of:

26 1. Real and personal property and improvements to the property that
27 are used for residential purposes, including residential property that is
28 owned in foreclosure by a financial institution, that is not otherwise
29 included in another classification and that is valued at full cash value.
30 The homesite that is included in class four may include:

31 (a) Up to ten acres on a single parcel of real property on which
32 the residential improvement is located.

33 (b) More than ten, but not more than forty, acres on a single
34 parcel of real property on which the residential improvement is located if
35 it is zoned exclusively for residential purposes or contains legal
36 restrictions or physical conditions that prevent the division of the
37 parcel. For the purposes of this subdivision, "physical conditions" means
38 topography, mountains, washes, rivers, roads or any other configuration
39 that limits the residential usable land area.

40 2. Real and personal property and improvements to the property that
41 are used for residential purposes and solely leased or rented, that are
42 not included in class one, two, three, six, seven or eight and that are
43 valued at full cash value.

44 3. Child care facilities that are licensed under title 36, chapter
45 7.1 and that are valued at full cash value.

1 4. Real ~~and personal~~ property and improvements to property that are
2 used to operate nonprofit residential housing facilities that are
3 structured to house or care for persons with disabilities or who are at
4 least sixty-two years of age and that are valued at full cash value.

5 5. Real ~~and personal~~ property and improvements that are used to
6 operate licensed residential care institutions or licensed nursing care
7 institutions that provide medical services, nursing services or
8 health-related services and that are structured to house or care for
9 persons with disabilities or who are at least sixty-two years of age and
10 that are valued at full cash value.

11 6. Real ~~and personal~~ property consisting of not more than eight
12 rooms of residential property that are leased or rented to transient
13 lodgers, together with furnishing not more than a breakfast meal, by the
14 owner who resides on the property and that is valued at full cash value.

15 7. Real ~~and personal~~ property that consists of residential
16 dwellings maintained for occupancy by agricultural employees as a
17 condition of employment or as a convenience to the employer, that is not
18 included in class three and that is valued at full cash value. The land
19 associated with these dwellings shall be valued as agricultural land
20 pursuant to chapter 13, article 3 of this title.

21 8. Real property and improvements to property constituting common
22 areas that are valued pursuant to chapter 13, article 9 of this title.

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

28 10. Real ~~and personal~~ property and improvements that are used for
29 residential purposes and that are leased or rented to lodgers, except for:

30 (a) Property occupied by the owner of the property as the owner's
31 primary residence and included in class three.

32 (b) Property used for commercial purposes and included in class
33 one.

34 11. Low-income multifamily residential rental properties that are
35 valued pursuant to chapter 13, article 13 of this title.

36 12. Real ~~and personal~~ property and improvements to property of a
37 guest ranch that meets the requirements prescribed in chapter 13, article
38 12 of this title and that is included in the Arizona dude ranch heritage
39 trail program established by section 41-867 and that are valued at full
40 cash value.

41 B. Subsection A, paragraphs 4 and 5 of this section do not limit
42 eligibility for exemption from taxation under chapter 11, article 3 of
43 this title.

1 Sec. 11. Section 42-12006, Arizona Revised Statutes, is amended to
2 read:

3 **42-12006. Class six property**

4 For the purposes of taxation, class six is established consisting
5 of:

6 1. Noncommercial historic property as defined in section 42-12101
7 and valued at full cash value.

8 2. Real ~~and personal~~ property that is located within the area of a
9 foreign trade zone or subzone established under 19 United States Code
10 sections 81a through 81u and title 44, chapter 18, that is activated for
11 foreign trade zone use by the district director of the United States
12 customs service pursuant to 19 Code of Federal Regulations section 146.6
13 and that is valued at full cash value. Property that is classified under
14 this paragraph shall not thereafter be classified under paragraph 6 of
15 this section.

16 3. Real ~~and personal~~ property and improvements that are located in
17 a military reuse zone that is established under chapter 1, article 7 of
18 this title and that is devoted to providing aviation or aerospace services
19 or to manufacturing, assembling or fabricating aviation or aerospace
20 products, valued at full cash value and subject to the following terms and
21 conditions:

22 (a) Property may not be classified under this paragraph for more
23 than five tax years.

24 (b) Any new addition or improvement to property already classified
25 under this paragraph qualifies separately for classification under this
26 paragraph for not more than five tax years.

27 (c) If a military reuse zone is terminated, the property in that
28 zone that was previously classified under this paragraph shall be
29 reclassified as prescribed by this article.

30 (d) Property that is classified under this paragraph shall not
31 thereafter be classified under paragraph 6 of this section.

32 4. Real ~~and personal~~ property and improvements or a portion of such
33 property comprising an environmental technology manufacturing, producing
34 or processing facility that qualified under section 41-1514.02, valued at
35 full cash value and subject to the following terms and conditions:

36 (a) Property shall be classified under this paragraph for twenty
37 tax years from the date placed in service.

38 (b) Any addition or improvement to property already classified
39 under this paragraph qualifies separately for classification under this
40 subdivision for an additional twenty tax years from the date placed in
41 service.

42 (c) After revocation of certification under section 41-1514.02,
43 property that was previously classified under this paragraph shall be
44 reclassified as prescribed by this article.

1 (d) Property that is classified under this paragraph shall not
2 thereafter be classified under paragraph 6 of this section.

3 5. That portion of real ~~and personal~~ property that is used on or
4 after January 1, 1999 specifically and solely for remediation of the
5 environment by an action that has been determined to be reasonable and
6 necessary to respond to the release or threatened release of a hazardous
7 substance by the department of environmental quality pursuant to section
8 49-282.06 or pursuant to its corrective action authority under rules
9 adopted pursuant to section 49-922, subsection B, paragraph 4 or by the
10 United States environmental protection agency pursuant to the national
11 contingency plan (40 Code of Federal Regulations part 300) and that is
12 valued at full cash value. Property that is not being used specifically
13 and solely for the remediation objectives described in this paragraph
14 shall not be classified under this paragraph. For the purposes of this
15 paragraph, "remediation of the environment" means one or more of the
16 following actions:

17 (a) Monitoring, assessing or evaluating the release or threatened
18 release.

19 (b) Excavating, removing, transporting, treating and disposing of
20 contaminated soil.

21 (c) Pumping and treating contaminated water.

22 (d) Treating, containing or removing contaminants in groundwater or
23 soil.

24 6. Real ~~and personal~~ property and improvements constructed or
25 installed from and after December 31, 2004 through December 31, 2024 and
26 owned by a qualified business under section 41-1516 and used solely for
27 the purpose of harvesting, transporting or processing qualifying forest
28 products removed from qualifying projects as defined in section 41-1516.
29 The classification under this paragraph is subject to the following terms
30 and conditions:

31 (a) Property may be initially classified under this paragraph only
32 in valuation years 2005 through 2024.

33 (b) Property may not be classified under this paragraph for more
34 than five years.

35 (c) Any new addition or improvement, constructed or installed from
36 and after December 31, 2004 through December 31, 2024, to property already
37 classified under this paragraph qualifies separately for classification
38 and assessment under this paragraph for not more than five years.

39 (d) Property that is classified under this paragraph shall not
40 thereafter be classified under paragraph 2, 3 or 4 of this section.

41 7. Real ~~and personal~~ property and improvements to the property that
42 are used specifically and solely to manufacture from and after December
43 31, 2006 through December 31, 2023 biodiesel fuel that is one hundred
44 percent biodiesel and its by-products or motor vehicle biofuel and its
45 by-products and that are valued at full cash value. This paragraph

1 applies only to the portion of property that is used specifically for
2 manufacturing and processing one hundred percent biodiesel fuel, or its
3 related by-products, or motor vehicle biofuel, or its related by-products,
4 from raw feedstock obtained from off-site sources, including necessary
5 on-site storage facilities that are intrinsically associated with the
6 manufacturing process. Any other commercial or industrial use
7 disqualifies the entire property from classification under this paragraph.
8 For the purposes of this paragraph, "motor vehicle biofuel" means a solid,
9 liquid or gaseous fuel that is derived from biological material such as
10 plant or animal matter, excluding organic material that has been
11 transformed by geological processes into substances such as coal or
12 petroleum or derivatives thereof, and that:

13 (a) Contains fuel additives in compliance with federal and state
14 law.

15 (b) Is manufactured exclusively for use in a motor vehicle.

16 8. Real ~~and personal~~ property and improvements that are used for
17 renewable energy manufacturing or headquarters operations as provided by
18 section 42-12057. This paragraph applies only to property that is used in
19 manufacturing and headquarters operations of renewable energy companies,
20 including necessary on-site research and development, testing and storage
21 facilities that are associated with the manufacturing process. Up to ten
22 percent of the aggregate full cash value of the property may be derived
23 from uses that are ancillary to and intrinsically associated with the
24 manufacturing process or headquarters operation. Any additional ancillary
25 property is not qualified for classification under this paragraph. No new
26 properties may be classified pursuant to this paragraph from and after
27 December 31, 2014. Property that is classified under this paragraph shall
28 not thereafter be classified under any other paragraph of this section.

29 Sec. 12. Section 42-12007, Arizona Revised Statutes, is amended to
30 read:

31 42-12007. Class seven property

32 For THE purposes of taxation, class seven is established consisting
33 of real ~~and personal~~ property and improvements that meet the criteria for
34 property included in class one, ~~paragraphs~~ UNDER SECTION 42-12001,
35 PARAGRAPH 12 ~~and 13~~ and also the criteria for commercial historic property
36 as defined in section 42-12101.

37 Sec. 13. Section 42-12054, Arizona Revised Statutes, is amended to
38 read:

39 42-12054. Change in classification of owner-occupied
40 residence

41 A. If a person purchases or converts property that is listed as
42 class one pursuant to section 42-12001, paragraph 12 ~~or 13~~, class two or
43 class four pursuant to article 1 of this chapter and occupies the property
44 as the person's primary residence, the person may have the classification
45 reviewed for change to class three from the date of conversion and

1 occupancy as a primary residence and may appeal from the decision
2 resulting from the review in the same manner as provided by law for review
3 of a valuation for ad valorem property taxes and appeal from that review.

4 B. If a person purchases or converts property that is listed as
5 class one pursuant to section 42-12001, paragraph 12 ~~or 13~~, class two or
6 class four pursuant to article 1 of this chapter and the property is
7 occupied by a member of the owner's immediate family as described in
8 section 42-12053, the person may have the classification reviewed for
9 change to class three from the date of occupancy and may appeal the
10 decision resulting from the review in the same manner as provided by law
11 for review of a valuation for ad valorem property taxes and appeal from
12 that review.

13 C. If a person makes such a conversion or occupancy or appeals the
14 classification after the county assessor has closed the rolls, the person
15 may petition the county board of supervisors to change the classification
16 and reduce the assessed valuation from the date of conversion or
17 occupancy.

18 D. The board of supervisors shall entertain the petition in the
19 same manner as a board of equalization hears a request for reduction in
20 valuation.

21 E. The petitioner may appeal the board of supervisors' decision in
22 the same manner as provided in section 42-16111, except that the
23 petitioner shall file the notice of appeal within fifteen days after the
24 board's finding.

25 F. If the board of supervisors finds that the property is in fact
26 the owner's primary residence and should be listed as class three
27 property, the board shall change the classification on the roll and fix
28 the assessed valuation from the date of occupancy. The amount of taxes
29 that is assessed against the property shall be computed by applying the
30 current tax rate to the original assessed valuation prorated for the
31 portion of the tax year before the property was occupied plus the current
32 tax rate applied to the reassessed value of the property prorated for the
33 balance of the year.

34 G. The board of supervisors shall notify the department, assessor
35 and county treasurer of the change in classification, the change in
36 assessed valuation and the amount of tax assessed. The department and the
37 assessor may appeal any such decision in the same manner as provided in
38 section 42-16111. The assessor and treasurer shall note the change on
39 their records, and the treasurer may issue a future tax credit, endorsed
40 by the board, to the person whose property is liable for the tax. The tax
41 credit shall be used on the next or several succeeding property tax
42 assessments that the person may owe thereafter.

1 Sec. 14. Section 42-12058, Arizona Revised Statutes, is amended to
2 read:

3 **42-12058. Registry of real property burdened by conservation**
4 **easements**

5 A. The county assessor in each county shall establish and maintain
6 a public digital registry of each parcel of property in the county that is
7 classified as class two (C) pursuant to section 42-12002, paragraph ~~3~~ 2
8 from and after December 31, 2016 because it is burdened by a conservation
9 easement.

10 B. The registry shall include the following information regarding
11 each parcel:

12 1. The name of the owner or owners of the real property that is
13 burdened by the conservation easement.

14 2. The name of the holder of the conservation easement and the name
15 of any governmental body, charitable corporation or trustee of a
16 charitable trust having a third-party right of enforcement.

17 3. The date the conservation easement was created or recorded.

18 4. Whether the conservation easement is perpetual or limited in
19 duration and, if so limited, the date or conditions under which the
20 conservation easement terminates.

21 5. The value of the real property that is burdened by the
22 conservation easement as determined by an independent appraisal prior to
23 the creation and recording of the conservation easement.

24 C. The assessor shall periodically review and revise as necessary
25 the information contained in the registry for the purpose of verifying
26 that the listed properties should remain classified as class two (C).

27 Sec. 15. **Repeal**

28 **Sections 42-13054, 42-13055 and 42-13056, Arizona Revised Statutes,**
29 **are repealed.**

30 Sec. 16. Section 42-13304, Arizona Revised Statutes, is amended to
31 read:

32 **42-13304. Exemptions from limitation**

33 The limitations prescribed by this article do not apply to:

34 1. Personal property, other than mobile homes. The full cash value
35 of personal property, other than mobile homes, shall be used for all
36 purposes in lieu of limited property value.

37 2. Property included in property class one under section 42-12001,
38 paragraphs 1 through 7, 11 and ~~14~~ 13. The full cash value of that
39 property shall be used for all purposes in lieu of limited property value.

1 Sec. 17. Section 42-13351, Arizona Revised Statutes, is amended to
2 read:

3 **42-13351. Method and procedures for valuing property of**
4 **manufacturers, assemblers or fabricators;**
5 **confidentiality**

6 A. Real or personal property that is subject to valuation for
7 property tax purposes and that is used by any manufacturer, assembler or
8 fabricator of tangible personal property, except property that is included
9 in class one, **UNDER SECTION 42-12001**, paragraphs 1, **through 2, 3, 4, 5,**
10 **6, 7, 8, 9, and paragraphs** 11, **through 14** 12 AND 13 and classes two,
11 three, four, five, six, seven, eight or nine, **shall be valued pursuant to**
12 this article.

13 B. All information that a taxpayer submits pursuant to this article
14 is confidential pursuant to chapter 2, article 1 of this title.

15 Sec. 18. Section 42-15002, Arizona Revised Statutes, is amended to
16 read:

17 **42-15002. Assessed valuation of class two property**

18 The following percentages apply to the full cash value or limited
19 valuation, as applicable, as a basis for determining the assessed
20 valuation of class two property described in section 42-12002:

21 1. Class two (R): sixteen percent through December 31, 2015 and
22 fifteen percent beginning from and after December 31, 2015.

23 **2. Class two (P): sixteen percent through December 31, 2015, and**
24 **fifteen percent beginning from and after December 31, 2015, of the value**
25 **exceeding the maximum amount of valuation of personal property that is**
26 **exempt from taxation pursuant to section 42-11127.**

27 **3. 2. Class two (C): fifteen percent.**

28 Sec. 19. Section 42-15005, Arizona Revised Statutes, is amended to
29 read:

30 **42-15005. Assessed valuation of class five property**

31 The director shall annually determine percentages to apply as a
32 basis for determining the assessed valuation of class five property
33 described in section 42-12005 equal to the **ratio** **RATIO** that the total net
34 assessed valuation of all taxable property for primary and secondary tax
35 purposes in class one **UNDER SECTION 42-12001**, and class six, **UNDER**
36 **SECTION 42-12006**, paragraph 3 **and personal property in class two** bears to
37 the total limited valuation used for primary tax purposes of such
38 property, and that ratio shall be used for primary tax purposes as
39 required by federal law.

40 Sec. 20. Section 42-15053, Arizona Revised Statutes, is amended to
41 read:

42 **42-15053. Duty to report personal property; exemption;**
43 **contents of report; confidentiality**

44 A. On or before February 1 of each year, the assessor shall mail a
45 form, notice or demand to each person that owns or has charge or control

1 of taxable personal property in this state. Each person shall prepare and
2 deliver to the assessor a correct report of property on or before April 1
3 of each year. On written request and for good cause shown, the assessor
4 may extend for up to thirty days the time for filing the report.

5 B. Property that is not required to be reported as provided by
6 subsection D of this section is exempt from the reporting requirement of
7 subsection A of this section. The county assessor may not require a
8 person that owns or has charge or control of property that is not required
9 to be reported as provided by subsection D of this section to apply to be
10 exempt from the reporting requirement of subsection A of this section.

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

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

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

20 2. The personal property ~~that is class two (P) property pursuant to~~
21 ~~section 42-12002, paragraph 2 and~~ that is used for agricultural purposes
22 or ~~that is class one, subclasses 8 through 11 and 13 property pursuant to~~
23 ~~section 42-12001 and that is~~ used in a trade or business **AND** that is
24 exempt from taxation pursuant to article IX, section 2, subsection E,
25 Constitution of Arizona, **AND SECTION 42-11127.**

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

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

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

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

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

42 Sec. 21. **Effective date**

43 This act is effective from and after December 31, 2031.