

Senate Engrossed

GPLET; notice; abatement period

State of Arizona
Senate
Fifty-seventh Legislature
First Regular Session
2025

SENATE BILL 1050

AN ACT

AMENDING SECTIONS 42-6202, 42-6204, 42-6206 AND 42-6209, ARIZONA REVISED
STATUTES; RELATING TO GOVERNMENT PROPERTY LEASE EXCISE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-6202, Arizona Revised Statutes, is amended to
3 read:

4 42-6202. Commercial government property lease excise tax;
5 database

6 A. A government lessor shall levy and the county treasurer shall
7 collect an annual excise tax on each prime lessee for the use or occupancy
8 of each government lessor's government property improvement.

9 B. A government lessor may not own or operate a government property
10 improvement unless one of the following applies:

11 1. The improvement is subject to the government property lease
12 excise tax under this article with respect to the improvement.

13 2. The improvement is exempt from tax under section 42-6208.

14 3. Tax on the improvement has been abated under section 42-6209.

15 C. Within thirty days after entering into a lease for the occupancy
16 of a government property improvement, the government lessor shall:

17 1. Record a memorandum of lease in the office of the county
18 recorder in the county in which the government property improvement is
19 located. The memorandum of lease must include the basic lease terms,
20 including the names of the parties, the leased property, the lease term,
21 including the beginning and ending dates, and any options to renew the
22 lease or to purchase any of the government property improvement or
23 government owned land.

24 2. Submit to the county treasurer copies of the lease or an
25 abstract of the lease.

26 3. INCLUDE THE LEASE IN THE PUBLIC DATABASE AS DESCRIBED IN
27 SUBSECTION D OF THIS SECTION.

28 D. The government lessor shall maintain a public database by
29 county, city and town, as applicable, ~~or~~ AND post its lease AND
30 DEVELOPMENT agreements on ~~a~~ THE WEBSITE OF THE county, city or town,
31 ~~website~~ AS APPLICABLE, where the government property improvement is
32 located, of all government property leases that are subject to the tax OR
33 ABATEMENT under this article. FOR EVERY LEASE AND DEVELOPMENT AGREEMENT,
34 THE GOVERNMENT LESSOR'S PUBLIC DATABASE SHALL INCLUDE AT LEAST THE
35 FOLLOWING:

36 1. THE COUNTY ASSESSOR'S PARCEL NUMBER.

37 2. THE LEGAL DESCRIPTION AND SITUS ADDRESS OF THE PROPERTY AND THE
38 PROPERTY TYPE.

39 3. THE NAME OF THE LESSEE AND THE COUNTY RECORDING NUMBER OF THE
40 LEASE.

41 4. THE TIME PERIOD IN WHICH THE LEASE OR DEVELOPMENT AGREEMENT IS
42 SUBJECT TO ABATEMENT AND EXCISE TAX, IF APPLICABLE.

43 5. THE AMOUNT OF ALL OTHER TAXES, RENTS OR FEES THE LESSEE IS
44 REQUIRED TO REMIT TO THE GOVERNMENT LESSOR OR OTHER TAXING JURISDICTIONS
45 DURING THE LEASE OR ABATEMENT PERIOD.

1 6. LINKS TO ALL LEASE AND DEVELOPMENT AGREEMENTS AND THE
2 CORRESPONDING GOVERNMENT LESSOR NOTICES PROVIDED TO THE GOVERNING BODIES
3 PURSUANT TO SECTION 42-6206.

4 7. A LINK TO THE CURRENT MAP OF THE CITY'S OR TOWN'S CENTRAL
5 BUSINESS DISTRICT AND REDEVELOPMENT AREAS PURSUANT TO SECTION 42-6209.

6 E. The government lessor shall submit a current link to the public
7 database as described in subsection D of this section to the department ~~of~~
8 ~~revenue~~ and notify the department when the database no longer contains any
9 active leases.

10 F. The department ~~of revenue~~ shall place links to all of the
11 government lessors' databases with active leases on ~~their~~ THE DEPARTMENT'S
12 website.

13 G. If a county assessor becomes aware of a government property
14 improvement that is or should be subject to the tax under this article,
15 the assessor shall notify the county treasurer and the government lessor
16 for confirmation that the improvement is included in ~~their~~ THE GOVERNMENT
17 LESSOR'S database.

18 Sec. 2. Section 42-6204, Arizona Revised Statutes, is amended to
19 read:

20 42-6204. Payment; return; interest; penalty; receipt; annual
21 reports

22 A. The taxes that are levied pursuant to this article are:

23 1. Due and payable to the county treasurer annually on or before
24 December 1.

25 2. Delinquent if not paid ANNUALLY on or before ~~that date~~
26 DECEMBER 1.

27 B. The government lessor shall calculate the excise tax for each
28 prime lessee, submit a return to the county treasurer on a return form
29 prescribed by the department ~~of revenue~~ and submit a copy of the return to
30 the prime lessee. If the prime lessee is exempt from the tax pursuant to
31 section 42-6208, the government lessor shall keep and maintain the
32 information required in this subsection. The return form shall be made
33 available by the county treasurer at least sixty days before the taxes are
34 due and payable and shall include:

35 1. The name and address of the prime lessee.

36 2. The location AND COUNTY ASSESSOR'S PARCEL NUMBER of the
37 government property improvement.

38 3. The amount of gross building space or number of parking garage
39 or deck spaces. The prime lessee may submit an initial statement of gross
40 building space that is certified by a person who is professionally
41 credentialed in this state as an architect, general contractor, surveyor
42 or appraiser and thereafter shall file an annual statement with the
43 return, under penalty of perjury, that the gross building space is
44 unchanged from the amount previously certified.

45 4. The date of the original certificate of occupancy.

1 5. The use or uses of the property.

2 6. If an abatement under section 42-6209 applies, a certification
3 under penalty of perjury that all elements necessary to qualify for the
4 abatement are satisfied for the year covered by the return.

5 7. Any other pertinent information that is required by the return
6 form.

7 C. If any part of the tax is not paid before it becomes delinquent,
8 interest accrues on the unpaid amount at the rate and in the manner
9 prescribed by section 42-18053 until it is paid. Interest on overpayments
10 accrues at the rate and in the manner prescribed by section 42-18053 until
11 the refund is paid by the county treasurer.

12 D. The county treasurer shall assess and collect a penalty of five
13 percent of any part of the tax that is not paid before it becomes
14 delinquent.

15 E. The county treasurer shall issue a receipt to the government
16 lessor and prime lessee for payments under this article.

17 F. On or before February 15 of each year, the county treasurer
18 shall submit a report to:

19 1. The department ~~of revenue~~ of all returns and payments received
20 for the preceding calendar year under this section. The report shall be
21 in a form and contain data prescribed by the department ~~of revenue~~ AND
22 SHALL BE POSTED ON THE DEPARTMENT'S WEBSITE WITHIN THIRTY DAYS AFTER THE
23 REPORT IS RECEIVED.

24 2. The joint legislative budget committee of all returns and
25 payments received for the preceding calendar year with respect to leases
26 of government property improvements owned by the government lessor. These
27 reports shall contain the same data prescribed in paragraph 1 of this
28 subsection.

29 G. The county treasurer is entitled to rely on any information
30 contained in any abatement certification described in subsection B,
31 paragraph 6 of this section unless the county treasurer has actual
32 knowledge that the certification is inaccurate.

33 Sec. 3. Section 42-6206, Arizona Revised Statutes, is amended to
34 read:

35 42-6206. Leases and development agreements; notice of tax
36 liability; approval requirements; default

37 A. Each lease or development agreement between a prime lessee and a
38 government lessor entered into after June 30, 1996 shall include:

39 1. A notice of the tax liability under this article.

40 2. A provision that failure by the prime lessee to pay the tax
41 after notice and an opportunity to cure is an event of default that could
42 result in divesting the prime lessee of any interest in or right of
43 occupancy of the government property improvement.

44 B. Except as provided by subsection C of this section, each lease
45 or development agreement between a prime lessee and a government lessor

1 for a government property improvement located in a slum or blighted area
2 that is established pursuant to title 36, chapter 12, article 3, that is
3 entered into from and after May 31, 2010 and that does not meet the
4 conditions provided in section 42-6203, subsection A:

5 1. Shall not be approved unless the government lessor:

6 (a) ~~Notifies~~ PROVIDES WRITTEN NOTICE TO the governing bodies of the
7 county and any city, town, ~~and~~ school district AND, IF APPLICABLE,
8 COMMUNITY COLLEGE DISTRICT in which the government property improvement is
9 located at least sixty days before the approval. THE GOVERNMENT LESSOR
10 SHALL INCLUDE A LINK TO THE NOTICE ON THE DATABASE PURSUANT TO SECTION
11 42-6202, SUBSECTION D. The notice must include ALL OF THE FOLLOWING:

12 (i) The name and address of the intended prime lessee. ~~;~~

13 (ii) The location and proposed use of the government property
14 improvement. ~~and~~

15 (iii) The proposed term of the lease or development agreement.

16 (iv) AN ESTIMATE OF THE AMOUNT OF PROPERTY TAX REVENUE THAT THE
17 COUNTY, CITY, TOWN, SCHOOL DISTRICT AND, IF APPLICABLE, COMMUNITY COLLEGE
18 DISTRICT WILL FOREGO DURING THE TERM OF THE LEASE AND ABATEMENT PERIOD.

19 (b) Determines that, within the term of the lease or development
20 agreement, the economic and fiscal benefit to this state and the county,
21 city or town in which the government property improvement is located will
22 exceed the benefits received by the prime lessee as a result of the
23 development agreement or lease on the basis of an estimate of those
24 benefits prepared by an independent third party in a manner and method
25 acceptable to the governing body of the government lessor. The estimate
26 must be provided to the government lessor and the governing bodies of the
27 county and any city, town, ~~and~~ school district AND, IF APPLICABLE,
28 COMMUNITY COLLEGE DISTRICT in which the government property improvement is
29 located at least thirty days before the vote of the governing body. A
30 lease or development agreement between a prime lessee and a government
31 lessor involving residential rental housing is exempt from the economic
32 estimate analysis requirements of this ~~subsection~~ SUBDIVISION.

33 2. Must be approved by a simple majority vote of the governing body
34 without the use of a consent calendar.

35 C. A lease or development agreement that is subject to subsection B
36 of this section must provide that the lease begins within ten years after
37 approval of the development agreement and the term of the lease does not
38 exceed twenty-five years, including any abatement period authorized under
39 section 42-6209, and regardless of whether the lease is transferred or
40 conveyed to subsequent prime lessees during that period. As soon as
41 reasonably practicable but within twelve months after the expiration date
42 of the lease, the government lessor must convey to the current prime
43 lessee title to the government property improvement and underlying land
44 unless the parcel is controlled by an airport subject to federal
45 regulation or by the local federal transit authority. Property conveyed

1 to the prime lessee under this subsection does not qualify for
2 classification as class six property or for any other discounted
3 assessment regardless of the location or condition of the property.

4 D. Subsections B and C of this section do not apply if the
5 government lessor is acting as a commercial landlord without a development
6 agreement in a lease for a use ancillary to a government property
7 improvement used for a public purpose.

8 E. ~~NO~~ NOT later than June 30 of each year, the government lessor
9 shall provide the county assessor with a complete list of development
10 agreements between the government lessor and the prime lessees, including
11 the commencement and termination dates of the agreements, the names and
12 addresses of the prime lessees and the locations of the properties that
13 are subject to the agreements.

14 Sec. 4. Section 42-6209, Arizona Revised Statutes, is amended to
15 read:

16 42-6209. Abatement of tax for government property
17 improvements in single central business district;
18 definition

19 A. A city or town may abate the tax provided for under this article
20 for a limited period beginning when the certificate of occupancy is issued
21 and ending eight years after the certificate of occupancy is issued on a
22 government property improvement that is constructed either before or after
23 July 20, 1996 and that meets the following requirements:

24 1. The GOVERNMENT PROPERTY improvement is located in a single
25 central business district in the city or town and is subject to a lease or
26 development agreement entered into on or after April 1, 1985. For the
27 purposes of this section:

28 (a) A city or town shall not designate more than one central
29 business district within its corporate boundaries.

30 (b) A city or town shall not approve or enter into a development
31 agreement or lease for a government property improvement within one year
32 after the designation of the central business district in which the
33 GOVERNMENT PROPERTY improvement is located.

34 (c) "Central business district" means a single and contiguous
35 geographical area that is designated by resolution of the governing body
36 of the city or town and that is geographically compact and not larger than
37 the greatest of the existing total land area of the central business
38 district of the city or town as of January 1, 2018, two and one-half
39 percent of the total land area within the exterior boundaries of the city
40 or town or nine hundred sixty acres. For the purposes of this
41 subdivision, any central business district formed before January 1, 2018
42 is considered to be geographically compact. For the expanded areas of an
43 existing central business district only and the new designation of a
44 central business district formed on or after January 1, 2018 and for the
45 purposes of this subdivision, "geographically compact" means a form or

1 shape that has a length that is not more than twice its width as measured
2 from at least four points on the exterior boundary of the expanded areas
3 of an existing central business district or a central business district
4 formed on or after January 1, 2018.

5 2. The GOVERNMENT PROPERTY improvement is located entirely within a
6 slum or blighted area that is designated pursuant to title 36, chapter 12,
7 article 3.

8 3. The government property improvement resulted or will result in
9 an increase in property value of at least one hundred percent.

10 B. The prime lessee shall notify the county treasurer and the
11 government lessor and apply for the abatement before the taxes under this
12 article are due and payable in the first year after the certificate of
13 occupancy is issued.

14 C. Except as provided by subsection D of this section, each lease
15 between a prime lessee and a government lessor for which the tax is abated
16 under this section that is entered into from and after May 31, 2010, ~~and~~ and
17 that does not meet the conditions provided in section 42-6203, subsection
18 A must be approved by a simple majority vote of the governing body without
19 using a consent calendar and shall not be approved unless:

20 1. The government lessor notifies the governing bodies of the
21 county and any city, town, ~~and~~ school district AND, IF APPLICABLE,
22 COMMUNITY COLLEGE DISTRICT in which the government property improvement is
23 located at least sixty days before the approval. The notice must include
24 ALL OF THE FOLLOWING:

25 (a) The name and address of the intended prime lessee. ~~;~~

26 (b) The location and proposed use of the government property
27 improvement. ~~and~~

28 (c) The proposed term of the lease or development agreement.

29 (d) AN ESTIMATE OF THE AMOUNT OF PROPERTY TAX REVENUE THAT THE
30 COUNTY, CITY, TOWN, SCHOOL DISTRICT AND, IF APPLICABLE, COMMUNITY COLLEGE
31 DISTRICT WILL FOREGO DURING THE TERM OF THE LEASE AND ABATEMENT PERIOD.

32 2. The government lessor determines that, within the term of the
33 lease or development agreement, the economic and fiscal benefit to this
34 state and the county, city or town in which the government property
35 improvement is located will exceed the benefits received by the prime
36 lessee as a result of the development agreement or lease on the basis of
37 an estimate of those benefits prepared by an independent third party in a
38 manner and method acceptable to the governing body of the government
39 lessor. The estimate must be provided to the government lessor and the
40 governing bodies of the county and any city, town, ~~and~~ school district
41 AND, IF APPLICABLE, COMMUNITY COLLEGE DISTRICT in which the government
42 property improvement is located at least thirty days before the vote of
43 the governing body. A lease or development agreement between a prime
44 lessee and a government lessor involving residential rental housing is
45 exempt from the economic estimate analysis requirements of this paragraph.

1 3. The lease or development agreement provides that the government
2 lessor may not approve an amendment to change the use of the government
3 property improvement during the period of abatement unless:

4 (a) The government lessor notifies the governing bodies of the
5 county and any city, town, ~~and~~ school district ~~AND, IF APPLICABLE,~~
6 ~~COMMUNITY COLLEGE DISTRICT~~ in which the government property improvement is
7 located at least sixty days before the approval. The notice must include
8 the name and address of the prime lessee, the location and proposed use of
9 the government property improvement and the remaining term of the lease or
10 development agreement.

11 (b) The government lessor determines that, within the remaining
12 term of the lease or development agreement, the economic and fiscal
13 benefit to this state and the county, city or town in which the government
14 property improvement is located will exceed the benefits received by the
15 prime lessee as a result of the change in the lease or development
16 agreement on the basis of an estimate of those benefits prepared by an
17 independent third party in a manner and method acceptable to the governing
18 body of the government lessor. The estimate must be provided to the
19 government lessor and the governing bodies of the county and any city,
20 town, ~~and~~ school district ~~AND, IF APPLICABLE, COMMUNITY COLLEGE DISTRICT~~
21 in which the government property improvement is located at least thirty
22 days before the vote of the governing body. A change in use under a lease
23 or development agreement between a prime lessee and a government lessor to
24 residential rental housing is exempt from the economic estimate analysis
25 requirements of this subdivision.

26 D. Subsection C of this section does not apply if:

27 1. The tax is not abated under this section.

28 2. The government lessor is acting as a commercial landlord without
29 a development agreement in a lease for a use ancillary to a government
30 property improvement used for a public purpose.

31 E. The designation of a slum or blighted area that is originally
32 designated from and after September 30, 2018 and in which a central
33 business district is located automatically terminates on the tenth
34 anniversary after the designation unless the city or town formally renews
35 or modifies all or part of the slum or blighted area designation. The
36 termination of a slum or blighted area designation under this subsection
37 does not affect any existing project described in section 35-701,
38 paragraph 7, subdivision (a), item (ix) that is within the designated
39 area. Before the tenth anniversary of its designation, the city or town
40 shall review the area and, pursuant to the review, shall either renew,
41 modify or terminate the designation. If the city or town renews or
42 modifies the original designation, the slum or blighted area designation
43 is subject to subsequent reviews on a ten-year cycle. If the city or town
44 fails to renew or modify the designation, the slum or blighted area
45 designation automatically terminates five years after the review. This

1 subsection does not apply to leases or development agreements to lease
2 government property if either of the following conditions is met with
3 respect to any such excluded area:

4 1. The lease of the government property improvement was entered
5 into before the termination or modification of the slum or blighted area
6 designation.

7 2. A development agreement, ordinance or resolution was approved by
8 the governing body of the government lessor before the termination or
9 modification of the slum or blighted area designation that authorized a
10 lease on the occurrence of specified conditions and the lease was entered
11 into within five years after the date the development agreement was
12 entered into or the ordinance or resolution was approved by the governing
13 body.

14 F. Before October 1, 2020, each city or town shall review the
15 designation of each slum or blighted area that was originally designated
16 before September 30, 2018 and in which a central business district is
17 located. All such slum or blighted areas in which a central business
18 district is located are considered to be valid. Pursuant to the review,
19 the city or town shall either renew, modify or terminate the designation.
20 If the city or town renews or modifies the original designation, the slum
21 or blighted area designation is subject to subsequent reviews on a
22 ten-year cycle. If the city or town fails to renew or modify the
23 designation, the slum or blighted area designation automatically
24 terminates from and after September 30, 2025, or five years after any
25 subsequent review. The termination of a slum or blighted area designation
26 under this subsection does not affect:

27 1. Any existing project described in section 35-701, paragraph 7,
28 subdivision (a), item (ix) that is within the designated area.

29 2. Any lease or development agreement to lease government property
30 if either of the following conditions is met with respect to the slum or
31 blighted area:

32 (a) The lease of the government property improvement was entered
33 into before the termination or modification of the slum or blighted area
34 designation.

35 (b) A development agreement, ordinance or resolution was approved
36 by the governing body of the government lessor before the termination or
37 modification of the slum or blighted area designation that authorized a
38 lease on the occurrence of specified conditions and the lease was entered
39 into within five years after the date the development agreement was
40 entered into or the ordinance or resolution was approved by the governing
41 body.

42 G. Notwithstanding section 42-6206, subsection C, beginning with
43 development agreements, ordinances or resolutions to lease government
44 property improvements approved by the governing body of the government
45 lessor from and after December 31, 2016, the lease period for a property

1 for which the tax is abated under this section may not exceed eight years,
2 including any abatement period, regardless of whether the lease is
3 transferred or conveyed to subsequent prime lessees during that
4 period. As soon as reasonably practicable but within twelve months after
5 the expiration date of the lease, the government lessor must convey to the
6 current prime lessee title to the government property improvement and the
7 underlying land. Property conveyed to the prime lessee under this
8 subsection does not qualify for classification as class six property or
9 for any other discounted assessment regardless of the location or
10 condition of the property. This subsection does not apply to leases or
11 development agreements to lease government property if either of the
12 following occurred before January 1, 2017:

13 1. A corresponding resolution or ordinance for the lease or intent
14 to lease such property subject to this section was approved by the
15 governing body of the government lessor.

16 2. A proposal was submitted to the government lessor in response to
17 a request for proposals.

18 H. NOTWITHSTANDING SUBSECTION A OF THIS SECTION, FOR DEVELOPMENT
19 AGREEMENTS FOR THE LEASE OF GOVERNMENT PROPERTY IMPROVEMENTS APPROVED BY A
20 GOVERNING BODY FROM AND AFTER THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS
21 SECTION, THE ABATEMENT OF TAX UNDER THIS ARTICLE IS LIMITED TO THE AMOUNTS
22 OTHERWISE DESIGNATED FOR COUNTIES, CITIES, TOWNS AND COMMUNITY COLLEGE
23 DISTRICTS PURSUANT TO SECTION 42-6205, SUBSECTION B, PARAGRAPHS 1, 2 AND
24 3. THE PROPORTIONAL AMOUNT OF GOVERNMENT PROPERTY LEASE EXCISE TAX REVENUE
25 FOR SCHOOL DISTRICTS PURSUANT TO SECTION 42-6205, SUBSECTION B, PARAGRAPH
26 4 MAY NOT BE ABATED.