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ARIZONA TAX RESEARCH ASSOCIATION

NEWS RELEASE

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VALUATION INCREASES DRIVE RECORD PROPERTY TAX GROWTH

Total Primary & Secondary Taxes

An Arizona Tax Research Association (ATRA) analysis of 2003 state and local property taxes found that taxes climbed \$334.4 million, shattering the previous record for one-year growth of \$289 million set in 2000. The 7.6% increase in levies was driven primarily by a 10.4% increase in property values.

The percentage increase in net assessed value (NAV) outpaced the increase in property tax levies, causing the statewide average rate to fall from \$12.49 last year to \$12.18 for 2003, a 2.5% drop.

The largest percentage increase overall occurred at the city level, with levies increasing 11.6% (\$38.7 million) over last year, bringing total city levies to \$372.4 million in 2003. Special Districts, which include fire and street lighting districts, among many other special districts, experienced the second largest percentage increase, by climbing at a rate of 10.7% (\$25.9 million).

Primary Taxes

Primary property taxes, which are generally levied for maintenance and operations purposes, increased \$217.9 million (7.3%) in 2003. Since 1998, primary levies have grown by nearly \$1 billion, or 45.2%, fed in part by new construction. City primary levies rose \$18.4 million, representing the largest percentage increase at 14.1%. Sierra Vista adopted the largest percentage tax increase by far, with levies jumping from \$12,057 in 2002 to \$257,691 in 2003. With only 5.2% of the city's NAV in new construction, the majority of the tax increase is on existing property. The Town of Superior had the second largest percentage increase of 81.8%, which is partly the result of growth in the area, approximately 11% of Superior's total NAV.

Secondary Taxes

Secondary levies, which fund debt service on bonds, budget overrides, and a wide variety of special districts, jumped significantly in 2003 by \$116.5 million (8.1%), almost twice the rate of last year's growth of 4.5%. Secondary levies have grown \$433.5 million (38.4%) since 1998.

The cities collectively increased their secondary levies 10%, resulting in an additional \$20.4 million, bringing the total to \$223.3 million in 2003. The City of Tolleson increased its

secondary rate from \$0.9550 to \$1.6534, which nearly doubled their secondary levy to \$1,932,500 in 2003. Other cities receiving significant increases in their secondary levies included the City of Avondale, which increased its secondary levy 26.8%, Chandler at 22.9%, Goodyear with a 22.1% increase, and Gilbert, which increased secondary levies 20.9%.

In summarizing the results of the study, ATRA Senior Research Analyst Jennifer Schuldt noted, "Although the statewide average rate dropped slightly this year, most taxpayers will see higher tax bills as a result of the dramatic growth in values and levies."