



The taxpayer's watchdog for over 80 years

ARIZONA TAX RESEARCH ASSOCIATION

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Auditor General: Municipal Tax Code Commission A Failure

The Arizona Auditor General (AAG) recently completed a Sunset Review of the Municipal Tax Code Commission (MTCC) and the findings were alarming. The Commission, formed in 1988, is tasked with holding public hearings to approve or deny proposed amendments to the Model City Tax Code (MCTC). The AAG concluded “the MCTC is at risk of becoming obsolete and no longer meeting the needs of Arizona cities, towns, taxpayers and businesses.”

Statute calls for a Commission of nine members who are mayors and council members of Arizona cities or towns. The AAG noted that the Commission has not met its statutory objective and purpose because it lacks

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Statewide Property Taxes Drop—A Rare Occurrence

It's rare for property taxes to decline in Arizona, but this year they did by a collective \$84 million. Property taxes have dropped only twice in the last 26 years, the most recent in 2013 as a result of the real estate market crash and in 1996 when the Legislature eliminated the state property tax. This year's decline is directly the result of the Governor and Legislature providing property tax relief through the elimination of the State Equalization Tax Rate (SETR) that saved taxpayers an estimated \$330 million in tax year 2022. However, this year's tax relief was diminished by \$110 million in property tax increases by K12 schools to fund voter approved bonds and overrides.

Arizona's property taxpayers continue to benefit from the passage of Prop 117 that eliminated the full cash value (FCV) as a taxable value and imposed a 5% limit on the limited property value (LPV) for all locally assessed property. Prior to 117 when both FCV

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- **Highest Property Tax Rates In The State, see page 4**

ATRA Fall Events!

ATRA Golf Tournament

Friday, Nov 4th @ 12:15 pm, Stonecreek Golf Club, Phx

ATRA Outlook Conference:

Friday, Nov 18th @ 8:00 am, Scottsdale Hilton

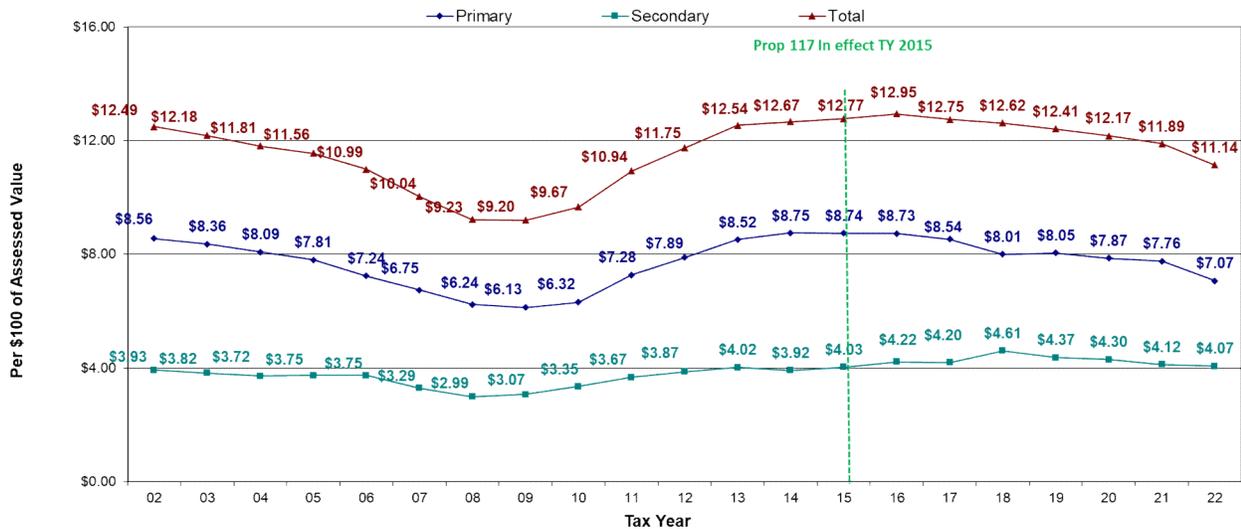
Please contact the ATRA office at (602) 253-9121 to RSVP or inquire about sponsorship opportunities!

Property Taxes Drop, *Continued from Page 1*

(market value) and LPV were taxable, FCV grew by an average annual rate of 19% and LPV by 13%, resulting in total levies growing by 8.6% on average (2002-2007). Over the last five years and Post 117, the FCV has grown by 9% on average and LPV by 6%, resulting in a reduced average annual growth rate in total levies of 2.9%. Furthermore, the 25% delta between the current \$104 billion in statewide FCV and \$78 billion in LPV provides a cushion for the possibility of potential future contractions in Arizona’s real estate market. As ATRA predicted, Prop 117 has stabilized Arizona’s property tax system with a reasonable growth rate that has also resulted in more predictability for both government and property taxpayers.

The improved performance of Arizona’s property tax system is also reflected in recent trends in the statewide average property tax rate since Prop 117 was implemented in 2015. The statewide average property tax rate is calculated annually by the Arizona Department of Revenue and reflects the relationship between annual levies and the statewide net assessed value (NAV). The \$1.63 decline in the statewide average tax rate since Prop 117 is the result of statewide NAV outpacing the growth in statewide levies. Elimination of the 42-cent SETR provided a massive assist in reducing the statewide tax rate 75 cents this year to \$11.14.

Statewide Average Property Tax Rates



- No massive swings in the statewide average tax rate since Prop 117
- Statewide tax rate down \$1.63 (12.8%) to \$11.14:
 - Primary average tax rate down \$1.67 to \$7.07
 - Secondary average tax rate up 4 cents – Mostly K-12 bonds & overrides

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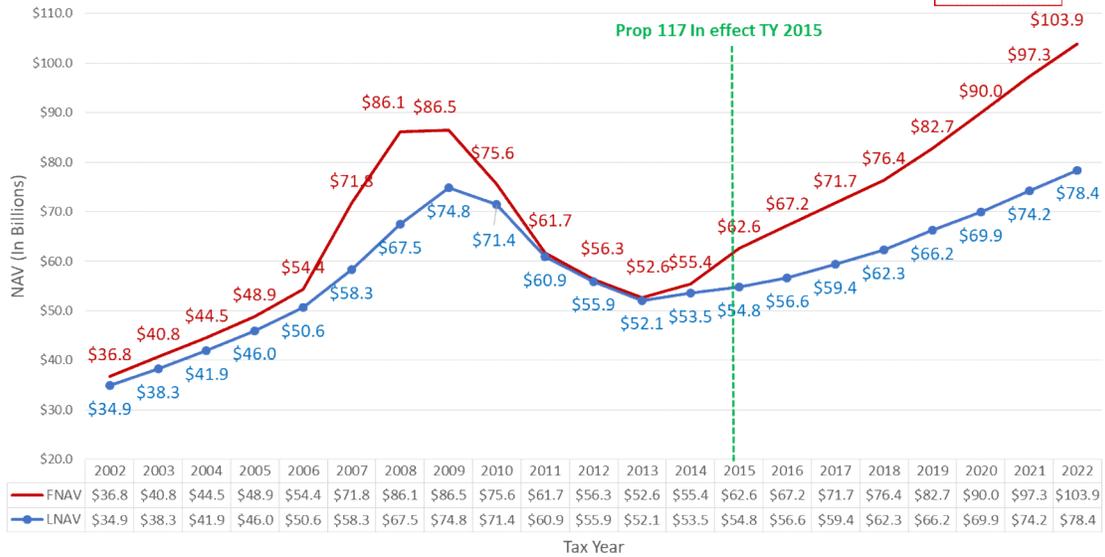
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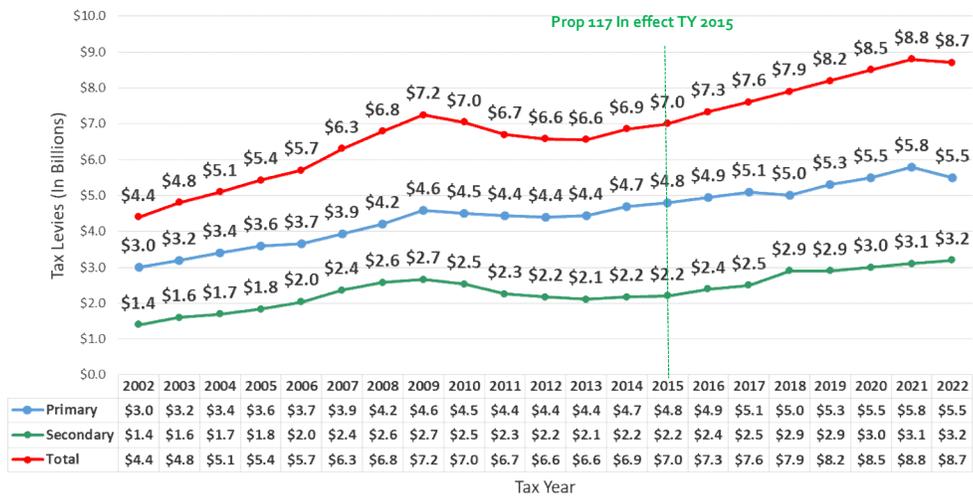
20-Year Property Values

FNAV no longer taxable



- 2002-2022: FNAV increased 182.3% or 9.1%/YR & LNAV increased 124.6% or 6.2%/YR.
- 2002-2007: FNAV increased 95.1% or 19.0%/YR & LNAV increased 67.0% or 13.4%/YR
- 2017-2022 (Post 117): FNAV grew 44.9% or 9.0%/YR & LNAV grew 32.0% or 6.4%/YR

20-Year Property Tax Levies



- 2002-2022: Total Levies up 97.7% (4.9%/YR): Secondary up 128.6% (6.4%/YR) & Primary up 83.3% (4.2%/YR)
- 2002-2007: Total Levies up 43.2% (8.6%/YR): Secondary Levies up 71.4% (14.3%/YR) & Primary up 30% (6%/YR)
- 2017-2022 (Post 117): Total Levies up 14.5% (2.9%/YR): Secondary up 28% (5.6%/YR) & Primary up 7.8% (1.6%/YR)

MTCC FAIL, *Continued from Page 1*

the required quorum to hold a public meeting. Currently, there are only three members on the Commission. Unbelievably, the AAG discovered that three proposed amendments submitted to the Commission in 2021 were simply ignored because of a lack of quorum.

In 2020, ATRA proposed legislation to provide taxpayers the ability to propose amendments to the MCTC as well as delegate the staffing responsibilities of the Commission to Department of Revenue staff. In 2021 ATRA proposed an amendment to the code only to see it ignored as a result of what is effectively a non-existent commission.

The Model City Tax Code, as well as the MTCC, were the creation of Arizona cities and towns who for decades opposed taxpayer efforts to both simplify Arizona's chaotic state and local sales tax system and create certainty and stability in our state and local sales tax code. The reality is neither the MCTC or the Commission came close to effectively addressing the administrative burdens placed on Arizona businesses in paying city sales taxes. The reality is the deterioration of the Commission is just the most recent example of a long standing broken policy that state policymakers should have fixed decades ago.

HIGHEST PROPERTY TAX JURISDICTIONS

Nestled between the rolling hills of Hayden-Winkelman lies the highest tax rate jurisdiction in the state. Property taxpayers situated within the Hayden-Winkelman school district in the Town of Hayden will be taxed at three times the rate than the statewide average tax rate. The total combined rate of \$30.35 in this old mining town is far above the statewide average of \$11.14.

The highest taxes in Arizona often occur in the most rural areas of the state and typically result from overlapping taxing jurisdictions, like counties, cities, school districts, and fire districts that simultaneously levy above-average tax rates. Driving the top combined tax rate (primary and secondary) in Hayden-Winkelman is the Town of Hayden, which levies the highest rate of all cities and towns at \$13.00. The \$11.83 tax rate levied by the school district includes an amount for the small school adjustment, which is unlimited, and for transportation services. The \$4.43 rate levied by Gila County ranks third highest of the 15 counties.

Like the school district in Hayden-Winkelman, school districts with extraordinarily high tax rates are capped at their existing rate due to ATRA-backed legislation passed in 2009. The "maximum tax rate" statutory provision prevents high tax rate school districts from increasing their rates if the school's primary tax rate is 150% of the Qualifying Tax Rate (QTR), which is currently \$3.43, and if half the homeowners are at the 1% constitutional cap. The Property Tax Oversight Commission (PTOC) reports that the tax rates of 22 out of the 213 school districts are currently frozen as a result of this law.

While Hayden-Winkelman taxpayers may be accustomed to paying high property taxes, the taxpayers in Crown King Fire District are not and should prepare to open their pocket books up much wider this year. Last year's

\$3.25 tax rate levied by the fire district last year (operations tax rate only) tripled this year to \$9.77, mainly as a result of a recent bond election. At the 2021 ballot, 57 of only 69 voters in Crown King approved a \$1 million bond for the fire district to be repaid for a period “not to exceed 20 years.” However, because the district has a small tax base and is subject to a debt limit not to exceed 6% of the total base, the fire district entered into an agreement to repay the bonds within a condensed time frame of only six years. Typically, the repayment of bonds is spread over many years, like 20 to 30, in order to moderate the annual tax rate levied against a jurisdictions’ taxpayers. The \$6.43 tax rate levied this year to repay the fire district bonds is unprecedented and will translate into a \$643 increase for every \$100,000 in value for homeowners and \$1,125 for businesses.

Other high tax rate jurisdictions include the Maricopa Unified SD in the City of Maricopa at \$19.02 and Cartwright Elementary/Phoenix Union in the City of Phoenix at \$18.99. There are ten jurisdictions in Maricopa County that make this list almost all because of high K12 school district tax rates. Six of those districts levy taxes for desegregation, a school inequity that has been on the books for decades.

The table below reflects the highest 30 tax rate jurisdictions in the state and the expenditures driving those rates.

County	Taxing Jurisdiction	High Tax Rate Drivers	County (CO)	Community College (CC)	City (CI)	Fire District (FD)	School District (SD)	Combined Tax Rate
Gila	Hayden-Winkelman/Hayden	CI,SD(TRCL/TSL,SS),CO	\$4.4325	\$0.9425	\$13.0000	\$0.0000	\$11.8296	\$30.3546
Gila	Hayden-Winkelman/Winkelman	CI,SD(TRCL/TSL,SS),CO	\$4.4325	\$0.9425	\$5.9400	\$0.0000	\$11.8296	\$23.2946
Pinal	Maricopa Unif/City of Maricopa*	CO,SD(AW),CI	\$3.8258	\$2.0580	\$5.0108	\$0.0000	\$7.8825	\$19.0225
Maricopa	Cartwright El/Phx Un/Phx	SD(OR,D,AW)	\$1.4570	\$1.1894	\$2.1130	\$0.0000	\$13.6863	\$18.9965
Cochise	Bowie Unif/FD	SD(SS)	\$3.0795	\$2.4297	\$0.0000	\$2.6345	\$10.6939	\$18.9876
Pinal	Eloy El/S.Cruz Un/Avra Valley FD	CO,SD(OR,B),FD	\$3.0795	\$2.0580	\$0.0000	\$4.0800	\$8.2165	\$18.4257
Coconino	Grand Canyon Unif/Tusayan FD	SD(SS), FD	\$1.5250	\$0.5209	\$0.0000	\$3.5000	\$12.1331	\$17.8290
Maricopa	Isaac El /Phx Un/Phx	SD(D,OR,B)	\$1.5250	\$1.1894	\$2.1130	\$0.0000	\$12.4830	\$17.6394
Cochise	Ash Creek El/Valley Un/El Frida FD	SD(SS), FD	\$1.5250	\$2.4297	\$0.0000	\$3.3750	\$8.0869	\$17.1211
Maricopa	Laveen El/Phx Un/FD	SD(OR,B,AW,D)	\$1.5250	\$1.1894	\$0.0000	\$2.1799	\$11.8733	\$17.0966
Yavapai	Crown King El/FD	FD	\$2.1227	\$1.5017	\$0.0000	\$9.7700	\$3.2900	\$16.7739
Pinal	Superior Unif/Town of Superior	CO,SD(OR)CI	\$1.5250	\$2.0580	\$5.6914	\$0.0000	\$4.9247	\$16.7453
Cochise	San Simon Unif./FD	SD(SS)	\$2.1227	\$2.4297	\$0.0000	\$2.1034	\$8.9393	\$16.7019
Cochise	Elfrida El/Valley Un/FD	SD(SS), FD	\$2.1227	\$2.4297	\$0.0000	\$3.3750	\$7.6081	\$16.6423
Maricopa	Alhambra El/Phx Un	SD(D,OR,B)	\$1.5250	\$1.1894	\$5.6914	\$0.0000	\$11.2949	\$16.4513
Pima	Vail Unif/Corona de Tucson FD	CO,SD(AW),FD	\$5.0652	\$1.2878	\$0.0000	\$3.0500	\$6.8087	\$16.4401
Maricopa	Littleton El/Tolleson Un/Tolleson	SD(AW, OR,B)	\$2.1227	\$1.1894	\$2.6796	\$0.0000	\$10.5450	\$16.4218
Maricopa	Pendergast El/Tolleson Un/Phx	SD(OR,B)	\$2.1227	\$1.1894	\$2.1130	\$0.0000	\$11.1003	\$16.4105
Pima	Flowing Wells Unif/Northwest FD	CO,SD(AW),FD	\$2.1227	\$1.2878	\$0.0000	\$3.1695	\$6.5638	\$16.3147
Pima	Sahuarita Unif/Arivaca FD	CO,SD(AW),	\$2.1227	\$1.2878	\$0.0000	\$2.5000	\$7.1594	\$16.2408
Santa Cruz	Santa Cruz El/Nogales Suburban FD	CO,SD(TRCL/TSL)	\$4.8618	\$0.4506	\$0.0000	\$3.3750	\$7.4375	\$16.2249
Cochise	Pearce El/Valley Un/Sunsites Pearce FD	SD(SS), FD	\$2.1227	\$2.4297	\$0.0000	\$3.3750	\$7.1888	\$16.2230
Maricopa	Roosevelt El/Phx Un	SD(D,AW,OR,B)	\$2.1227	\$1.1894	\$2.1130	\$0.0000	\$11.0331	\$16.1895
Pima	Marana Unif/Avra Valley FD	CO,SD(AW),FD	\$4.8618	\$1.2878	\$0.0000	\$4.0800	\$5.4689	\$16.1303
Pima	Tucson Unif/Drexel Hts FD	CO,SD(D,AW),FD	\$4.8618	\$1.2878	\$0.0000	\$3.6000	\$5.9173	\$16.0987
Maricopa	Buckeye El & Un/Buckeye Valley FD	SD (D,AW,OR,B), FD	\$2.1227	\$1.1894	\$0.0000	\$3.9165	\$8.6755	\$15.7892
Maricopa	Tolleson El & Un/Tolleson	SD (AW,OR,B)	\$2.1227	\$1.1894	\$2.6796	\$0.0000	\$9.7233	\$15.6001
Pinal	Mamm.-San Man. Unif/San Man.&Pinal Rural FD	CO,SD(TRCL/TSL)	\$4.8618	\$2.0580	\$0.0000	\$3.3750	\$5.9015	\$15.4057
Santa Cruz	Sonoita El/Patagonia Un/FD	CO,SD(SS)	\$4.8618	\$0.4506	\$0.0000	\$2.7200	\$7.0895	\$15.2719
Maricopa	Union El/Tolleson Un	SD(OR,B)	\$4.8618	\$1.1894	\$2.1130	\$0.0000	\$9.9541	\$15.2643

*City of Maricopa taxpayers pay Maricopa Fire District debt service.

SD: Small School (SS); Deseg (D); Override (OR); Bonds (B); Adjacent Ways (AW); Transportation Revenue Control Limit/Transportation Support Level (TRCL/TSL).

Certain special taxing districts are not stated separately and account for the difference between the sum of the major taxing jurisdiction columns and the stated total combined rates.