

ATRA SUPPORTS SB1206

Background:

SB1206 is the result of a recommendation from the Tax Reform for Arizona Citizens (TRAC) committee that studied Arizona's tax system for the last two years. A focal point of the TRAC study was the 1% constitutional cap on primary property taxes for residential property taxpayers. The following are the two key provisions associated with the cap:

- The **constitution** caps residential primary property taxes at 1% of the limited value. This constitutional provision does not cap property tax rates once the 1% cap is reached.
- State statute requires the state general fund to make up the difference in the amount of taxes owed in excess of the 1% cap on residential property.

Basis for ATRA's Support:

While the 1% cap achieves the goal of protecting residential taxpayers from excessive taxation, it also has the unintended consequence of actually encouraging primary property tax rate increases. Once residential taxpayers are insulated from paying for further tax rate increases, local governments are allowed to shift the costs of tax increases to the state general fund. Further, because the 1% cap only applies to residential property, all other property taxpayers (business, agriculture, vacant land) continue to pay these excessive rates.

SB1206 is a modest effort to try to address the serious problems associated with the 1% cap. SB1206 focuses tax rate caps on school districts that meet the following criteria:

- At least 50% of the residential property value of the district exceeds the 1% cap. (*This helps ensure that the school district is primarily responsible for the high primary tax rate.*)
- The school primary tax rate exceeds 150% of the qualifying tax rate (QTR) set each year by the legislature. (*This provision further ensures that the school district has a primary tax considerably higher than that required by state law.*)

Attached is a list of school districts that would have been affected by this law for tax year 2005.

Final Point: School district primary tax rates are not a matter of "local control." The legislature is responsible for the laws governing school finance and ultimately the level of primary property taxes



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Schools; Maximum Property Tax Rate

County	School District	Current Primary Rate
Apache	None	
Cochise	Bowie Unified	\$10.5605
	San Simon Unified	\$9.4000
	Ash Creek Elementary	\$8.0568
	McNeal Elementary	\$7.5790
Coconino	None	
Gila	Hayden-Winkelman Unified	\$11.8875
Graham	None	
Greenlee	None	
La Paz	None	
Maricopa	Paloma Elementary	\$14.3301
	Isaac Elementary	\$7.2633
Mohave	Colorado City Unified	\$11.4664
Navajo	None	
Pima	Tucson Unified	\$6.4327
	Empire Elementary	\$8.0930
Pinal	Eloy Elementary	\$4.0519
	Santa Cruz Valley Union	\$2.8145
	Maricopa Unified	\$6.1208
	Picacho Elementary	\$2.9973
	Combs Elementary	\$6.1718
	Red Rock Elementary	\$3.9900
	Toltec Elementary	\$2.8650
Mammoth/San Manuel Unified	\$5.8688	
Santa Cruz	Sonoita Elementary	\$5.9349
	Patagonia Union	\$3.2983
Yavapai	Ash Fork Unified	\$10.4246
Yuma	None	