

ATRA SUPPORTS SB1002/HB2220

SKYROCKETING VALUES ARE PERMANENT... SO SHOULD THE TAX RATE RELIEF

Background:

Over the last few years, residential and commercial property valuations have increased dramatically, and if left unchecked, those valuation increases will translate into large property tax increases.

In 2006, the Legislature responded to this potential crisis by reducing a state controlled tax rate (county education/state equalization rate) as well as insuring that local governments were prohibited from raising primary property taxes in 2006. In addition, the Legislature referred Proposition 101 to the 2006 general election ballot which was designed to ensure that counties, community college districts, and cities receive voter approval before raising primary property taxes above established limits. Arizona voters approved Proposition 101 in November of 2006.

The Legislature's action in 2006, coupled with the voter's support of Proposition 101, was an appropriate response for managing the problem that policymakers and taxpayers face with growing property taxes. However, the shortcoming of that response was that during final negotiations on the budget and tax package, the property tax rate relief was made temporary.

ATRA's Recommendation:

The temporary tax rate relief is a problem on two fronts:

First, the rate was reduced in recognition of skyrocketing valuations. Those valuation increases are permanent! Why would the rate relief be temporary? In fact, even with the rate relief, most property taxpayers will continue to see annual increases.

Second, the temporary nature of the rate relief significantly undermines what otherwise would have been a strong signal from state policymakers that they intend to manage this problem. As California style Proposition 13 initiatives are circulated for the 2008 ballot, the proponents will use the pending tax increase scheduled for 2009 as ammunition as to why state policymakers cannot be trusted with managing Arizona's property tax system.

ATRA recommends the Legislature repeal the scheduled property tax increase in 2009 by passing SB1002/HB2220!



ARIZONA TAX RESEARCH ASSOCIATION

1814 West Washington Street, Phoenix, Arizona 85007

(602) 253-9121

www.arizonatax.org

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