

ATRA SUPPORTS HB2586/SB1256

Placing levy limits that exist for counties, community colleges, and cities on special districts

Background

Secondary property taxes are levied against the secondary net assessed value, which tracks market value, and funds voter-approved bonds, overrides, and special taxing districts.

In 2007, statewide secondary net assessed values increased at the record rate of 32.1% while total secondary taxes jumped 16%. Considering just the levy growth in the countywide special taxing districts, such as the county library and flood control districts, taxpayer's were burdened with paying an additional 14.4% (\$32.8 million) over the previous year.

Although statewide secondary taxes grew 16%, primary property taxes grew by less than half that rate at 7.1%. The reason for the limited growth on primary levies verses secondary levies is simple: the primary levies of counties, cities, and community colleges have levy limits. Most secondary taxing districts only have caps on the maximum rate that can be levied against property and are not regulated by levy limits.

Arizona's fire districts increased their levies even higher than the countywide special districts, with a huge 26% statewide tax increase (\$45.3 million). Despite the dramatic rise in property values, the majority of fire districts failed to reduce their tax rates, or did not reduce their rates enough, to offset the growth in value. Although the fire districts have a maximum rate cap of \$3.25 per \$100 of assessed value, that rate cap failed to protect taxpayers against huge tax increases.

ATRA's Recommendations:

In order to prevent taxpayers from unwarranted tax increases, ATRA recommends placing the same levy limits that currently apply to primary property taxes for operational purposes for counties, cities, and community colleges on the operational levies of countywide special districts and fire districts.

The proposed statutory recommendations in HB2586/SB1256 are reasonable approaches to prohibiting property value increases from automatically translating into higher taxes. There are currently several property tax initiatives that threaten to make it on the 2008 ballot that will surely damage Arizona's public finance system if successful. Legislators need to show taxpayer's that they are capable of managing the property tax crisis by voting yes on HB2586/SB1256.

**ATRA asks lawmakers to adopt meaningful secondary property tax limits.
Valuation growth shouldn't result in tax increases!**



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