

ATRA SUPPORTS SB1163

Reducing the Assessment Ratio for Business Property Taxes

Summary

SB1163 reduces the assessment ratio for business property taxes (class 1) from 20% to 19% in tax year 2012, and 18% in tax year 2013. Additionally, the assessment ratio is reduced for agricultural property (class 2) from 16% to 15% in tax year 2013.

Basis for ATRA's Support

Arizona has one of the most complicated property tax systems in the country. One such complexity is Arizona's classification system. Arizona classifies property according to usage into nine classes.

The largest classes are business (class 1), which is taxed at 20% of value, and residential (class 3), which is taxed at 10% of value. The assessment ratios are used to shift taxes from one class of property to another. In Arizona's case, the tax burden is shifted so that, dollar for dollar, business pays roughly two times more than residential. The result of this policy is obvious: Arizona has considerably higher business property taxes than other states.

On a national level, Arizona industrial property ranks 15th, while residential property ranks 46th (see next page). The practical effect of these high tax rates is that very few capital-intensive manufacturers are willing to locate in Arizona without some form of a tax break. Many of the recent manufacturing plants have been placed in foreign trade zones (class 6), which are taxed at only 5% of value. ATRA strongly believes that the economic development challenges associated with Arizona's high business property taxes should be addressed by creating greater equity for all business property taxpayers as opposed to rifle-shot relief to selected companies or industries.

ATRA ASKS FOR YOUR SUPPORT BY VOTING YES ON SB1163



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Serving Arizona's Taxpayers Since 1940

**Residential Property Taxes
Payable 2009**

**Industrial Property Taxes
Payable 2009**

\$150,000 Land and Building

**\$25,000,000 Land and Building
\$12,500,000 Machinery and Equipment
\$10,000,000 Inventories \$2,500,000 Fixtures**

Rank	State	NET TAX	ETR	Rank	State	NET TAX	ETR
1	Michigan	4,884	3.256%	1	South Carolina	1,538,879	3.078%
2	Connecticut	4,068	2.712%	2	Michigan	1,480,031	2.960%
3	Pennsylvania	3,931	2.621%	3	Texas	1,261,850	2.524%
4	Illinois	3,920	2.614%	4	Mississippi	1,242,554	2.485%
5	New York	3,636	2.424%	5	Missouri	1,150,676	2.301%
6	Wisconsin	3,276	2.184%	6	Kansas	1,141,163	2.282%
7	Maryland	3,164	2.109%	7	Indiana	1,090,901	2.182%
8	Nebraska	2,959	1.973%	8	Iowa	1,087,622	2.175%
9	Texas	2,865	1.910%	9	Tennessee	1,046,277	2.093%
10	North Dakota	2,783	1.855%	10	Pennsylvania	1,029,057	2.058%
11	Iowa	2,774	1.850%	11	Louisiana	1,026,584	2.053%
12	New Hampshire	2,748	1.832%	12	New York	976,546	1.953%
13	Tennessee	2,706	1.804%	13	D.C.	935,725	1.871%
14	Ohio	2,605	1.736%	14	Connecticut	881,326	1.763%
15	Vermont	2,547	1.698%	15	Arizona	843,417	1.687%
16	New Jersey	2,509	1.673%	16	West Virginia	837,311	1.675%
17	Maine	2,309	1.539%	17	Minnesota	836,978	1.674%
18	Missouri	2,125	1.416%	18	Nebraska	801,442	1.603%
19	Georgia	2,072	1.382%	19	Georgia	796,740	1.593%
20	Mississippi	2,067	1.378%	20	Rhode Island	777,575	1.555%
21	Alaska	1,969	1.313%	21	Colorado	764,515	1.529%
22	Kansas	1,947	1.298%	22	Illinois	722,758	1.446%
23	Minnesota	1,861	1.241%	23	Oklahoma	701,910	1.404%
24	Rhode Island	1,816	1.211%	24	Arkansas	696,893	1.394%
25	Kentucky	1,790	1.193%	25	Maine	687,425	1.375%
26	New Mexico	1,781	1.187%	26	Vermont	648,283	1.297%
27	Oklahoma	1,765	1.177%	27	Maryland	646,380	1.293%
28	California	1,745	1.163%	28	Massachusetts	643,863	1.288%
29	Indiana	1,729	1.153%	29	Florida	640,008	1.280%
30	Arkansas	1,723	1.149%	30	Wisconsin	623,538	1.247%
31	South Dakota	1,709	1.139%	31	Alaska	604,888	1.210%
32	Florida	1,699	1.132%	32	New Mexico	592,043	1.184%
33	Nevada	1,678	1.119%	33	Oregon	584,106	1.168%
34	North Carolina	1,613	1.075%	34	Montana	580,774	1.162%
35	Oregon	1,605	1.070%	35	Ohio	555,647	1.111%
36	Montana	1,602	1.068%	36	Alabama	549,849	1.100%
37	Delaware	1,303	0.869%	37	Idaho	548,948	1.098%
38	West Virginia	1,151	0.768%	38	Utah	548,172	1.096%
39	Utah	1,105	0.737%	39	North Dakota	506,751	1.014%
40	Idaho	1,084	0.723%	40	California	488,176	0.976%
41	Washington	1,068	0.712%	41	North Carolina	463,460	0.927%
42	Louisiana	1,065	0.710%	42	New Hampshire	458,040	0.916%
43	Virginia	1,011	0.674%	43	Nevada	449,000	0.898%
44	Wyoming	971	0.648%	44	New Jersey	418,221	0.836%
45	Alabama	971	0.647%	45	South Dakota	365,500	0.731%
46	Arizona	905	0.604%	46	Kentucky	354,488	0.709%
47	South Carolina	812	0.541%	47	Wyoming	318,435	0.637%
48	Colorado	800	0.533%	48	Hawaii	302,591	0.605%
49	D.C.	646	0.431%	49	Washington	295,385	0.591%
50	Hawaii	221	0.148%	50	Virginia	240,497	0.481%
51	Massachusetts	144	0.096%	51	Delaware	217,248	0.434%
AVERAGE		1,960	1.306%	AVERAGE		729,805	1.460%

Source: Minnesota Taxpayers Association