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ARIZONA TAX RESEARCH ASSOCIATION

ATRA OPPOSES HB2060 New Residential/Commercial Property Tax

The worst precedents always start with a very narrow application

HB2060 creates a new property tax on residential and commercial property, private schools, and church property for the payment of a general operating expense of a city: fire protection. This new property tax, which the proponents call a fee, will be collected by the county treasurer in the same manner as other ad valorem property taxes. In order to ensure payment of taxes, the county treasurer is given the authority to put a lien on property and ultimately sell that property for unpaid taxes.

ATRA strongly opposes the creation of a new property tax on homes and businesses that will have none of the limitations or protections that are built into the existing property tax system. A primary property tax, which the proponents already have the authority to impose, is constitutionally limited in its annual growth. The tax in HB2060 has no clear limit other than what the annual contract for fire services dictates.

The properties that are subject to tax under the new property tax in HB2060 are different from the existing ad valorem property tax. Under the current ad valorem property tax, all taxable property is subject to the tax rates of local governments. This new property tax will not apply to utility property or vacant land. On the flip side, this new tax will apply to private schools and churches (excluding the square footage of the sanctuary), which are generally exempt under the ad valorem property tax.

Lastly, the Town of Paradise Valley has made no legitimate arguments to justify such a major piece of tax legislation. The current property tax system already provides for the Town of Paradise Valley to impose a primary property tax, through a public vote, if they feel they need more tax revenue for operating purposes. ATRA was told that the primary reason for the Town of Paradise Valley seeking this legislation was that they wanted to avoid the stigma of having a "property tax." ATRA would argue that the 50th Legislature should avoid the distinction and stigma of passing the enabling legislation for a new a tax on real estate in Arizona.