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# ARIZONA TAX RESEARCH ASSOCIATION

## **ATRA OPPOSES SB1309**

### ***Providing a targeted property tax break is bad policy***

#### **Background:**

SB1309 provides a significant and targeted property tax reduction to a gasoline manufacturer. Specifically, SB1309 changes the property tax classification for a company that produces zero-sulfur gasoline from natural gas from class one property to class six property. SB1309 would provide this gasoline manufacturer with a 5% assessment ratio in class six compared to the 18% assessment ratio applied to most other business property taxpayers in class one. This results in a 72% reduction in property tax liability compared to other business property in class one.

In addition to the favorable class six designation, SB1309 also provides additional tax relief by extending Arizona's accelerated depreciation for personal property to this gasoline manufacturer.

#### **Basis for ATRA's Opposition:**

Arizona has considerably higher business property taxes compared to other states as a result of Arizona's longstanding policy to shift the burden from residential property (classes 3 & 4), which is assessed at 10%, to business property (class 1), which is currently assessed at 18%. Each year Arizona's property tax system shifts hundreds of millions in taxes from residential property to businesses. Not surprisingly, this policy creates economic development challenges as Arizona's effective property tax rates are higher than many of our competitor states. Based on a 2019 study published by the Minnesota Center for Fiscal Excellence, commercial and industrial property now ranks 21st in the nation. Back in 2005 when the assessment ratio for class 1 property was 25%, Arizona had the 4th highest business property tax burden in the nation. Since then, thanks to a series of property tax reform measures, lawmakers have made considerable progress in reducing the assessment ratio on class one property.

To their credit, policymakers have mostly rejected calls over the last decade to address Arizona's high business property taxes through rifle-shot tax breaks to specific industries. Providing targeted tax breaks for popular businesses discourages efforts to improve the system in an equitable manner for all.

ATRA continues to support policies that provide for equitable treatment among property taxpayers and will oppose efforts that undermine that important policy principle. In fact, Arizona lawmakers have another opportunity this year to support an ATRA backed bill (SB1108 Mesnard) that reduces the class one assessment ratio to 17% over the next two years.

***ATRA ASKS YOU TO VOTE NO ON SB1309!***