ATRA SUPPORTS HB2213

GPLET Deals Should Pay School Taxes; Not Shift Cost to State

Background:

Government Property Lease Excise Tax (GPLET) is a mechanism to tax private business residing on certain government properties. Essentially, it is a mechanism to "reach through" a property-tax exempt parcel and charge the business an "excise" tax in lieu of a property tax.

In 2010, lawmakers made several reforms to GPLET including higher excise tax rates which align closer to property tax rates and limiting deals to 25 years. The 1996 rates were fractional amounts which decreased 20% every 10 years until zeroing out entirely after 50 years. Regrettably, a 10 year grandfather window was provided and the 1996 rates continue to be used in deals today.

A December 2015 Auditor General report on GPLET found several deficiencies in the mechanism, most notably that the 2010 reforms had little effect. Some businesses were either not paying or paying incorrectly. In a survey of just 12 GPLET leases, $236,119 in tax revenue was not collected over four years due to incorrect calculations. Of the more than 268 leases identified, just 16 were subject to the 2010 rates.

Basis for ATRA's Support:

GPLET and specifically the abatement was created to revitalize "slum and blight" areas in business districts. Instead, abatement has been used to subsidize developers for deals on Mill Avenue, build luxury condos in downtown Phoenix and hasten urban sprawl in Queen Creek. Areas leveraging tax abatement such as downtown Phoenix and Tempe are home to some of the most expensive and sought after areas in the state. Deals which can exist for several decades shift property taxes to their neighbors and pit competitive businesses against each other.

Worse, cities have found ways to deny tax revenue for every entity but themselves. Cities have instituted special fees on developers in the development deals which offset what they would lose in property taxes. So while the county, state, community college and school districts do without, municipal government is held harmless.

A stakeholder process resulted in significant changes from the underlying bill. Several changes were applied based on recommendations from municipalities and developers.

As amended, HB2213 limits- on a prospective basis, the length of GPLET deals for those receiving full property tax abatement to a total of eight years. This means in year nine, all jurisdictions including the K-12 school districts receive the benefit of an added taxpayer and do not have to manage the complications of GPLET payments. It also includes several reforms as recommended by the Auditor General such as making the government lessor responsible for calculating the correct GPLET payment.

ATRA ASKS LAWMAKERS TO VOTE YES ON HB2213!