



*The taxpayer's watchdog for over 75 years*

# ARIZONA TAX RESEARCH ASSOCIATION

## **ATRA SUPPORTS SB1523**

### *Increased Taxpayer Protection from Large Tax Increases*

#### **Background:**

There are constitutional and statutory provisions that are intended to protect taxpayers from punitive tax increases. Since 1980, counties, community colleges, cities and towns have been subject to the constitutional levy limits of 2% plus growth and the levy limit capacity grows every year regardless of use. In 2006, the voters approved Prop 101, which rebased the 1980 levy limits by removing \$186 million in excess capacity from the system.

Arizona's first Truth in Taxation (TNT) law was enacted into statute in 1996. At that time, property values were growing dramatically yet local governments were not adjusting the tax rates downward to offset the growth in values. As a result, property taxes grew significantly, similar to the growth experienced a few short years ago. The TNT law requires counties, community colleges, cities and towns, and school districts to provide public notice of the intent to increase primary property taxes over the prior year, exclusive of new construction. Under current law, TNT requires an entity proposing to increase primary property taxes to publish a notice in a newspaper of general circulation twice prior to a public hearing. Irrespective of the magnitude of the tax increase, only a simple majority vote of the board or council is required.

Even with the constitutional and statutory limitations in place, there has been the occasional incidence in which a taxing jurisdiction raised taxes dramatically in one year. For example, in tax year 2015, the Town of Clifton increased primary property taxes 40% over its TNT limit. This was possible because although the town is subject to the 2% constitutional limit, enough capacity had been created to allow such an increase to occur with just a simple majority vote. Pinal Community College also raised taxes nearly 25% over TNT in tax year 2015, again, with a simple majority vote.

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

SB1523 is a taxpayer protection measure that requires a unanimous vote of a governing body to approve a primary property tax increase of 15% or higher (exclusive of the taxes associated with new construction). Importantly, this measure only applies to primary property taxes and not to secondary taxes that fund voter-approved bonds.

Historically, few taxing jurisdictions have subjected taxpayers to such large tax increases. However, in that rare occurrence, those extraordinary tax increases should require more than just a simple majority vote of the governing body. Such dramatic tax increases should require the higher threshold of a unanimous vote of the governing body.

***ATRA ASKS FOR LAWMAKERS TO VOTE YES ON SB1523!***