Right Size Arizona’s Business Property Tax

- Lowering the Class 1 Assessment Ratio from 18% to 17% continues to move the state towards a more equitable, sustainable property tax base
- Arizona’s business property taxes are uncompetitive
- AZ ranks high both regionally and nationally in business property taxes
  - Creates demands for incentives for well-connected or new businesses
  - Masks homeowners to the true cost of government
- Lowering the State Equalization Rate avoids tax shifts, gives all taxpayers a small tax cut, & avoids any impact to K-12 education formula

Regional Comparison of Business Property Tax Rates

Effective Tax Rate %: Annual Property Tax Burden
Total Value

Source: 50-State Property Tax Comparison Study, Minnesota Center for Excellence, 2019, comparing medium sized industrial property.
WHAT ARE ASSESSMENT RATIOS?

After property is valued, a ratio is applied to determine how much will be subject to tax.
At 18%, business property in Class 1 pays nearly double that of homeowners and renters.
Business property subsidizes other classes of property by roughly $829 million annually.
Though Class 1 only makes up 21% of statewide total value, it pays 35.6% of total property taxes.

WHAT’S THE DEAL WITH FOREIGN TRADE ZONES, CLASS 6, GPLET, & OTHER LEASEBACK DEALS?

The desire to avoid Arizona’s high business property taxes is strong.
Businesses seek shelter in lower tax areas, or request incentive deals to develop property.
Policymakers can either reform the system, or face more demands for targeted tax breaks.