Overview

I. The early years – Good and Bad

II. Current system – Good and Bad

III. Are property taxes going up?

IV. Impact of market on assessments.

V. Impact of increasing market values.

VI. Who is responsible?

Maricopa County Assessor
Keith E. Russell, MAI

Territorial Days

1871 Territorial Legislature enacted revenue code:

1. Sheriff acted as Assessor and Treasurer

3. Penalty for understatement – Assessed at five times Full Cash Value

4. Bounty Hunters – bounty up to 50% of increase

5. Neglect or refuse to pay - sheriff could confiscate property and sell in 3 days

Statehood/the early years

1. State Constitution sets up office of Assessor and Treasurer
2. Provides for basic protection from excessive taxation
3. First Tax Commission found properties valued between 25% and 70% of Full Cash Value
4. All properties assessed at 50% of full cash value

Statehood/the early years

Maricopa Taxpayers Association – 1959

Report Summary…
"…the picture of assessment of real property in the State of Arizona… is a potpourri of political favoritism, a hodgepodge of inefficient evaluation and a crazy quilt of unequal apportionment of the cost of government and education."

Current System

Established in 1980

Response to California prop 13

Expanded property owner rights/protection

Two assessment levels (only one market driven)

Three levels of appeals

Complicated, complicated, complicated

Program Questions

1. Are Arizona Property Taxes going up?
2. What impact does the market have on assessments?
3. What impact do increasing values have on tax bills?
4. Who is responsible?

Are Arizona Property Taxes going up?

We approved over one billion dollars in bonding throughout the state last Tuesday in a variety of bond and/or override elections.

You vote directly or indirectly on all taxes.

Ballot Items
Elected Officials

Do you want services to go up or down?

Review of Property Tax System

Three elements required in calculation of tax:

1. **Assessments - Assessor**
2. **Legal Class Code - Legislature**
3. **Tax Rate – Taxing Jurisdictions**

Assessments - Assessor

Assessments are the way we spread the tax responsibility over all the properties located in the taxing jurisdiction.

Our system is designed to spread the responsibility of the tax obligation based on the relative value of the property and the property type.

We use market value as the basic measuring tool but we could use other methods.

Assessments – Assessor

The assessed value really has little meaning by itself for taxation purposes. Only when it is considered as part of the total assessed value in the jurisdiction does it have relevance.

The assessed value as a percentage of the total assessed value in the jurisdiction and reflects each property owner's pro rata share of the total collected by each jurisdiction.

Maricopa County new construction last 10 years

Tax Year	New Construction	Total NAV
1995	$584,984,506	$13,493,736,826
1996	$497,600,272	$13,935,172,262
1997	$800,968,738	$15,006,270,531
1998	$803,367,859	$16,017,265,623
1999	$916,559,874	$17,463,875,533
2000	$1,634,523,764	$19,362,298,255
2001	$1,182,262,215	$21,355,326,477
2002	$1,287,964,302	$22,955,864,882
2003	$1,475,173,715	$25,447,850,971
2004	$1,552,183,859	$28,070,870,413
2005	$1,496,021,274	$31,010,284,705
TOTAL	$12,231,610,378	

Legal Class Code

Residential - 10%
Commercial - 25% to 20% over ten years
Vacant Land - 16%

These ratios are set by the legislature.

Tax Rate

Budgets and tax rates are set each year by each taxing jurisdiction.

Budget set on or before 2nd Monday in August.

Tax rate set before 3rd Monday in August.

There are restrictions on the increase.

What impact does the market have on assessments?

By statute each assessor in Arizona swears or affirms an oath of office …

"to the best of my knowledge and ability, truly and fairly determine the valuation without favor or partiality of all the taxable property in said county at its full cash value."

The relationship between assessments and the market is checked every year by the Department of Revenue with sales ratio studies.

What impact does the market have on assessments?

The Department standards actually help keep assessed values slightly below typical sales prices.

Studies check actual sales against assessed value.

Intent is to make sure everyone in the taxing jurisdiction is valued similarly. If the difference between assessed value and market value is outside the Department's ranges they may force the Assessor to either raise or lower the values.

What impact do increasing values have on tax bills?

Any increase or decrease in assessed value is really separate from the amount required by the taxing jurisdiction.

The amount budgeted should be based on the needs and the expectations of the citizens of the jurisdiction not on the value of the property.

Who is responsible?

You are. There is no tax collected without a number of votes.

You elect the Assessor. The Assessor determines the property owners pro rata share of the total bill (most of that methodology is set by statute).

You elect the members of the legislature which sets the legal class ratios and are ultimately responsible for the tax system (as long as it meets the requirements of the constitution).

Who is responsible?

The biggest impact you have on your tax bill is with the taxing jurisdiction. You vote directly for each bond or override. You elect the governing body of each taxing jurisdiction which set the budget for that district. You give direction to each jurisdiction on what services you expect.