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ARIZONA TAX RESEARCH ASSOCIATION

ATRA SUPPORTS SB1293 Saves the State General Fund Millions!

The Government Property Lease Excise Tax (GPLET) law allows cities to abate taxes for developers over eight years. SB1293 would require the excise taxes under GPLET to be remitted to school districts. In addition to robbing the school districts of their property tax revenue, current law actually requires the state general fund to subsidize some of that loss through additional state aid payments. SB1293 returns those funds to school districts as well as saving the state general fund millions in “state aid” to school districts.

In addition to these public finance/tax benefits, SB1293 also helps address the obvious Gift Clause violations that are occurring in these GPLET deals.

In 2021, the Arizona Supreme Court’s historic Gift Clause decision under *Schires v. Carlat* found that the City of Peoria violated the State Constitution’s Gift Clause when it promised to pay up to \$2.6 million to a private university to offer an undergraduate degree program in the city.

Arizona’s Gift Clause states that a municipality may not “give or loan its credit in the aid of, or make any donation or grant, by subsidy or otherwise, to any individual, association, or corporation.”

Even before the *Schires* decision, the Maricopa Superior Court found under *Englehorn v. Stanton* in 2020 that the tax subsidy under the Government Property Lease Excise Tax (GPLET) between the City of Phoenix and a developer to build a high-rise residential tower in downtown Phoenix violated the Gift Clause. Specifically, the Court ruled that the benefits to the developer over the term of the lease were “grossly disproportionate” to the amount received by the public.

These GPLET deals continue to be made and taxpayers can’t be expected to legally challenge every one of them. To reduce potential Gift Clause violations to future GPLET deals, SB1293 limits the abatement of excise taxes to all entities except for school districts.

ATRA ASKS LAWMAKERS TO VOTE YES ON SB1293!