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ARIZONA TAX RESEARCH ASSOCIATION

ATRA SUPPORTS SB1495

Reduces Business Personal Property Tax & Administrative Burden on Small Business

Reforming the tax on business personal property (BPP) has been a bipartisan effort for decades. In 1996, the voters approved a constitutional amendment to exempt the first \$50k on BPP per taxpayer. The constitutional exemption was later enhanced by requiring the exemption to be adjusted annually for inflation, bringing the current exemption to \$248k. In 1994, the Legislature enacted “accelerated depreciation” for newly acquired BPP and has adjusted it twice since initially enacted. In 2022, legislation was enacted to limit the tax on new BPP to a valuation factor of 2.5%. With the passage of Prop 130 in 2022, voters gave the Legislature the authority to fully exempt the tax on locally assessed BPP.

In addition to being a tax that discourages capital investment in Arizona, the BPP is also complicated and inefficient. Worse, many business taxpayers often fail to self-report because they are unaware they owe the taxes.

Previous actions by the Arizona Legislature and voters have reduced the tax base and administrative burden on small businesses, as well as the administrative burden on county assessors and treasurers who are tasked with administering the tax.

SB1495 further reduces the tax and administrative burden by increasing the BPP exemption to \$500k.