

State of Arizona
Senate
Forty-fifth Legislature
First Regular Session
2001

SB 1259

Introduced by
Senator Bundgaard

AN ACT

AMENDING SECTIONS 15-905.01, 15-1461.01, 42-17003, 42-17004, 42-17005, 42-17104 AND 42-17107, ARIZONA REVISED STATUTES; RELATING TO PROPERTY TAX ASSESSMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-905.01, Arizona Revised Statutes, is amended to
3 read:

4 15-905.01. Truth in taxation; calculation; notice and hearing;
5 vote on tax increase

6 A. Each school district shall determine its truth in taxation base
7 limit for expenditures as follows:

8 1. Determine the amounts budgeted in fiscal year 1999-2000 for
9 expenditures in the following categories:

10 (a) Desegregation pursuant to section 15-910.

11 (b) Dropout prevention programs.

12 (c) Excess utilities pursuant to section 15-910.

13 (d) Vocational and ~~technical~~ TECHNOLOGICAL center operations pursuant
14 to section 15-910.01.

15 (e) Small school adjustments pursuant to section 15-949.

16 2. The sum of the expenditures in paragraph 1 of this subsection for
17 fiscal year 1999-2000 shall become the truth in taxation base limit.

18 3. For any year after fiscal year 1999-2000, a school district whose
19 aggregate budgeted expenditures for the expenditures prescribed in paragraph
20 1 of this subsection exceed the truth in taxation base limit shall publish a
21 truth in taxation hearing notice that meets the requirements of subsection B
22 of this section. If the amount exceeding the previous truth in taxation base
23 limit is approved by the school district governing board following the
24 hearing prescribed in subsection B of this section, the excess amount plus
25 the previous truth in taxation base limit becomes the school district's new
26 truth in taxation base limit.

27 4. If a school district no longer qualifies for one or more of the
28 expenditures prescribed in paragraph 1 of this subsection, the amount
29 budgeted for the most recent fiscal year in which the school district was
30 eligible for that expenditure shall be deducted from the school district's
31 truth in taxation base limit.

32 B. For any fiscal year in which a school district governing board
33 budgets an amount that is higher than the truth in taxation base limit
34 calculated pursuant to subsection A of this section, any fiscal year in which
35 a school district levies any amount for adjacent ways pursuant to section
36 15-995 or any fiscal year in which the school district levies any amount for
37 liabilities in excess of the school district budget pursuant to section
38 15-907:

39 1. The school district shall publish a notice that meets the following
40 requirements:

41 (a) The notice shall be published once in a newspaper of general
42 circulation in the school district. The publication shall be at least ten
43 but not more than twenty days before the date of the hearing.

1 (b) The notice shall be published in a location other than the
2 classified or legal advertising section of the newspaper in which it is
3 published.

4 (c) The notice shall be at least one-fourth page in size and shall be
5 surrounded by a solid black border at least one-eighth inch in width.

6 (d) The notice shall be in the following form, EXCLUDING THE
7 PARENTHETICAL EXPLANATIONS AND with the "truth in taxation hearing - notice
8 of tax increase" headline in at least eighteen point type:

9 Truth in Taxation Hearing

10 Notice of Tax Increase

11 In compliance with section 15-905.01, Arizona Revised
12 Statutes, _____ school district is notifying its property
13 taxpayers of _____ school district's intention to raise its
14 primary property taxes over the current level to pay for
15 increased expenditures over the state-imposed spending
16 limit. The _____ school district is proposing an increase
17 in its primary property tax levy of \$_____ (amount of levy
18 increase to pay for truth in taxation base increase PLUS ANY
19 AMOUNT LEVIED FOR ADJACENT WAYS OR LIABILITIES IN EXCESS OF THE
20 BUDGET) or _____% (THE AMOUNT OF THE INCREASE EXPRESSED AS A
21 PERCENTAGE OVER THE PREVIOUS YEAR'S TRUTH IN TAXATION BASE LIMIT
22 EXCLUDING AMOUNTS LEVIED FOR ADJACENT WAYS OR LIABILITIES IN
23 EXCESS).

24 For example, the proposed tax increase will cause
25 _____ school district's primary property taxes on a \$100,000
26 home to increase from \$_____ (the rate used to pay for the
27 current truth in taxation base limit [the amount divided by the
28 current net assessed value] available February 10 pursuant to
29 section 42-17052] applied to \$100,000] to \$_____ (the
30 rate used to pay for the proposed truth in taxation base limit
31 [the amount divided by the current net assessed value available
32 February 10 pursuant to section 42-17052] applied to \$100,000).

33 This proposed increase is exclusive of the amount produced
34 by levying the qualifying tax levy as prescribed in Arizona
35 Revised Statutes section 15-971, subsection B, section
36 15-918.05, if applicable, and section 15-919.05, if applicable.
37 The increase is also exclusive of any changes that may occur
38 from property tax levies for voter approved bonded indebtedness
39 or budget and tax overrides.

40 All interested citizens are invited to attend the public
41 hearing on the proposed tax increase scheduled to be held
42 _____ (date and time) at _____ (location).

43 2. In lieu of publishing the truth in taxation notice, the governing
44 board may mail the truth in taxation notice prescribed by paragraph 1,

1 subdivision (d) of this subsection to all registered voters in the district
2 at least ten but not more than twenty days before the date of the hearing.

3 3. In addition to publishing the truth in taxation notice under
4 paragraph 1 of this subsection or mailing the notice under paragraph 2 of
5 this subsection, the governing board shall issue a press release containing
6 the truth in taxation notice to all newspapers of general circulation in the
7 school district.

8 4. The governing board shall consider a motion to levy the increased
9 property taxes by roll call vote.

10 5. Within three days after the hearing, the governing board shall mail
11 a copy of the truth in taxation notice, a statement of its publication or
12 mailing and the result of the governing board's vote under paragraph 4 of
13 this subsection to the property tax oversight commission established by
14 section 42-17002.

15 6. The governing board shall hold the truth in taxation hearing on or
16 before the adoption of the school district budget under section 15-905.

17 7. Expenditures for adjacent ways and liabilities in excess of the
18 school district budget do not become part of the school district's truth in
19 taxation base limit.

20 C. The department of education shall maintain a listing of each school
21 district's truth in taxation base limit and shall verify the accuracy of the
22 school district's computations. A school district governing board shall
23 notify the department of education of any change in the district's truth in
24 taxation base limit.

25 D. The department of education shall develop a budget form for school
26 districts to show the primary tax rate associated for each of the expenditure
27 categories mentioned in subsection A, paragraph 1 of this section and for
28 expenditures for adjacent ways pursuant to section 15-995 or any other
29 expenditure in excess of the school district budget pursuant to section
30 15-907. A school district shall make this information available to the
31 general public at truth in taxation hearings and shall submit the information
32 to the department of education

33 Sec. 2. Section 15-1461.01, Arizona Revised Statutes, is amended to
34 read:

35 15-1461.01. Truth in taxation notice and hearing; roll call
36 vote on tax increase; definition

37 A. On or before July 1, the county assessor shall transmit to the
38 district an estimate of the total net assessed valuation of the district,
39 including an estimate of new property that has been added to the tax roll
40 since the previous levy of property taxes in the district. If the proposed
41 primary property tax levy, excluding amounts that are attributable to new
42 construction, is greater than the amount levied in the preceding tax year by
43 the district:

44 1. The district governing board shall publish a notice that meets the
45 following requirements:

1 (a) The notice shall be published twice in a newspaper of general
2 circulation in the district. The first publication shall be at least
3 fourteen but not more than twenty days before the date of the hearing. The
4 second publication shall be at least seven but not more than ten days before
5 the date of the hearing.

6 (b) The notice shall be published in a location other than the
7 classified or legal advertising section of the newspaper in which it is
8 published.

9 (c) The notice shall be at least one-fourth page in size and shall be
10 surrounded by a solid black border at least one-eighth inch in width.

11 (d) The notice shall be in the following form, with the "truth in
12 taxation hearing - notice of tax increase" headline in at least eighteen
13 point type:

14 Truth in Taxation Hearing
15 Notice of Tax Increase

16 In compliance with section 15-1461.01, Arizona Revised
17 Statutes, _____ community college district is notifying its
18 property taxpayers of _____ community college district's
19 intention to raise its primary property taxes over last year's
20 level. The _____ community college district is proposing
21 an increase in primary property taxes of \$_____ or ____%.

22 For example, the proposed tax increase will cause
23 _____ community college district's primary property taxes
24 on a \$100,000 home to increase from \$_____ (total taxes
25 that would be owed without the proposed tax increase) to
26 \$_____ (total proposed taxes including the tax increase).

27 This proposed increase is exclusive of increased primary
28 property taxes received from new construction. The increase is
29 also exclusive of any changes that may occur from property tax
30 levies for voter approved bonded indebtedness or budget and tax
31 overrides.

32 All interested citizens are invited to attend the public
33 hearing on the tax increase that is scheduled to be held
34 _____ (date and time) at _____ (location).

35 2. In lieu of publishing the truth in taxation notice, the district
36 board may mail the truth in taxation notice prescribed by paragraph 1,
37 subdivision (d) to all registered voters in the district at least ten but not
38 more than twenty days before the date of the hearing.

39 3. In addition to publishing the truth in taxation notice under
40 paragraph 1 or mailing the notice under paragraph 2, the district governing
41 board shall issue a press release containing the truth in taxation notice to
42 all newspapers of general circulation in the district.

43 4. The district board shall consider a motion to levy the increased
44 property taxes by roll call vote.

1 5. Within three days after the hearing, the district board shall mail
2 a copy of the truth in taxation notice, a statement of its publication or
3 mailing and the result of the district board's vote under paragraph 4 to the
4 property tax oversight commission established by section 42-17002.

5 6. The district board shall hold the truth in taxation hearing on or
6 before the adoption of the county, city or town budget under section
7 42-17105.

8 B. EXCLUDING AMOUNTS ATTRIBUTABLE TO NEW CONSTRUCTION, THE GOVERNING
9 BOARD SHALL NOT FIX, LEVY OR ASSESS AN AMOUNT OF PRIMARY PROPERTY TAXES THAT
10 EXCEEDS THE PREVIOUS YEAR'S AMOUNT UNLESS THE PROVISIONS OF THIS SECTION ARE
11 MET.

12 ~~B.~~ C. For purposes of this section, "amount attributable to new
13 construction" means the net assessed valuation of property added to the tax
14 roll since the previous year multiplied by a property tax rate computed by
15 dividing the district's primary property tax levy in the preceding year by
16 the estimate of the district's total net assessed valuation for the current
17 year, excluding the net assessed valuation attributable to new construction.

18 Sec. 3. Section 42-17003, Arizona Revised Statutes, is amended to
19 read:

20 42-17003. Duties

21 A. The commission shall:

22 1. Establish procedures for deriving the information required by
23 SECTIONS 15-905.01, 15-1461.01 AND 42-17107 AND article 2 of this chapter.

24 2. Review the primary property tax levy of each political subdivision
25 to determine violations of SECTIONS 15-905.01, 15-1461.01 AND 42-17107 AND
26 article 2 of this chapter.

27 3. Review the reports made by the department concerning valuation
28 accuracy.

29 4. Hold hearings to determine the adequacy of compliance with articles
30 2 and 3 of this chapter.

31 B. If the commission determines that a political subdivision has
32 violated SECTION 15-905.01, 15-1461.01 OR 42-17107 OR article 2 of this
33 chapter, then on or before September 15 the commission shall notify the
34 political subdivision and the county board of supervisors, in writing, of:

35 1. The nature of the violation.

36 2. The necessary adjustment to the primary property tax levy and tax
37 rate to comply with SECTION 15-905.01, 15-1461.01 OR 42-17107 OR article 2 of
38 this chapter.

39 Sec. 4. Section 42-17004, Arizona Revised Statutes, is amended to
40 read:

41 42-17004. Hearing and appeals of commission findings

42 A. If the commission notifies a political subdivision of a violation
43 of SECTION 15-905.01, 15-1461.01 OR 42-17107 OR article 2 of this chapter,
44 and the political subdivision disputes the commission's findings, then on or

1 before October 1 the political subdivision may request a hearing before the
2 commission to attempt to resolve the dispute.

3 B. The commission shall conduct the hearing as prescribed in title 41,
4 chapter 6, article 10.

5 C. If the dispute is resolved at the hearing, the commission shall
6 immediately notify the county board of supervisors of the proper primary tax
7 levy and tax rate.

8 D. If a political subdivision continues to dispute the commission's
9 findings after the hearing under this section, the political subdivision may:

10 1. Appeal the matter to tax court within thirty days after the
11 commission renders the decision.

12 2. Levy primary property taxes in the amount that the political
13 subdivision considers to be proper, pending the outcome of the appeal.

14 Sec. 5. Section 42-17005, Arizona Revised Statutes, is amended to
15 read:

16 42-17005. Adjustments to levy

17 A. If a governing body of a political subdivision receives written
18 notice of a violation of its allowable levy **LIMIT OR TRUTH IN TAXATION** limit
19 under section 42-17003, and has not appealed the commission's decision
20 pursuant to section 42-17004, the governing body shall correct its primary
21 property tax levy and tax rate to properly reflect the allowable levy for the
22 current year. The county board of supervisors shall make the necessary
23 adjustments to the political subdivision's primary property tax levy and tax
24 rate to ensure that the corrected information is contained in the assessment
25 and tax roll that is transmitted to the county treasurer pursuant to section
26 42-18003. If the governing body receives the notice after it is too late to
27 correct the levy in the current year, the difference between the amount
28 actually levied and the allowable primary property tax levy shall be set
29 aside in a special fund and used to reduce the primary property taxes levied
30 in the following year.

31 B. If, after a hearing under section 42-17004, it is impossible for
32 the board of supervisors to correct a property tax levy in the current year,
33 the political subdivision shall hold the difference between the amount the
34 political subdivision actually levied and the allowable primary property tax
35 levy prescribed by the commission in a separate fund to be used to reduce the
36 primary property taxes levied by the political subdivision in the following
37 year.

38 C. If the commission discovers that it has made an error in computing
39 the levy limit after September 15, it shall notify the political
40 subdivision's governing body about the error. The error shall be corrected
41 as prescribed in subsection A of this section. If the error results in the
42 maximum allowable primary property tax levy being raised, the corrected
43 maximum allowable primary property tax levy shall be used in section
44 42-17051, subsection A, paragraph 1 in determining the following year's levy
45 limit.

1 D. If, on appeal under section 42-17004, subsection D, the ruling of
2 the court provides for a primary property tax levy in an amount that is less
3 than the amount levied by the political subdivision, the political
4 subdivision shall hold the difference between the amounts in a separate fund
5 to be used to reduce the primary property taxes levied by the political
6 subdivision in the following year.

7 Sec. 6. Section 42-17104, Arizona Revised Statutes, is amended to
8 read:

9 42-17104. Hearing and special meeting on expenditures and tax
10 levy

11 A. The governing body of each county, city or town shall hold a public
12 hearing and special meeting on or before the ~~seventh~~ FOURTEENTH day before
13 the day on which it levies taxes as stated in the notice under section
14 42-17103. Any taxpayer may appear and be heard in favor of or against any
15 proposed expenditure or tax levy.

16 B. If a truth in taxation notice and hearing is required under section
17 42-17107, the governing body may combine the hearing under this section with
18 the truth in taxation hearing.

19 Sec. 7. Section 42-17107, Arizona Revised Statutes, is amended to
20 read:

21 42-17107. Truth in taxation notice and hearing; roll call vote
22 on tax increase; definition

23 A. On or before July 1, the county assessor shall transmit to the
24 county, city or town an estimate of the total net assessed valuation of the
25 county, city or town, including an estimate of new property that has been
26 added to the tax roll since the previous levy of property taxes in the
27 county, city or town. If the proposed primary property tax levy, excluding
28 amounts that are attributable to new construction, is greater than the amount
29 levied by the county, city or town in the preceding tax year in the county,
30 city or town:

31 1. The governing body shall publish a notice that meets the following
32 requirements:

33 (a) The notice shall be published twice in a newspaper of general
34 circulation in the county, city or town. The first publication shall be at
35 least fourteen but not more than twenty days before the date of the
36 hearing. The second publication shall be at least seven but not more than
37 ten days before the date of the hearing.

38 (b) The notice shall be published in a location other than the
39 classified or legal advertising section of the newspaper in which it is
40 published.

41 (c) The notice shall be at least one-fourth page in size and shall be
42 surrounded by a solid black border at least one-eighth inch in width.

43 (d) The notice shall be in the following form, with the "truth in
44 taxation hearing - notice of tax increase" headline in at least eighteen
45 point type:

Truth in Taxation Hearing

Notice of Tax Increase

In compliance with section 42-17107, Arizona Revised Statutes, _____ (name of county, city or town) is notifying its property taxpayers of _____'s (name of county, city or town) intention to raise its primary property taxes over last year's level. _____ (name of county, city or town) is proposing an increase in primary property taxes of \$_____ or _____%.

For example, the proposed tax increase will cause _____'s (name of county, city or town) primary property taxes on a \$100,000 home to increase from \$_____ (total taxes that would be owed without the proposed tax increase) to \$_____ (total proposed taxes including the tax increase).

This proposed increase is exclusive of increased primary property taxes received from new construction. The increase is also exclusive of any changes that may occur from property tax levies for voter approved bonded indebtedness or budget and tax overrides.

All interested citizens are invited to attend the public hearing on the tax increase that is scheduled to be held _____ (date and time) at _____ (location).

2. In lieu of publishing the truth in taxation notice, the governing body may mail the truth in taxation notice prescribed by paragraph 1, subdivision (d) to all registered voters in the county, city or town at least ten but not more than twenty days before the date of the hearing on the estimates pursuant to section 42-17104.

3. In addition to publishing the truth in taxation notice under paragraph 1 or mailing the notice under paragraph 2, the governing body shall issue a press release containing the truth in taxation notice.

4. The governing body shall consider a motion to levy the increased property taxes by roll call vote.

5. Within three days after the hearing, the governing body shall mail a copy of the truth in taxation notice, a statement of its publication or mailing and the result of the governing body's vote under paragraph 4 to the property tax oversight commission.

6. The governing body shall hold the truth in taxation hearing on or before the adoption of the county, city or town budget under section 42-17105.

B. EXCLUDING AMOUNTS ATTRIBUTABLE TO NEW CONSTRUCTION, THE GOVERNING BODY OF A COUNTY, CITY OR TOWN SHALL NOT FIX, LEVY OR ASSESS AN AMOUNT OF PRIMARY PROPERTY TAXES THAT EXCEEDS THE PREVIOUS YEAR'S AMOUNT UNLESS THE PROVISIONS OF THIS SECTION ARE MET.

1 ~~B.~~ C. For purposes of this section, "amount attributable to new
2 construction" means the net assessed valuation of property added to the tax
3 roll since the previous year multiplied by a property tax rate computed by
4 dividing the primary property tax levy of the county, city or town in the
5 preceding year by the estimate of the total net assessed valuation of the
6 county, city or town for the current year, excluding the net assessed
7 valuation attributable to new construction.