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REFERENCE TITLE: **truth in taxation**

State of Arizona
Senate
Forty-sixth Legislature
First Regular Session
2003

SB 1331

Introduced by
Senator Martin

AN ACT

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

(TEXT OF BILL BEGINS ON NEXT PAGE)

1

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) Career and technical education and vocational education center
14 operations pursuant 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 _____%~~.

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

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

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

40 2. In lieu of publishing the truth in taxation notice, the governing
41 board may mail the truth in taxation notice prescribed by paragraph 1,
42 subdivision (d) of this subsection to all registered voters in the district
43 at least ten but not more than twenty days before the date of the hearing.

44 3. In addition to publishing the truth in taxation notice under
45 paragraph 1 of this subsection or mailing the notice under paragraph 2 of

1 this subsection, the governing board shall issue a press release containing
2 the truth in taxation notice to all newspapers of general circulation in the
3 school district.

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

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

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

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

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

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

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

31 15-1461.01. Truth in taxation notice and hearing; roll call
32 vote on tax increase; definition

33 A. On or before February 10 of the tax year, the county assessor shall
34 transmit and certify to the property tax oversight commission and to the
35 district governing board the total net primary assessed values that are
36 required to compute the levy limit prescribed by section 42-17051. If the
37 proposed primary property tax levy, excluding amounts that are attributable
38 to new construction, is greater than the amount levied in the preceding tax
39 year by the district:

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

42 (a) The notice shall be published twice in a newspaper of general
43 circulation in the district. The first publication shall be at least
44 fourteen but not more than twenty days before the date of the hearing. The

1 second publication shall be at least seven but not more than ten days before
2 the date of the hearing.

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

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

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

11 Truth in Taxation Hearing
12 Notice of Tax Increase

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

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

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

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

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

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

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

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

1 6. The district board shall hold the truth in taxation hearing on or
2 before the adoption of the county, city or town budget under section
3 42-17105.

4 B. IF THE GOVERNING BOARD FAILS TO COMPLY WITH THE REQUIREMENTS OF
5 THIS SECTION, THE GOVERNING BOARD SHALL NOT FIX, LEVY OR ASSESS AN AMOUNT OF
6 PRIMARY PROPERTY TAXES THAT EXCEEDS THE PRECEDING YEAR'S AMOUNT, EXCEPT FOR
7 AMOUNTS ATTRIBUTABLE TO NEW CONSTRUCTION.

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

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

16 42-17003. Duties

17 A. The commission shall:

18 1. Establish procedures for deriving the information required by
19 sections 15-905.01, 15-1461.01 and 42-17107 and article 2 of this chapter.

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

23 3. Review the reports made by the department concerning valuation
24 accuracy.

25 4. Hold hearings to determine the adequacy of compliance with articles
26 2 and 3 of this chapter.

27 5. Upon the request of a county, city, town or community college
28 district, hold hearings as prescribed in section 42-17004 regarding the
29 calculation of the maximum allowable primary property tax levy limits
30 prescribed in section 42-17051, subsection A.

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. A governing board of a county, city, town or community college
4 district may request a hearing before the commission regarding the
5 calculation of the maximum allowable primary property tax levy limits
6 prescribed in section 42-17051. The commission may resolve any disputes.

7 C. The commission shall conduct the hearing as prescribed in title 41,
8 chapter 6, article 10.

9 D. If the dispute is resolved at the hearing, the commission shall
10 immediately notify the county board of supervisors of the proper primary tax
11 levy and tax rate.

12 E. If a political subdivision continues to dispute the commission's
13 findings after the hearing under this section, the political subdivision may:

14 1. Appeal the matter to tax court within thirty days after the
15 commission renders the decision.

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

18 Sec. 5. Section 42-17104, Arizona Revised Statutes, is amended to
19 read:

20 42-17104. Hearing and special meeting on expenditures and tax
21 levy

22 A. The governing body of each county, city or town shall hold a public
23 hearing and special meeting on or before the ~~seventh~~ FOURTEENTH day before
24 the day on which it levies taxes as stated in the notice under section
25 42-17103. Any taxpayer may appear and be heard in favor of or against any
26 proposed expenditure or tax levy.

27 B. If a truth in taxation notice and hearing is required under section
28 42-17107, the governing body may combine the hearing under this section with
29 the truth in taxation hearing.

30 Sec. 6. Section 42-17107, Arizona Revised Statutes, is amended to
31 read:

32 42-17107. Truth in taxation notice and hearing; roll call vote
33 on tax increase; definition

34 A. On or before February 10 of the tax year, the county assessor shall
35 transmit and certify to the property tax oversight commission and to the
36 governing body of the county, city or town the total net primary assessed
37 values that are required to compute the levy limit prescribed by section
38 42-17051. If the proposed primary property tax levy, excluding amounts that
39 are attributable to new construction, is greater than the amount levied by
40 the county, city or town in the preceding tax year in the county, city or
41 town:

42 1. The governing body shall publish a notice that meets the following
43 requirements:

44 (a) The notice shall be published twice in a newspaper of general
45 circulation in the county, city or town. The first publication shall be at

1 least fourteen but not more than twenty days before the date of the
2 hearing. The second publication shall be at least seven but not more than
3 ten days before the date of the hearing.

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

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

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

12 Truth in Taxation Hearing
13 Notice of Tax Increase

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

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

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

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

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

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

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

44 5. Within three days after the hearing, the governing body shall mail
45 a copy of the truth in taxation notice, a statement of its publication or

1 mailing and the result of the governing body's vote under paragraph 4 to the
2 property tax oversight commission.

3 6. The governing body shall hold the truth in taxation hearing on or
4 before the adoption of the county, city or town budget under section
5 42-17105.

6 B. IF THE GOVERNING BODY FAILS TO COMPLY WITH THE REQUIREMENTS OF THIS
7 SECTION, THE GOVERNING BODY SHALL NOT FIX, LEVY OR ASSESS AN AMOUNT OF
8 PRIMARY PROPERTY TAXES THAT EXCEEDS THE PRECEDING YEAR'S AMOUNT, EXCEPT FOR
9 AMOUNTS ATTRIBUTABLE TO NEW CONSTRUCTION.

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