

REFERENCE TITLE: disabled veterans; property tax exemption

State of Arizona  
Senate  
Forty-eighth Legislature  
First Regular Session  
2007

## **SB 1339**

Introduced by  
Senator Blendu

AN ACT

AMENDING SECTION 42-11111, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 11, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-11134; RELATING TO PROPERTY TAX EXEMPTIONS; PROVIDING FOR CONDITIONAL ENACTMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-11111, Arizona Revised Statutes, is amended to  
3 read:

4 42-11111. Exemption for property of widows, widowers and  
5 disabled persons

6 A. The property of widows, widowers and disabled persons who are  
7 residents of this state is exempt from taxation to the extent allowed by  
8 article IX, sections 2, 2.1, 2.2 and 2.3, Constitution of Arizona, and  
9 subject to the conditions and limitations prescribed by this section.

10 B. Pursuant to article IX, section 2.3, Constitution of Arizona, the  
11 exemptions from taxation under this section are allowed in the amount of:

12 1. Three thousand dollars if the person's total assessment does not  
13 exceed twenty thousand dollars.

14 2. No exemption if the person's total assessment exceeds twenty  
15 thousand dollars.

16 C. On or before December 31 of each year, the department shall  
17 increase the following amounts based on the average annual percentage  
18 increase, if any, in the GDP price deflator in the two most recent complete  
19 state fiscal years:

20 1. The total allowable exemption amount and the total assessment  
21 limitation amount under subsection B of this section.

22 2. The total income limitation amounts under subsection E, paragraphs  
23 1 and 2 of this section.

24 For the purposes of this subsection, "GDP price deflator" means the average  
25 of the four implicit price deflators for the gross domestic product reported  
26 by the United States department of commerce or its successor for the four  
27 quarters of the state fiscal year.

28 D. For the purpose of determining the amount of the allowable  
29 exemption pursuant to subsection B of this section, the person's total  
30 assessment shall not include the value of any vehicle that is taxed under  
31 title 28, chapter 16, article 3.

32 E. Pursuant to article IX, section 2.3, Constitution of Arizona, to  
33 qualify for this exemption, the total income from all sources of the claimant  
34 and the claimant's spouse and the income from all sources of all of the  
35 claimant's children who resided with the claimant in the claimant's residence  
36 in the year immediately preceding the year for which the claimant applies for  
37 the exemption shall not exceed:

38 1. Twenty-five thousand dollars if none of the claimant's children  
39 under eighteen years of age resided with the claimant in the claimant's  
40 residence.

41 2. Thirty thousand dollars if one or more of the claimant's children  
42 residing with the claimant in the claimant's residence were either:

43 (a) Under eighteen years of age.

44 (b) Totally and permanently, physically or mentally disabled, as  
45 certified by competent medical authority as provided by law.

1 F. For the purposes of subsection E of this section, "income from all  
2 sources" means the sum of the following, but excluding the items listed in  
3 subsection G of this section:

- 4 1. Adjusted gross income as defined by the department.
- 5 2. The amount of capital gains excluded from adjusted gross income.
- 6 3. Nontaxable strike benefits.
- 7 4. Nontaxable interest that is received from the federal government or  
8 any of its instrumentalities.
- 9 5. Payments that are received from a retirement program and **THAT ARE**  
10 paid by:
  - 11 (a) This state or any of its political subdivisions.
  - 12 (b) The United States through any of its agencies, instrumentalities  
13 or programs, except as provided in subsection G of this section.
- 14 6. The gross amount of any pension or annuity that is not otherwise  
15 exempted.

16 G. Notwithstanding subsection F of this section, ~~"~~income from all  
17 sources~~"~~ does not include monies received from:

- 18 1. Cash public assistance and relief.
- 19 2. Railroad retirement benefits.
- 20 3. Payments under the federal social security act (49 Stat. 620).
- 21 4. Payments under the unemployment insurance laws of this state.
- 22 5. Payments from veterans disability pensions.
- 23 6. Workers' compensation payments.
- 24 7. "Loss of time" insurance.
- 25 8. Gifts from nongovernmental sources, surplus foods or other relief  
26 in-kind supplied by a governmental agency.

27 H. A widow, widower or disabled person shall initially establish  
28 eligibility for exemption under this section by filing an affidavit with the  
29 county assessor under section 42-11152. Thereafter, the person is not  
30 required to file an affidavit under section 42-11152, but the person or the  
31 person's representative shall annually calculate income from the preceding  
32 year to ensure that the person still qualifies for the exemption and shall  
33 notify the county assessor in writing of any event that disqualifies the  
34 widow, widower or disabled person from further exemption. Regardless of  
35 whether the person or representative notifies the assessor as required by  
36 this subsection, the property is subject to tax as provided by law from the  
37 date of disqualification, including interest, penalties and proceedings for  
38 tax delinquencies. Disqualifying events include:

- 39 1. The person's death.
- 40 2. The remarriage of a widow or widower.
- 41 3. The person's income from all sources exceeding the limits  
42 prescribed by subsection E of this section.
- 43 4. The conveyance of title to the property to another owner.
- 44 I. The exemption described by this section applies independently to:

1           1. The assessed valuation determined for secondary property tax  
2 purposes from the full cash value of the property and improvements owned by  
3 the individual.

4           2. The assessed valuation determined for primary property tax purposes  
5 from the limited property value of the property and improvements owned by the  
6 individual.

7           J. Any dollar amount of exemption that is unused in a tax year against  
8 the limited property value of property and improvements owned by the  
9 individual may be applied for the tax year against the value of personal  
10 property subject to special property taxes including the taxes collected  
11 pursuant to title 5, chapter 3, article 3 and title 28, chapter 16,  
12 article 3.

13           K. An individual is not entitled to property tax exemptions in the  
14 aggregate that exceed the maximum allowed to a widow, widower or disabled  
15 person even if the person is eligible for an exemption in more than one  
16 category. **A PERSON WHO RECEIVES AN EXEMPTION UNDER THIS SECTION IS NOT**  
17 **ELIGIBLE FOR EXEMPTION UNDER SECTION 42-11132.**

18           Sec. 2. Title 42, chapter 11, article 3, Arizona Revised Statutes, is  
19 amended by adding section 42-11134, to read:

20           42-11134. Exemption for property of persons with service  
21 connected disability

22           A. THE PRIMARY RESIDENCE OF A RESIDENT OF THIS STATE WHO IS DISABLED  
23 AS A RESULT OF SERVICE IN THE ARMED FORCES OF THE UNITED STATES IS EXEMPT  
24 FROM TAXATION TO THE EXTENT ALLOWED BY ARTICLE IX, SECTION 2, CONSTITUTION OF  
25 ARIZONA, AND SUBJECT TO THE CONDITIONS AND LIMITATIONS PRESCRIBED BY THIS  
26 SECTION.

27           B. THE AMOUNT OF THE EXEMPTION IS A PERCENTAGE OF THE ASSESSED  
28 VALUATION OF THE PRIMARY RESIDENCE EQUAL TO THE DEGREE OF THE DISABLED  
29 PERSON'S SERVICE CONNECTED DISABILITY. THE ASSESSOR MAY REFER TO SCHEDULES  
30 FOR RATING DISABILITIES ESTABLISHED AND ADOPTED BY THE UNITED STATES  
31 DEPARTMENT OF VETERANS AFFAIRS, OR ITS SUCCESSOR.

32           C. IF A DISABLED PERSON WHO QUALIFIED FOR EXEMPTION UNDER THIS SECTION  
33 DIES, THE SURVIVING SPOUSE IS ELIGIBLE FOR THE EXEMPTION ON THE SURVIVING  
34 SPOUSE'S PRIMARY RESIDENCE AND SUBJECT TO THE SAME CONDITIONS.

35           D. IF A PERSON IS KILLED IN ACTION DURING SERVICE IN THE ARMED FORCES  
36 OF THE UNITED STATES, THE PRIMARY RESIDENCE OF THE PERSON'S SURVIVING SPOUSE  
37 IS ELIGIBLE FOR THE EXEMPTION AND SUBJECT TO THE SAME CONDITIONS PRESCRIBED  
38 BY THIS SECTION.

39           E. PURSUANT TO ARTICLE IX, SECTION 2.3, CONSTITUTION OF ARIZONA, TO  
40 QUALIFY FOR THIS EXEMPTION, THE HOUSEHOLD INCOME FROM ALL SOURCES IN THE YEAR  
41 IMMEDIATELY PRECEDING THE YEAR FOR WHICH THE DISABLED PERSON, OR A SURVIVING  
42 SPOUSE, APPLIES FOR THE EXEMPTION MAY NOT EXCEED:

43           1. THIRTY THOUSAND DOLLARS:

44           (a) IF THE DISABLED PERSON, SURVIVING SPOUSE AND UP TO TWO CHILDREN  
45 WERE RESIDENTS IN THE HOUSEHOLD FOR THE FULL YEAR.

1 (b) IN ANY OTHER HOUSEHOLD SITUATION TO WHICH PARAGRAPH 2, 3 OR 4 OF  
2 THIS SUBSECTION DOES NOT APPLY.

3 2. THIRTY-SIX THOUSAND DOLLARS IF THE DISABLED PERSON, SURVIVING  
4 SPOUSE AND THREE CHILDREN WERE RESIDENTS IN THE HOUSEHOLD FOR THE FULL YEAR.

5 3. FORTY-TWO THOUSAND DOLLARS IF THE DISABLED PERSON, SURVIVING SPOUSE  
6 AND FOUR CHILDREN WERE RESIDENTS IN THE HOUSEHOLD FOR THE FULL YEAR.

7 4. FORTY-EIGHT THOUSAND DOLLARS IF THE DISABLED PERSON, SURVIVING  
8 SPOUSE AND FIVE OR MORE CHILDREN WERE RESIDENTS IN THE HOUSEHOLD FOR THE FULL  
9 YEAR.

10 F. FOR THE PURPOSES OF THE INCOME LIMITATION UNDER SUBSECTION E OF  
11 THIS SECTION, EACH CHILD MUST BE EITHER:

12 1. UNDER EIGHTEEN YEARS OF AGE.

13 2. TOTALLY AND PERMANENTLY PHYSICALLY OR MENTALLY DISABLED, AS  
14 CERTIFIED BY COMPETENT MEDICAL AUTHORITY AS PROVIDED BY LAW.

15 G. ON OR BEFORE DECEMBER 31 OF EACH YEAR, THE DEPARTMENT SHALL  
16 INCREASE THE INCOME AMOUNTS UNDER SUBSECTION E OF THIS SECTION BASED ON THE  
17 AVERAGE ANNUAL PERCENTAGE INCREASE, IF ANY, IN THE GDP PRICE DEFLATOR AS  
18 DEFINED IN THE TWO MOST RECENT COMPLETE STATE FISCAL YEARS. FOR THE PURPOSES  
19 OF THIS SUBSECTION, "GDP PRICE DEFLATOR" MEANS THE AVERAGE OF THE FOUR  
20 IMPLICIT PRICE DEFLATORS FOR THE GROSS DOMESTIC PRODUCT REPORTED BY THE  
21 UNITED STATES DEPARTMENT OF COMMERCE OR ITS SUCCESSOR FOR THE FOUR QUARTERS  
22 OF THE STATE FISCAL YEAR.

23 H. A PERSON WHO RECEIVES AN EXEMPTION UNDER THIS SECTION IS NOT  
24 ELIGIBLE FOR EXEMPTION UNDER SECTION 42-11111.

25 I. A PERSON WHOSE PROPERTY IS EXEMPT UNDER THIS SECTION, OR THE  
26 PERSON'S REPRESENTATIVE, SHALL NOTIFY THE COUNTY ASSESSOR IN WRITING OF ANY  
27 EVENT THAT DISQUALIFIES THE PROPERTY FROM FURTHER EXEMPTION. REGARDLESS OF  
28 WHETHER THE PERSON OR REPRESENTATIVE NOTIFIES THE ASSESSOR AS REQUIRED BY  
29 THIS SUBSECTION, THE PROPERTY IS SUBJECT TO TAX AS PROVIDED BY LAW FROM THE  
30 DATE OF DISQUALIFICATION, INCLUDING INTEREST, PENALTIES AND PROCEEDINGS FOR  
31 TAX DELINQUENCIES. DISQUALIFYING EVENTS INCLUDE:

32 1. THE QUALIFYING PERSON'S DEATH, EXCEPT AS PROVIDED BY SUBSECTION C  
33 OF THIS SECTION.

34 2. THE PERSON'S INCOME FROM ALL SOURCES EXCEEDING THE LIMITS  
35 PRESCRIBED BY SUBSECTION E OF THIS SECTION.

36 3. MOVING TO ANOTHER PRINCIPAL RESIDENCE.

37 4. THE CONVEYANCE OF TITLE TO THE PROPERTY TO ANOTHER OWNER.

38 J. FOR THE PURPOSES OF SUBSECTION E OF THIS SECTION, "HOUSEHOLD  
39 INCOME" MEANS THE SUM OF THE FOLLOWING WITH RESPECT TO ALL PERSONS RESIDING  
40 IN THE HOUSEHOLD DURING THE YEAR, BUT DOES NOT INCLUDE THE ITEMS LISTED IN  
41 SUBSECTION K OF THIS SECTION:

42 1. ADJUSTED GROSS INCOME AS DEFINED BY THE DEPARTMENT.

43 2. THE AMOUNT OF CAPITAL GAINS EXCLUDED FROM ADJUSTED GROSS INCOME.

44 3. NONTAXABLE STRIKE BENEFITS.

1           4. NONTAXABLE INTEREST THAT IS RECEIVED FROM THE FEDERAL GOVERNMENT OR  
2 ANY OF ITS INSTRUMENTALITIES.

3           5. PAYMENTS THAT ARE RECEIVED FROM A RETIREMENT PROGRAM AND PAID BY:

4           (a) THIS STATE OR ANY OF ITS POLITICAL SUBDIVISIONS.

5           (b) THE UNITED STATES THROUGH ANY OF ITS AGENCIES, INSTRUMENTALITIES  
6 OR PROGRAMS, EXCEPT AS PROVIDED IN SUBSECTION K OF THIS SECTION.

7           6. THE GROSS AMOUNT OF ANY PENSION OR ANNUITY THAT IS NOT OTHERWISE  
8 EXEMPTED.

9           K. NOTWITHSTANDING SUBSECTION J OF THIS SECTION, HOUSEHOLD INCOME DOES  
10 NOT INCLUDE MONIES RECEIVED FROM:

11           1. CASH PUBLIC ASSISTANCE AND RELIEF.

12           2. RAILROAD RETIREMENT BENEFITS.

13           3. PAYMENTS UNDER THE FEDERAL SOCIAL SECURITY ACT (49 STAT. 620).

14           4. PAYMENTS UNDER THE UNEMPLOYMENT INSURANCE LAWS OF THIS STATE.

15           5. PAYMENTS FROM VETERANS DISABILITY PENSIONS.

16           6. PAYMENTS FROM VETERANS DISABILITY COMPENSATION.

17           7. WORKERS' COMPENSATION PAYMENTS.

18           8. "LOSS OF TIME" INSURANCE.

19           9. GIFTS FROM NONGOVERNMENTAL SOURCES, SURPLUS FOODS OR OTHER RELIEF  
20 IN-KIND SUPPLIED BY A GOVERNMENTAL AGENCY.

21           Sec. 3. Conditional enactment

22           A. This act does not become effective unless the Constitution of  
23 Arizona is amended by vote of the people at the next general election to  
24 authorize property tax exemptions for persons with a service connected  
25 disability.

26           B. The enactment of any provision of this act conditioned on the  
27 results of the election does not constitute a submission of any provision of  
28 this act to the voters under the power of the referendum.