

ARIZONA STATE SENATE

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TO: MEMBERS OF THE SENATE
APPROPRIATIONS COMMITTEE

DATE: February 18, 2022

SUBJECT: Strike everything amendment to S.B. 1117, relating to affordable housing; project unit size

Purpose

Raises the cap for affordable rental housing property to qualify for a property tax exemption from 200 units to 600 units.

Background

Statute exempts, from property tax, property that is used exclusively for affordable rental housing as prescribed by the Low-Income Housing Tax Credit (LIHTC) Program or another recorded restrictive covenant imposed by financing for affordable housing and related facilities. An affordable housing rental property is exempt from property tax if the property does not exceed 200 units, is owned and operated by an eligible nonprofit corporation or a limited partnership or limited liability company in partnership with or managed by an eligible nonprofit corporation, maintains a restricted rent amount that does not exceed the amount prescribed by deed restrictions or regulatory agreements pursuant to the property's financing or financial assistance terms and is either: 1) financed with tax-exempt mortgage revenue bonds or general obligation bonds or by local, state or federal loans or grants; or 2) eligible for and receives LIHTCs. The owner of a tax-exempt property must certify that the monies that would have been used for property tax are used to maintain the affordability of the units occupied by low-income households ([A.R.S. § 42-11133](#)).

The LIHTC Program was enacted by the U.S. Congress in 1986 to promote the development of affordable rental housing for low-income individuals and families. The LIHTC provides funding for the development costs of low-income housing by allowing an investor to take a federal tax credit equal to a percentage of the costs incurred ([26 U.S.C. § 42](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Raises, from 200 units to 600 units, the cap for affordable rental housing property to qualify for a property tax exemption.
2. Makes technical changes.
3. Becomes effective on the general effective date.