

# Fiscal Note

**BILL #** SB 1491

**TITLE:** residential property tax; deferral

**SPONSOR:** Shope

**STATUS:** As Introduced

**PREPARED BY:** Lydia Chew

## Description

SB 1491 would reduce the age minimum to be eligible for a residential property tax deferral from 70 to 65 and include those with a permanent disability. The bill would also raise the household income threshold to qualify for the deferral from \$10,000 to \$20,000, with increases for Social Security cost-of-living adjustments. SB 1491 also increases the maximum eligible property value to 75% of the median full cash value (FCV) for the county.

## Estimated Impact

SB 1491 would have no impact on the General Fund, as it would not affect the valuation of residential property and therefore would not impact state aid to school districts under the statutory K-12 funding formula. However, the bill would affect local property tax collections, as discussed below.

According to the Arizona Association of Counties (AACo), SB 1491 could result in an additional \$(25.3) million in local property tax collections being deferred annually, relative to current law. These monies may eventually be collected in future fiscal years. As discussed below, this estimate may understate the impact because not all counties responded to the AACo survey, or may overstate the impact since it assumes that all eligible households would apply for the deferral. For more details, see the *Local Government Impact* section.

The State Treasurer's Office does not anticipate that it will incur any administrative costs as a result of SB 1491.

## Analysis

Residential property taxes are collected by county governments. Current statute allows taxpayers to defer payment of residential property taxes if the taxpayer is at least 70 years of age, owns or is purchasing the residence, has lived in the residence for at least 6 years or in Arizona for at least 10 years, does not own or have an interest in any other real property, and does not have a household total taxable income that exceeds \$10,000. The residence must be the taxpayer's primary residence, not be income producing, not have FCV exceeding \$150,000, not be subject to any real property lien of record less than 5 years old, and not be subject to unpaid property taxes. Deferrals are granted for one year at a time. A new claim must be filed for each subsequent year.

SB 1491 would expand eligibility for the residential property tax deferral to taxpayers at least 65 years of age and those with a permanent disability. The bill would increase the household income threshold to \$20,000, with increases for Social Security cost-of-living adjustments. SB 1491 would also change the residence's FCV threshold to the greater of \$150,000 or 75% of the median FCV for the county.

According to AACo, SB 1491 would make an additional 9,000 seniors and 13,200 persons with disabilities, for a statewide total of 22,200 filers, eligible for the residential property tax deferral. Based on these figures, AACo estimates that the bill could result in a total statewide property tax deferral of as high as \$25.3 million. Of the total deferral, \$11.5 million would be for seniors and \$13.8 million for persons with disabilities.

AACo compiled these numbers from a survey of the counties. Eight counties, including Maricopa and Pima Counties, responded with their estimates. However, several mid-sized counties did not respond, including Yavapai, Pinal, and

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Coconino Counties. As a result, the actual impact of this bill could be higher than the AACo figure.

However, these estimates represent the additional number of taxpayers that would become eligible for the deferral program under SB 1491. Since not all eligible individuals may apply for a deferral, AACo believes that this estimate could be overstated. Insofar as persons eligible for property tax deferral under the bill would not apply for the program, the impact would be reduced.

Under the property tax deferral program, these monies would eventually become due and payable when the homeowner no longer meets the eligibility requirements. Examples include death of the claimant, transfer of ownership of the property, or an increase in household income above the \$10,000 threshold.

**Local Government Impact**

Table 1 below shows the estimated impact by county. These estimates represent the additional number of taxpayers that would become eligible for the deferral program under SB 1491. Table 1 includes only the counties that responded to the AACo survey, so this estimate could be low. On the other hand, if not all eligible individuals apply for a deferral, the estimate may be overstated.

<b>Table 1</b>						
<b>Residential Property Tax Deferral Impact by County</b>						
<b>County</b>	<b>Senior Filers</b>		<b>Filers with Disabilities</b>		<b>Total Filers</b>	
	<b>#</b>	<b>Total Tax</b>	<b>#</b>	<b>Total Tax</b>	<b>#</b>	<b>Total Tax</b>
Apache	14	\$8,381	1,821	\$1,090,160	1,835	\$1,098,541
Coconino	88	\$57,498	140	\$98,973	228	\$156,471
La Paz	76	\$46,669	78	\$36,213	154	\$82,882
Maricopa	7,639	\$9,915,422	3,959	\$5,138,782	11,598	\$15,054,204
Mohave			1,793	\$834,993	1,793	\$834,993
Navajo			510	\$246,332	510	\$246,332
Pima	959	\$1,329,018	4,370	\$6,056,108	5,329	\$7,385,126
Yuma	240	\$132,073	533	\$276,524	773	\$408,597
<b>Total</b>	<b>9,016</b>	<b>\$11,489,061</b>	<b>13,204</b>	<b>\$13,778,085</b>	<b>22,220</b>	<b>\$25,267,146</b>