ARIZONA STATE SENATE

Fifty-Fifth Legislature, First Regular Session

REVISED

FACT SHEET FOR S.B. 1491

residential property tax; deferral

Purpose

Modifies the requirements that an individual must meet to qualify for a property tax deferral and modifies the reporting requirements for property tax deferral information.

Background

An individual or their legal representative may elect to defer property taxes on an individual's qualifying residence for a taxable year if the individual: 1) is at least 70 years of age; 2) owns the residence or is purchasing the residence under a recorded instrument of sale or holds the property under the terms of a real estate trust; 3) has either lived in the current residence for at least 6 years immediately preceding the deferral claim or has lived in Arizona for at least 10 years immediately preceding the deferral claim; and 4) does not own or have any legal, equitable, beneficial or security interest in any other residence or real property. The total taxable income of all persons residing in the residence for the taxable year immediately preceding the current year may not exceed $10,000 (A.R.S. § 42-17302).

To qualify for a deferral of property taxes the residence must: 1) be the taxpayer's primary residence; 2) not be income producing; 3) not have a full cash value (FCV) for the current tax year of more than $150,000; 4) not be subject to a lien or other real property security that has been of record for less than 5 years before the deferral claim; and 5) have all property taxes paid for years preceding the initial property tax deferral election (A.R.S. § 42-17303).

The State Treasurer must compile a report by September 1 of each year that includes the: 1) number of deferral claims received by each county that year; 2) number of deferral claims approved in each county that year; 3) total assessed value of tax-deferred residences in each county as of July 1 of that year; and 4) amount of taxes deferred on the current tax roll in each county (A.R.S. § 42-17313).

The property of an Arizona resident who is a person with a disability is exempt from taxation to the extent allowed by the Constitution of Arizona and subject to the conditions and limitations prescribed by statute. Exemptions from property taxation for a person with a disability is allowed in the amount of: 1) $3,000 if the person's total assessment does not exceed $20,000; or 2) no exemption if the person's total assessment exceeds $20,000. The Arizona Department of Revenue calculates changes in the exemption based on the average annual increase, if any, in the gross domestic product price deflator in the two most recent complete state fiscal years using data provided by the U.S. Department of Commerce (A.R.S. § 42-11111).

The Joint Legislative Budget Committee fiscal note estimates that S.B. 1491 would have no impact on the state General Fund. According to the Arizona Association of Counties, S.B. 1491 could result in an additional $(25.3) million in annual deferred local property tax collections (JLBC fiscal note).

Provisions

1. Decreases, from 70 years of age to 65 years of age, the age for an individual to qualify for the deferral of property taxes on a qualifying residence for a taxable year.

2. Allows an individual with a total and permanent disability who qualifies for the constitutional property tax exemption to qualify for the property tax deferral.

3. Prohibits a residence's FCV from exceeding 75 percent of the median FCV of the county in which the residence is located, if the amount is greater than the current FCV prohibition of $150,000.

4. Requires, to qualify for the property tax deferral, the total taxable income of all persons residing in the residence not to exceed $20,000, rather than $10,000, except for federal social security cost-of-living adjustment increases.

5. Requires any person residing in the residence who was not required to file a state income tax return to certify that the total taxable income of all persons residing in the residence did not exceed $20,000 for the taxable year, rather than $10,000 for the taxable year, except for federal social security cost-of-living adjustment increases.

6. Replaces the requirement for the State Treasurer to compile a report of deferral information with the requirement for each county treasurer to provide the following information to the State Treasurer by August 1:
   a) the number of deferral claims approved in the county that year;
   b) the total assessed valuation of tax-deferred residences in the county as of July 1 of the current year; and
   c) the amount of taxes that were deferred on the current tax roll in the county.

7. Replaces the requirement for the State Treasurer to compile the number of deferral claims from each county with a requirement for each county assessor to provide the number of deferral claims received in the county that year to the State Treasurer by August 1.

8. Requires the State Treasurer to compile a report of the information received from each county treasurer and each county assessor by September 1.

9. Makes technical and conforming changes.

10. Becomes effective on the general effective date.

Revisions

- Updates the fiscal impact statement.

Prepared by Senate Research
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MG/FDR/gs