



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

REVISED
AMENDED

FACT SHEET FOR S.C.R. 1006

property tax; refund; nuisance enforcement

Purpose

Subject to voter approval, statutorily allows, from TY 2025 through TY 2035, a property owner to annually apply for a refund of the amount the property owner paid for the prior tax year in primary property taxes to a city, town or county if the city, town or county fails to abate a public nuisance or enforce outlined ordinances that affect the property owner's real property as specified. Requires the State Treasurer to withhold aggregate refund amounts from affected city, town or county distribution base monies.

Background

All property in Arizona is subject to taxation with certain exemptions. Arizona has two distinct types of property taxes, primary and secondary. Primary property taxes are levied to pay for the maintenance and operation of a taxing jurisdiction. Primary property tax rates are determined and collected by each individual taxing jurisdiction ([Ariz. Const. art. 9 § 2](#) and [A.R.S. § 42-17151](#)).

The Arizona Department of Revenue (ADOR) is responsible for providing an integrated, coordinated and uniform system of tax administration and revenue collection for the state, including a coordinated electronic method of collecting state and municipal transaction privilege and affiliated excise taxes. ADOR transmits transaction privilege tax (TPT) revenues to the State Treasurer, separately accounting for certain categories with dedicated uses. A portion of TPT and severance taxes is referred to as the distribution base and is designated for distribution to cities, towns, counties and other purposes specified in statute. Statute directs ADOR to monthly allocate monies in the distribution base and requires 25 percent to be paid to cities and towns in proportion to population and 40.51 percent to be paid to counties according to a prescribed formula. After the distribution base is distributed to cities, towns, counties and other purposes, ADOR credits remaining distribution base monies to the state General Fund (A.R.S. §§ [42-1004](#) and [42-5029](#)).

The fiscal impact to the state General Fund is unknown at this time.

Provisions

1. Allows, beginning TY 2025 through TY 2035, a property owner to annually apply for a refund of the amount the property owner paid for the prior tax year in primary property taxes to a city, town or county in which the property is located if the affected city, town, or county maintains a public nuisance or adopts and follows a policy, pattern or practice of declining to enforce laws, ordinances or legislation that prohibit illegal camping, obstructing public thoroughfares, loitering, panhandling, public urination or defecation, public alcohol consumption or possession or use of illegal substances, and either:
 - a) the property's fair market value is reduced by the policy, pattern or practice or the public nuisance; or

- b) the property owner incurs expenses to mitigate the effects of the policy, pattern or practice or the public nuisance on the property.
2. Sets the amount of a property owner's refund, at the property owner's election, at either:
 - a) the property's reduction in fair market value that results from a city's, town's or county's policy, pattern or practice or a public nuisance; or
 - b) the expenses incurred by the property owner that were reasonably necessary to mitigate the effects of the policy, pattern or practice or the public nuisance.
3. Specifies that a property owner whose property is located in the corporate boundaries of a city or town is eligible for a refund only from that city or town and a property owner whose property is located in an unincorporated area is eligible to apply for a refund from the county.
4. Caps the refund amount at the amount a property owner paid for the prior tax year in primary property taxes to the affected city, town or county for the tax year.
5. Requires ADOR, if a property owner's total accepted refund amount exceeds the amount the property owner paid in primary property taxes for the prior tax year to the affected city, town or county for the tax year, to issue the refund for that tax year in an amount equal to the amount of primary property tax paid for the prior tax year to the affected city, town or county by the property owner and requires the property owner to apply to ADOR for the remaining portion of the refund in the following tax year and successive tax years as needed.
6. Requires ADOR to notify the affected city, town or county within 15 days after receiving a refund application.
7. Requires a city, town or county, within 30 days after receiving ADOR's notice, to accept or reject the refund and notify ADOR of its determination and directs ADOR to:
 - a) pay the refund to the property owner if the affected city, town or county accepts the refund; or
 - b) refrain from paying the refund to the property owner if the affected city, town or county rejects the refund.
8. Deems the refund accepted if an affected city, town or county does not respond to ADOR within 30 days and directs ADOR to pay the refund to the property owner.
9. Allows a property owner to challenge a refund rejection by filing a cause of action in the superior court of the county in which the property is located.
10. Determines that the questions of whether a property owner is entitled to a refund and whether the refund amount is reasonable are judicial questions.
11. Specifies that in a cause of action the affected city, town or county bears the burden of demonstrating that its actions are lawful or that the refund amount is unreasonable.
12. Immunizes the property owner from liability of the city, town or county attorney fees or costs and requires a prevailing property owner to be awarded reasonable attorney fees and costs.

13. Entitles a property owner to another refund in a subsequent tax year if a city's, town's or county's policy, pattern, practice or public nuisance remains in place after the property owner's initial refund application, unless:
 - a) the city, town or county and the owner enter into a knowing and voluntary settlement; or
 - b) the city, town or county ends the policy, pattern or practice or abates the public nuisance.
14. Requires the State Treasurer, on notice from ADOR, to:
 - a) withhold the respective aggregate refund amounts issued by ADOR from the distribution of distribution base monies to the affected city, town or county; and
 - b) continue to withhold monies until the entire amount provided by ADOR has been withheld.
15. Requires the State Treasurer to credit withheld distribution base monies to ADOR as reimbursement for issuing the refund.
16. Prohibits the State Treasurer from withholding any payments for debt service on bonds or other long-term obligations of a city, town or county that were issued or incurred before the refund was issued.
17. Stipulates that a property owner is not required to submit a claim as a prerequisite to demanding or receiving just compensation in the form of a refund.
18. Requires the refund to be paid by ADOR in the same manner as the standard tax refund and specifies that the refund is in lieu of any claim for monetary damages or any rights under the Private Property Rights Protection Act.
19. Specifies that the remedy established by the refund is in addition to any other remedy provided by Arizona laws, the Arizona Constitution or the U.S. Constitution and is not intended to modify or replace any other remedy.
20. Specifies that the refund requirements do not apply to:
 - a) decisions by city, town or county authorities to exercise prosecutorial discretion not to prosecute alleged offenders if the decisions are made on a case-by-case basis and the justifications for each decision are published monthly by the city, town or county;
 - b) acts of executive clemency;
 - c) acts or omissions taken due to a declared state of emergency; and
 - d) acts or omissions mandated by federal law.
21. Directs ADOR to prescribe the procedure and form to administer the refund.
22. Defines terms.
23. Repeals the nuisance enforcement refund authorization on January 1, 2036.
24. Requires the Secretary of State to submit the proposition to the voters at the next general election.
25. Becomes effective if approved by the voters and on proclamation of the Governor.

Amendments Adopted by Committee

1. Caps the refund amount at the amount a property owner paid in primary property taxes for the tax year and outlines instructions for excess refund amounts.
2. Adds notification requirements for refund acceptance or rejection.
3. Allows a property owner to challenge a refund rejection by filing a cause of action.
4. Directs the State Treasurer to credit withheld distribution base monies to ADOR, rather than the state General Fund.
5. Makes technical and conforming changes.

Amendments Adopted by Committee of the Whole

1. The committee amendment was withdrawn.
2. Clarifies that a property owner may apply for a refund in the amount of primary property taxes paid for the prior tax year to a city, town or county, if outlined conditions occur.
3. Caps the refund amount at the amount a property owner paid for the prior tax year in primary property taxes for the tax year to the affected city, town or county and outlines instructions for excess refund amounts.
4. Adds timeline and notification requirements for refund acceptance or rejection.
5. Allows a property owner to challenge a refund rejection by filing a cause of action.
6. Specifies that the questions of whether the property owner is entitled to the refund and whether the refund amount is reasonable are judicial questions.
7. Directs the State Treasurer to credit withheld distribution base monies to the Arizona Department of Revenue, rather than the state General Fund.
8. Makes technical and conforming changes.

Revisions

- Corrects the provisions to reflect that the refund may not exceed the amount the property owner paid for the prior tax year in primary property taxes for the tax year to the affected city, town or county.

Senate Action

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Prepared by Senate Research

February 21, 2024

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