

Senate Engrossed  
**FILED**  
**KEN BENNETT**  
**SECRETARY OF STATE**

State of Arizona  
Senate  
Forty-ninth Legislature  
First Regular Session  
2009

CHAPTER 118

## **SENATE BILL 1421**

AN ACT

AMENDING SECTIONS 42-17001, 42-17003, 42-17004, 42-17005, 42-17052, 42-17054, 42-17055 AND 48-807, ARIZONA REVISED STATUTES; RELATING TO SECONDARY PROPERTY TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-17001, Arizona Revised Statutes, is amended to  
3 read:

4 42-17001. Definitions

5 In this chapter, unless the context otherwise requires:

6 1. "Commission" means the property tax oversight commission  
7 established by section 42-17002.

8 2. "FIRE DISTRICT" MEANS A FIRE DISTRICT ESTABLISHED PURSUANT TO TITLE  
9 48, CHAPTER 5.

10 ~~2.~~ 3. "Political subdivision" means a county, charter county, city,  
11 charter city, town or community college district.

12 Sec. 2. Section 42-17003, Arizona Revised Statutes, is amended to  
13 read:

14 42-17003. Duties

15 A. The commission shall:

16 1. Establish procedures for deriving the information required by  
17 sections 15-905.01, 15-1461.01 and 42-17107 and article 2 of this chapter.

18 2. Review the primary property tax levy of each political subdivision  
19 to determine violations of sections 15-905.01, 15-1461.01 and 42-17107 and  
20 article 2 of this chapter.

21 3. REVIEW THE SECONDARY PROPERTY TAX LEVY OF EACH FIRE DISTRICT TO  
22 DETERMINE VIOLATIONS OF SECTION 48-807.

23 ~~3.~~ 4. Review the reports made by the department concerning valuation  
24 accuracy.

25 ~~4.~~ 5. Hold hearings to determine the adequacy of compliance with  
26 articles 2 and 3 of this chapter.

27 ~~5.~~ 6. Upon the request of a county, city, town or community college  
28 district, hold hearings as prescribed in section 42-17004 regarding the  
29 calculation of the maximum allowable primary property tax levy limits  
30 prescribed in section 42-17051, subsection A.

31 B. If the commission determines that a political subdivision has  
32 violated section 15-905.01, 15-1461.01 or 42-17107 or article 2 of this  
33 chapter, OR THAT A FIRE DISTRICT HAS VIOLATED SECTION 48-807, then on or  
34 before September 15 the commission shall notify the political subdivision OR  
35 DISTRICT, and the county board of supervisors, in writing, of:

36 1. The nature of the violation.

37 2. The necessary adjustment to:

38 (a) The primary property tax levy and tax rate to comply with section  
39 15-905.01, 15-1461.01 or 42-17107 or article 2 of this chapter.

40 (b) THE SECONDARY PROPERTY TAX LEVY AND TAX RATE TO COMPLY WITH  
41 SECTION 48-807.

1           Sec. 3. Section 42-17004, Arizona Revised Statutes, is amended to  
2 read:

3           42-17004. Hearing and appeals of commission findings

4           A. If the commission notifies a political subdivision of a violation  
5 of section 15-905.01, 15-1461.01 or 42-17107 or article 2 of this chapter, OR  
6 NOTIFIES A FIRE DISTRICT OF A VIOLATION OF SECTION 48-807, and the political  
7 subdivision OR DISTRICT disputes the commission's findings, then on or before  
8 October 1 the political subdivision OR DISTRICT may request a hearing before  
9 the commission to attempt to resolve the dispute.

10           B. A governing ~~board~~ BODY of a county, city, town, ~~or~~ community  
11 college district OR FIRE DISTRICT may request a hearing before the commission  
12 regarding the calculation of the maximum allowable primary OR SECONDARY  
13 property tax levy limits prescribed in section 42-17051 OR 48-807. The  
14 commission may resolve any disputes.

15           C. The commission shall conduct the hearing as prescribed in title 41,  
16 chapter 6, article 10.

17           D. If the dispute is resolved at the hearing, the commission shall  
18 immediately notify the county board of supervisors of the proper primary OR  
19 SECONDARY tax levy and tax rate.

20           E. If a political subdivision OR FIRE DISTRICT continues to dispute  
21 the commission's findings after the hearing under this section, the political  
22 subdivision OR DISTRICT may:

23           1. Appeal the matter to tax court within thirty days after the  
24 commission renders the decision.

25           2. Levy primary OR SECONDARY property taxes in the amount that the  
26 political subdivision OR DISTRICT considers to be proper, pending the outcome  
27 of the appeal.

28           Sec. 4. Section 42-17005, Arizona Revised Statutes, is amended to  
29 read:

30           42-17005. Adjustments to levy

31           A. If a governing body of a political subdivision OR A FIRE DISTRICT  
32 receives written notice of a violation of its allowable levy limit or truth  
33 in taxation limit under section 42-17003, and has not appealed the  
34 commission's decision pursuant to section 42-17004, the governing body shall  
35 correct its ~~primary~~ property tax levy and tax rate to properly reflect the  
36 allowable levy for the current year. The county board of supervisors shall  
37 make the necessary adjustments to the political subdivision's OR DISTRICT'S  
38 ~~primary~~ property tax levy and tax rate to ensure that the corrected  
39 information is contained in the assessment and tax roll that is transmitted  
40 to the county treasurer pursuant to section 42-18003. If the governing body  
41 receives the notice after it is too late to correct the levy in the current  
42 year, the difference between the amount actually levied and the allowable  
43 ~~primary~~ property tax levy shall be set aside in a special fund and used to  
44 reduce the ~~primary~~ property taxes levied in the following year.

1 B. If, after a hearing under section 42-17004, the commission  
2 determines that errors were made in the calculation of the maximum allowable  
3 primary property tax levy limit pursuant to section 42-17051, subsection A,  
4 OR SECONDARY PROPERTY TAX LEVY LIMIT PURSUANT TO SECTION 48-807, the  
5 commission shall have five days to notify the governing ~~board of a~~ BODY OF  
6 THE county, city, town, or community college district OR FIRE DISTRICT of the  
7 corrected levy limit. The commission shall also notify the county board of  
8 supervisors within five days. The corrected maximum allowable primary  
9 property tax levy shall be used in section 42-17051, subsection A, paragraph  
10 1 in determining the following year's levy limit. THE CORRECTED MAXIMUM  
11 ALLOWABLE SECONDARY PROPERTY TAX LEVY SHALL BE USED IN SECTION 48-807 IN  
12 DETERMINING THE FOLLOWING YEAR'S LEVY LIMIT.

13 C. If, after a hearing under section 42-17004, it is impossible for  
14 the board of supervisors to correct a property tax levy in the current year,  
15 the political subdivision OR FIRE DISTRICT shall hold the difference between  
16 the amount the political subdivision OR DISTRICT actually levied and the  
17 allowable ~~primary~~ property tax levy prescribed by the commission in a  
18 separate fund to be used to reduce the ~~primary~~ property taxes levied by the  
19 political subdivision OR DISTRICT in the following year.

20 D. If the commission discovers that it has made an error in computing  
21 the levy limit after September 15, it shall notify the political  
22 subdivision's OR FIRE DISTRICT'S governing body about the error. The error  
23 shall be corrected as prescribed in subsection A of this section. If the  
24 error results in the maximum allowable ~~primary~~ property tax levy being  
25 raised: —

26 1. The corrected maximum allowable primary property tax levy shall be  
27 used in section 42-17051, subsection A, paragraph 1 in determining the  
28 following year's levy limit.

29 2. THE CORRECTED MAXIMUM ALLOWABLE SECONDARY PROPERTY TAX LEVY SHALL  
30 BE USED FOR THE PURPOSES OF SECTION 48-807 IN DETERMINING THE FOLLOWING  
31 YEAR'S LEVY LIMIT.

32 E. If, on appeal under section 42-17004, subsection E, the ruling of  
33 the court provides for a ~~primary~~ property tax levy in an amount that is less  
34 than the amount levied by the political subdivision OR FIRE DISTRICT, the  
35 political subdivision OR DISTRICT shall hold the difference between the  
36 amounts in a separate fund to be used to reduce the ~~primary~~ property taxes  
37 levied by the political subdivision OR DISTRICT in the following year.

38 Sec. 5. Section 42-17052, Arizona Revised Statutes, is amended to  
39 read:

40 42-17052. Values furnished by county assessor and fire  
41 districts

42 A. On or before February 10 of the tax year, the county assessor shall  
43 transmit and certify to the property tax oversight commission and to the  
44 governing body of the political subdivision or district in the county the  
45 values that are required to compute the levy limit prescribed by section

1 SECTIONS 42-17051 AND 48-807. For the purposes of this section, these values  
2 shall not be changed for the official calculation of levy limits and tax  
3 rates after February 10 without the approval of the property tax oversight  
4 commission. These values shall include:

5 1. The finally equalized valuation of all property, less estimated  
6 exemptions, appearing on the tax roll for the current tax year to be used to  
7 fix, levy and assess the political subdivision's taxes.

8 2. The value of the property on the personal property tax roll  
9 determined pursuant to section 42-17053.

10 B. On or before February 10 of the tax year, the county assessor shall  
11 determine the limited property value for the current tax year of each school  
12 district in the county and shall transmit the values to the county school  
13 superintendent to assist the superintendent in computing equalization  
14 assistance for education as provided in section 15-991.

15 C. On or before February 10 of the tax year, the county assessor shall  
16 transmit to the staff of the joint legislative budget committee and to the  
17 governor's office of strategic planning and budgeting the values that are  
18 required to compute the truth in taxation rates prescribed by section  
19 41-1276.

20 D. ON OR BEFORE FEBRUARY 10 OF THE TAX YEAR, THE GOVERNING BOARD OF  
21 EACH FIRE DISTRICT SHALL TRANSMIT TO THE PROPERTY TAX OVERSIGHT COMMISSION  
22 THE TOTAL ASSESSED VALUE OF ALL PROPERTY ANNEXED BY THE DISTRICT IN THE  
23 PRECEDING CALENDAR YEAR.

24 Sec. 6. Section 42-17054, Arizona Revised Statutes, is amended to  
25 read:

26 42-17054. Levy limit worksheet

27 A. When the county assessor transmits valuations under section  
28 42-17052, the assessor shall prepare and transmit a final levy limit  
29 worksheet to each city, town and community college district that imposes a  
30 primary property tax, TO EACH FIRE DISTRICT THAT IMPOSES A SECONDARY PROPERTY  
31 TAX and to the property tax oversight commission.

32 B. Each city, town, and community college district AND FIRE DISTRICT  
33 shall notify the property tax oversight commission in writing within ten days  
34 of its agreement or disagreement with the final levy limit worksheet.

35 Sec. 7. Section 42-17055, Arizona Revised Statutes, is amended to  
36 read:

37 42-17055. Public inspection of values used in computing levy  
38 limitation

39 A. On or before February 15 of the tax year, the governing body of  
40 each county, city, town, and community college district AND FIRE DISTRICT  
41 shall make available for public inspection the values determined in each  
42 numbered paragraph of section 42-17051, subsection A AND IN SECTION 48-807.

43 B. The property tax oversight commission shall not alter the values  
44 that have been determined and made available for public inspection under this  
45 section unless the county assessor transmits and certifies new values to the

1 governing body. The new values shall be made available for public inspection  
2 on the request of any individual.

3 Sec. 8. Section 48-807, Arizona Revised Statutes, is amended to read:

4 48-807. County fire district assistance tax; annual budget

5 A. The board of supervisors of a county shall levy, at the time of  
6 levying other property taxes, a county fire district assistance tax on the  
7 taxable property in the county of not more than ten cents per one hundred  
8 dollars of assessed valuation. The tax levy provided for in this subsection  
9 shall be a levy of secondary property taxes and shall not be subject to title  
10 42, chapter 17, article 2. The county treasurer shall pay to each fire  
11 district, including a fire district formed pursuant to section 48-851, in the  
12 county from the proceeds of the tax an amount equal to twenty per cent of the  
13 property tax levy adopted by the district for the fiscal year in which the  
14 tax will be levied, except that:

15 1. The amount of assistance from the county to a fire district shall  
16 be reduced as follows:

17 (a) By the dollar amount that the fire district receives from the fire  
18 district assistance tax that exceeds three hundred thousand dollars from and  
19 after June 30 of each fiscal year.

20 (b) Except as provided in paragraph 2 OF THIS SUBSECTION, if the total  
21 amount to be paid to all districts in the county under this paragraph exceeds  
22 the amount to be raised by the levy of ten cents per one hundred dollars  
23 assessed valuation, then the county treasurer shall pay an amount less than  
24 twenty per cent of the property tax levy of each district. The amount to be  
25 paid by the county treasurer to each district shall be determined by  
26 multiplying the proceeds of the county fire district assistance tax against  
27 the proportion that twenty per cent of the property tax levy of each district  
28 bears to the total of twenty per cent of the property tax levies of all fire  
29 districts in the county.

30 2. For fiscal years beginning from and after July 1, 1992, the amount  
31 of assistance from the county to a fire district shall not be less than the  
32 assistance provided from and after June 30, 1991 through June 30, 1992, if,  
33 for the fiscal year in which the tax will be levied, the district levies a  
34 tax, in addition to any tax levied under section 48-806, of three dollars per  
35 one hundred dollars of assessed valuation and the assessed valuation is at  
36 least ninety per cent of the assessed valuation for the 1991 tax year. This  
37 paragraph does not apply to fire districts subject to paragraph 1,  
38 subdivision (a) OF THIS SUBSECTION.

39 B. For the purpose of subsection A of this section, the property tax  
40 levy of the fire district shall include in lieu contributions pursuant to  
41 chapter 1, article 8 of this title but shall not include property tax levies  
42 to be applied to the payment of principal and interest on bonds issued  
43 pursuant to section 48-806.

44 C. Notwithstanding subsection A of this section, if two or more fire  
45 districts merge to form a consolidated district, the last amount received by

1 each fire district from the fire district assistance tax prior to the merger  
2 shall be combined, and if the combined amount exceeds three hundred thousand  
3 dollars, the consolidated district may continue to receive that amount from  
4 the fire district assistance tax.

5 D. If two or more fire districts merge to form a consolidated district  
6 and the total of the amounts received by each fire district from the fire  
7 district assistance tax is less than three hundred thousand dollars, the  
8 consolidated district may continue to receive monies until its receipts total  
9 three hundred thousand dollars, as prescribed in subsection A of this  
10 section.

11 E. Not more than ten days after the perfection of the organization of  
12 a fire district, and thereafter not later than August 1 of each year, the  
13 chief and the secretary-treasurer of the district, or if there is a district  
14 board, the chairman of the board, shall submit to the board of supervisors an  
15 estimate, certified by items, of the amount of money required for the  
16 equipment and maintenance of the district for the ensuing year.

17 F. The board, based on the budget submitted by the district, shall  
18 levy, in addition to any tax levied as provided in section 48-806, a tax not  
19 to exceed three dollars twenty-five cents per one hundred dollars of assessed  
20 valuation, OR THE AMOUNT OF THE LEVY IN THE PRECEDING TAX YEAR MULTIPLIED BY  
21 1.08, WHICHEVER LEVY IS LESS, AND MINUS ANY AMOUNTS REQUIRED TO REDUCE THE  
22 LEVY PURSUANT TO SUBSECTION I OF THIS SECTION, against all property situated  
23 within the district boundaries and appearing on the last assessment roll.  
24 The levy shall be made and the taxes collected in the manner, at the time and  
25 by the officers provided by law for the collection of general county taxes.

26 G. THE QUALIFIED ELECTORS OF THE DISTRICT, VOTING IN AN ELECTION AS  
27 PRESCRIBED BY SUBSECTION H OF THIS SECTION, MAY AUTHORIZE THE BOARD TO LEVY A  
28 TAX EXCEEDING THE LIMITS PRESCRIBED BY SUBSECTION F OF THIS SECTION UNDER  
29 ONE, BUT NOT BOTH, OF THE FOLLOWING OPTIONS:

30 1. THE ELECTORS MAY AUTHORIZE A PERMANENT OVERRIDE ALLOWING ANNUAL  
31 LEVIES WITHOUT REFERENCE TO THE LEVY IN THE PRECEDING TAX YEAR, BUT REMAINING  
32 SUBJECT TO THE TAX RATE LIMIT OF THREE DOLLARS TWENTY-FIVE CENTS PER ONE  
33 HUNDRED DOLLARS OF ASSESSED VALUATION. AN ELECTION FOR THE PURPOSES OF THIS  
34 PARAGRAPH MUST BE HELD AT A REGULARLY SCHEDULED GENERAL ELECTION HELD ON THE  
35 FIRST TUESDAY FOLLOWING THE FIRST MONDAY IN NOVEMBER AS PRESCRIBED BY SECTION  
36 16-204, SUBSECTION B, PARAGRAPH 1, SUBDIVISION (d).

37 2. IF THE NET ASSESSED VALUATION OF ALL PROPERTY IN THE DISTRICT  
38 DECLINES BY A COMBINED TOTAL OF TWENTY PER CENT OR MORE OVER TWO CONSECUTIVE  
39 VALUATION YEARS, THE ELECTORS VOTING AT THE NEXT REGULARLY SCHEDULED GENERAL  
40 ELECTION HELD ON THE FIRST TUESDAY FOLLOWING THE FIRST MONDAY IN NOVEMBER AS  
41 PRESCRIBED BY SECTION 16-204, SUBSECTION B, PARAGRAPH 1, SUBDIVISION (d) MAY  
42 AUTHORIZE AN OVERRIDE FOR FIVE CONSECUTIVE TAX YEARS ALLOWING ANNUAL LEVIES  
43 THAT ARE EXEMPT FROM THE TAX RATE LIMIT OF THREE DOLLARS TWENTY-FIVE CENTS,  
44 BUT SUBJECT TO AN ANNUAL LEVY LIMIT OF THE AMOUNT OF THE LEVY IN THE  
45 PRECEDING TAX YEAR MULTIPLIED BY 1.05. AFTER THE FIFTH TAX YEAR, THE

1 DISTRICT IS AGAIN SUBJECT TO THE LIMITS PRESCRIBED BY SUBSECTION F OF THIS  
2 SECTION, COMPUTED BY MULTIPLYING THE LEVY BEGINNING IN THE YEAR PRECEDING THE  
3 OVERRIDE BY 1.08 FOR EACH YEAR THROUGH THE CURRENT TAX YEAR.

4 H. THE CALL FOR AN OVERRIDE ELECTION HELD FOR THE PURPOSES OF  
5 SUBSECTION G OF THIS SECTION MUST STATE:

6 1. THE PURPOSE FOR REQUESTING ADDITIONAL SECONDARY PROPERTY TAX  
7 REVENUE FOR THE DISTRICT.

8 2. IF THE VOTERS APPROVE THE LEVY:

9 (a) THE MAXIMUM DOLLAR AMOUNT OF SECONDARY PROPERTY TAX THAT MAY BE  
10 COLLECTED IN THE FIRST YEAR COMPARED TO THE EXISTING MAXIMUM SECONDARY  
11 PROPERTY TAX LEVY PRESCRIBED IN SUBSECTION F OF THIS SECTION.

12 (b) THE ESTIMATED SECONDARY PROPERTY TAX RATE TO FUND THE PROPOSED  
13 LEVY UNDER SUBDIVISION (a) IN THE FIRST TAX YEAR COMPARED TO THE SECONDARY  
14 PROPERTY TAX RATE LEVIED IN THE CURRENT YEAR.

15 I. IF THE DISTRICT ANNEXES ADDITIONAL TERRITORY, THE LIMIT UNDER  
16 SUBSECTION F OF THIS SECTION SHALL BE ADJUSTED BY APPLYING THE DISTRICT'S TAX  
17 RATE TO THE ASSESSED VALUATION OF THE ANNEXED PROPERTY IN THE PRECEDING TAX  
18 YEAR. IF DISTRICTS ARE MERGED OR CONSOLIDATED UNDER THIS CHAPTER, THE  
19 LIMITATION UNDER THIS SUBSECTION IN THE FIRST YEAR AFTER THE DISTRICTS ARE  
20 MERGED OR CONSOLIDATED IS THE TOTAL OF THE LEVIES OF THE MERGED OR  
21 CONSOLIDATED DISTRICTS IN THE PRECEDING TAX YEAR MULTIPLIED BY 1.08 OR THE  
22 AMOUNT OF THE LEVIES ALLOWED BY THE MAXIMUM RATE PRESCRIBED BY SUBSECTION F  
23 OF THIS SECTION, WHICHEVER IS LESS.

24 J. THE DISTRICT SHALL MAINTAIN ANY PROPERTY TAX REVENUES COLLECTED IN  
25 EXCESS OF THE SUM OF THE AMOUNTS OF TAXES COLLECTIBLE PURSUANT TO SECTION  
26 42-17054 AND THE ALLOWABLE LEVY DETERMINED UNDER SUBSECTION F OF THIS SECTION  
27 IN A SEPARATE FUND AND USED TO REDUCE THE PROPERTY TAX LEVY IN THE FOLLOWING  
28 TAX YEAR.

29 K. THE LEVY LIMIT UNDER THIS SECTION IS CONSIDERED TO BE INCREASED  
30 EACH YEAR TO THE MAXIMUM LIMIT PERMISSIBLE UNDER SUBSECTION F OF THIS SECTION  
31 REGARDLESS OF WHETHER THE DISTRICT ACTUALLY LEVIES TAXES UP TO THE MAXIMUM  
32 PERMISSIBLE AMOUNT IN THAT YEAR.

33 ~~G.~~ L. The county treasurer shall keep the money received from taxes  
34 levied pursuant to subsection F of this section in a separate fund known as  
35 the "fire district fund" of the district for which collected. Any surplus  
36 remaining in the fund at the end of the fiscal year shall be credited to the  
37 fire district fund of the district for which collected for the succeeding  
38 fiscal year.

39 ~~H.~~ M. When a fire district has adopted a budget and the board of  
40 supervisors has levied a fire district tax as provided in subsection F of  
41 this section and the district has insufficient money in its fund with the  
42 county treasurer to operate the district, the elected chief and the  
43 secretary-treasurer, or if there is a district board, the chairman of the  
44 board, on or after August 1 of each year, may draw warrants for the purposes  
45 prescribed in section 48-805 on the county treasurer, payable on November 1

1 of that year or on April 1 of the succeeding year. The aggregate amounts of  
2 the warrants may not exceed ninety per cent of the taxes levied by the county  
3 for the district's current fiscal year. If the treasurer cannot pay a  
4 warrant for lack of funds in the fire district fund, the warrant shall be  
5 endorsed, be registered, bear interest and be redeemed as provided by law for  
6 county warrants, except that the warrants are payable only from the fire  
7 district fund.

8       Sec. 9. Fire district levy limit; tax year 2010

9       Notwithstanding section 48-807, subsection F, Arizona Revised Statutes,  
10 as amended by this act, for the 2010 tax year a fire district shall not fix,  
11 levy or assess an amount of property taxes that exceeds the amount levied in  
12 the 2008 tax year multiplied by 1.16, plus any amounts attributable to  
13 annexations.

APPROVED BY THE GOVERNOR JULY 10, 2009.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JULY 13, 2009.

Passed the House July 1, 20 09,

by the following vote: 34 Ayes,

22 Nays, 4 Not Voting

[Signature]  
Speaker of the House

[Signature]  
Chief Clerk of the House

Passed the Senate June 22, 20 09,

by the following vote: 26 Ayes,

3 Nays, 1 Not Voting

[Signature]  
President of the Senate

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this  
1st day of July, 20 09,

at 8:53 o'clock A. M.

[Signature]  
Secretary to the Governor

Approved this 10th day of

July, 20 09,

at 4:18 o'clock P. M.

[Signature]  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State  
this 13 day of July, 20 09,

at 9:15 o'clock A. M.

[Signature]  
Secretary of State

S.B. 1421