

House Engrossed

**FILED**

**KEN BENNETT  
SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Fiftieth Legislature  
Second Regular Session  
2012

CHAPTER 350

# HOUSE BILL 2486

AN ACT

AMENDING SECTIONS 42-12003, 42-12052, 42-12053, 42-12054, 42-15103 AND  
42-16051, ARIZONA REVISED STATUTES; RELATING TO RESIDENTIAL PROPERTY TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-12003, Arizona Revised Statutes, is amended to  
3 read:

4 42-12003. Class three property; definition

5 A. For purposes of taxation, class three is established consisting of:

6 1. Real and personal property and improvements to the property that  
7 are used as the owner's primary residence ~~or leased or rented to~~, THAT ARE  
8 NOT OTHERWISE INCLUDED IN CLASS ONE, TWO, FOUR, SIX, SEVEN OR EIGHT AND THAT  
9 ARE VALUED AT FULL CASH VALUE.

10 2. REAL AND PERSONAL PROPERTY THAT IS OCCUPIED BY a relative of the  
11 owner, as provided by section 42-12053, and used as the relative's primary  
12 residence, that ~~are~~ IS not otherwise included in class one, two, four, six,  
13 seven or eight and that ~~are~~ IS valued at full cash value. ~~Only an owner's or~~  
14 ~~a relative's primary residence may be classified as class three, except that~~  
15 ~~the~~

16 B. FOR THE PURPOSES OF THIS SECTION, A homesite that is included in  
17 class three may include:

18 1. Up to ten acres on a single parcel of real property on which the  
19 residential improvement is located.

20 2. More than ten, but not more than forty, acres on a single parcel of  
21 real property on which the residential improvement is located if it is zoned  
22 exclusively for residential purposes or contains legal restrictions or  
23 physical conditions that prevent the division of the parcel.

24 ~~B.~~ C. For the purposes of this section, "physical conditions" means  
25 topography, mountains, washes, rivers, roads or any other configuration that  
26 limits the residential usable land area.

27 Sec. 2. Section 42-12052, Arizona Revised Statutes, is amended to  
28 read:

29 42-12052. Review and verification of class three property;  
30 civil penalty; appeals

31 A. Each county assessor shall review assessment information, on a  
32 continuing basis, to ensure proper classification of residential  
33 dwellings. The assessor may enter into intergovernmental agreements with the  
34 department for an exchange of information to ensure a coordinated and  
35 comprehensive review and identification of property that may be rented while  
36 classified as class three pursuant to section 42-12003.

37 ~~B. Beginning in 2012 and each even-numbered year thereafter the county~~  
38 ~~assessor shall include with the notice of full cash value sent to owners of~~  
39 ~~class three property pursuant to section 42-15101 an affidavit, in a form~~  
40 ~~prescribed by the department, on which the owner must declare, under penalty~~  
41 ~~of perjury, whether the property is the owner's primary residence, or leased~~  
42 ~~or rented to a relative of the owner, as provided by section 42-12053, and~~  
43 ~~used as the relative's primary residence, in the current valuation year. The~~  
44 ~~owner must return the completed affidavit form to the county assessor within~~  
45 ~~sixty days. If the owner indicates on the affidavit that the property is not~~

1 ~~the owner's or relative's primary residence, if the owner indicates on more~~  
2 ~~than one affidavit that more than one parcel is the owner's primary~~  
3 ~~residence, or if the owner fails to return the affidavit timely to the~~  
4 ~~assessor, the assessor shall reclassify the property as class four pursuant~~  
5 ~~to section 42-12004 or in another classification according to the property's~~  
6 ~~use and within fifteen days notify the owner of the reclassification and of~~  
7 ~~the owner's the right to appeal the reclassification. If for any reason an~~  
8 ~~owner believes that reclassification pursuant to this subsection is~~  
9 ~~erroneous, the owner may file a notice of claim with the assessor pursuant to~~  
10 ~~section 42-16254 to resolve the correct classification.~~

11 ~~G. B. If the assessor has reason to believe that a parcel of property~~  
12 ~~that is classified as class three pursuant to section 42-12003 is not used as~~  
13 ~~the owner's primary residence or is being rented AS A QUALIFYING FAMILY~~  
14 ~~MEMBER RESIDENCE PURSUANT TO SECTION 42-12053, the assessor shall notify the~~  
15 ~~owner, in a form prescribed by the department as provided by subsection D of~~  
16 ~~this section, and request that the owner respond as to whether the property~~  
17 ~~is occupied as the owner's primary residence MEETS THE REQUIREMENTS OF~~  
18 ~~SECTION 42-12003 OR 42-12053, is a secondary residence or is used as a rental~~  
19 ~~property. If the owner responds that the property is not the owner's primary~~  
20 ~~residence, or if the owner fails to respond to the assessor within thirty~~  
21 ~~days after the notice is mailed, the assessor shall mail the owner a final~~  
22 ~~notice within thirty days requesting that the owner provide information as to~~  
23 ~~whether or not the property is the owner's MEETS THE REQUIREMENTS OF A~~  
24 ~~primary residence, a secondary residence or IS used as a rental property. If~~  
25 ~~the owner fails to respond to the assessor within fifteen days after the~~  
26 ~~final notice is mailed, the assessor shall:~~

27 1. ~~Reclassify the property as class four. In addition to other appeal~~  
28 ~~procedures provided by law, the owner of the property that is reclassified as~~  
29 ~~class four under this paragraph may appeal the reclassification to the county~~  
30 ~~board of supervisors within thirty days after the notice of classification is~~  
31 ~~mailed. If the owner proves to the board's satisfaction that the property is~~  
32 ~~occupied as the owner's primary residence, the board shall order the property~~  
33 ~~to be reclassified as class three property pursuant to section 42-12003.~~

34 2. ~~Notify the county treasurer who shall assess a civil penalty~~  
35 ~~against the property equal to twice the amount of additional state aid paid~~  
36 ~~pursuant to section 15-972 with respect to the property in the preceding tax~~  
37 ~~year. The owner of the property shall pay a penalty under this paragraph to~~  
38 ~~the county treasurer within thirty days after the notice of the penalty is~~  
39 ~~mailed. The owner may appeal the penalty to the county board of supervisors~~  
40 ~~within the time required for payment. If the owner proves to the board's~~  
41 ~~satisfaction that the property is occupied by the owner, the board shall~~  
42 ~~waive the penalty, and the property shall be listed as class three pursuant~~  
43 ~~to section 42-12003. Until paid or waived, the penalty constitutes a lien~~  
44 ~~against the property. The county treasurer shall deposit all revenue~~

1 received from penalties assessed under this paragraph in the county general  
2 fund.

3 C. BEGINNING IN 2013 AND DURING EACH ELECTIVE TERM OF OFFICE  
4 THEREAFTER THE COUNTY ASSESSOR SHALL SEND NOTICES UNDER SUBSECTION B OF THIS  
5 SECTION TO EACH OWNER OF PROPERTY CLASSIFIED AS CLASS THREE PURSUANT TO  
6 SECTION 42-12003 DESCRIBED BY ANY OF THE FOLLOWING:

7 1. THE OWNER HAS A MAILING ADDRESS OUTSIDE THE COUNTY IN WHICH THE  
8 PROPERTY IS LOCATED.

9 2. THE OWNER HAS A MAILING ADDRESS, OTHER THAN A POST OFFICE BOX, THAT  
10 IS DIFFERENT THAN THE SITUS ADDRESS OF THE PROPERTY.

11 3. THE OWNER HAS THE SAME MAILING ADDRESS LISTED FOR MORE THAN ONE  
12 PARCEL OF CLASS THREE PROPERTY IN THIS STATE.

13 4. THE OWNER APPEARS TO BE A BUSINESS ENTITY.

14 D. The department shall:

15 1. Prescribe all forms used to notify property owners under this  
16 section. The forms shall contain information as to criteria for the  
17 reclassification of property and the civil penalties that may result if the  
18 owner fails to respond to the notice.

19 2. Monitor and review the procedures and practices used by assessors  
20 and treasurers to accomplish the verification of class three property and the  
21 assessment and collection of penalties prescribed by this section and propose  
22 suggested improvements to establish uniform processes and performance among  
23 the counties.

24 E. The department may inspect the records of county assessors and  
25 county treasurers to determine compliance with the requirements of this  
26 section and the accuracy of the classification of owner-occupied residential  
27 property and rental property.

28 Sec. 3. Section 42-12053, Arizona Revised Statutes, is amended to  
29 read:

30 42-12053. Criteria for distinguishing primary residential  
31 property, secondary residential property and rental  
32 property

33 A. For the purpose of classifying residential property under sections  
34 42-12003, 42-12004 and 42-12052, a parcel is not considered A SECONDARY  
35 PROPERTY OR rental property ~~and shall be classified as class three property,~~  
36 ~~if either:~~

37 ~~1. The property was not rented by the owner for more than three months~~  
38 ~~in the preceding twelve consecutive months and the owner does not intend to~~  
39 ~~rent it for more than three months during the next twelve consecutive months.~~

40 ~~2. the owner rents the property to~~ PROPERTY IS OCCUPIED BY a member of  
41 the owner's family, who must be:

42 (a) 1. The owner's natural or adopted child or a descendant of the  
43 owner's child.

44 (b) 2. The owner's parent or an ancestor of the owner's parent.

45 (c) 3. The owner's stepchild or stepparent.

1           (d) 4. The owner's child-in-law or parent-in-law.

2           (e) 5. The owner's natural or adopted sibling.

3           B. For the purpose of classifying owner-occupied residential property  
4 under sections 42-12003, 42-12004 and 42-12052, the department shall adopt  
5 standard criteria for use in determining whether the property is considered  
6 to be the owner's or relative's primary residence, including:

7           1. The period of occupancy each year.

8           2. The owner's registered voting precinct.

9           3. The owner's driver license address.

10          4. The registration address of the owner's motor vehicles.

11          5. Other appropriate indicators of primary residency.

12          Sec. 4. Section 42-12054, Arizona Revised Statutes, is amended to  
13 read:

14          42-12054. Change in classification of owner-occupied residence

15          A. If a person purchases or converts property that is listed as class  
16 one, paragraph 12 or 13, class two OR CLASS FOUR pursuant to article 1 of  
17 this chapter and occupies the property as a- THE PERSON'S PRIMARY residence,  
18 the person may have the classification reviewed for change to class three  
19 from the date of conversion and occupancy as a primary residence and may  
20 appeal from the decision resulting from the review in the same manner as  
21 provided by law for review of a valuation for ad valorem property taxes and  
22 appeal from that review.

23          B. If a person purchases or converts property that is listed as CLASS  
24 ONE, PARAGRAPH 12 OR 13, CLASS TWO OR class four pursuant to ~~section 42-12004~~  
25 ~~and occupies the property as the person's primary residence~~ ARTICLE 1 OF THIS  
26 CHAPTER AND THE PROPERTY IS OCCUPIED BY A MEMBER OF THE OWNER'S IMMEDIATE  
27 FAMILY AS DESCRIBED IN SECTION 42-12053, the person may have the  
28 classification reviewed for change to class three from the date of occupancy  
29 and may appeal the decision resulting from the review in the same manner as  
30 provided by law for review of a valuation for ad valorem property taxes and  
31 appeal from that review.

32          C. If a person makes such a conversion or occupancy or appeals the  
33 classification after the county assessor has closed the rolls, the person may  
34 petition the county board of supervisors to change the classification and  
35 reduce the assessed valuation from the date of conversion or occupancy.

36          D. The board of supervisors shall entertain the petition in the same  
37 manner as a board of equalization hears a request for reduction in valuation.

38          E. The petitioner may appeal the board of supervisors' decision in the  
39 same manner as provided in section 42-16111, except that the petitioner shall  
40 file the notice of appeal within fifteen days after the board's finding.

41          F. If the board of supervisors finds that the property is in fact  
42 being used for the owner's primary residence and should be listed as class  
43 three property, it shall change the classification on the roll and fix the  
44 assessed valuation from the date of occupancy. The amount of taxes that is  
45 assessed against the property shall be computed by applying the current tax

1 rate to the original assessed valuation prorated for the portion of the tax  
2 year before the property was occupied plus the current tax rate applied to  
3 the reassessed value of the property prorated for the balance of the year.

4 G. The board of supervisors shall notify the department, assessor and  
5 county treasurer of the change in classification, the change in assessed  
6 valuation and the amount of tax assessed. The department and the assessor  
7 may appeal any such decision in the same manner as provided in section  
8 42-16111. The assessor and treasurer shall note the change on their records,  
9 and the treasurer may issue a future tax credit, endorsed by the board, to  
10 the person whose property is liable for the tax. The tax credit shall be  
11 used on the next or several succeeding property tax assessments that the  
12 person may owe thereafter.

13 Sec. 5. Section 42-15103, Arizona Revised Statutes, is amended to  
14 read:

15 42-15103. Contents of notice form

16 The notice form shall:

17 1. Prominently display a statement FOR ALL RESIDENTIAL PROPERTIES:

18 ~~(a) In even numbered valuation years informing property owners that if~~  
19 ~~the parcel of property is listed on the notice as class three pursuant to~~  
20 ~~section 42-12003, the owner must complete and return the enclosed affidavit~~  
21 ~~to the county assessor declaring whether the property is the owner's~~  
22 ~~residence, or leased or rented to a relative of the owner, as provided by~~  
23 ~~section 42-12053, and used as the relative's primary residence, for the~~  
24 ~~current year. The statement shall include the following text in at least~~  
25 ~~twelve point type:~~

26 ~~If your property qualifies as your primary residence, you may~~  
27 ~~receive a reduction on your property taxes up to \$600.~~

28 (a) WHICH DEFINES CLASS THREE PROPERTIES AS DESCRIBED IN SECTION  
29 42-12003.

30 (b) Informing property owners that if a ~~parcel of property is used as~~  
31 ~~a rental unit and the property is listed on the notice as class three~~  
32 ~~pursuant to section 42-12003, DOES NOT MEET THE DEFINITION PROVIDED PURSUANT~~  
33 ~~TO SUBDIVISION (a) OF THIS SECTION, the owner must notify the county assessor~~  
34 ~~of the rental use USAGE of the property or THEY MAY be subject to a civil~~  
35 ~~penalty prescribed by section 42-12052.~~

36 ~~2. Include with each notice for property classified as class three an~~  
37 ~~affidavit form described by section 42-12052, subsection B, with simplified~~  
38 ~~instructions, for the owner to declare whether the property is the owner's~~  
39 ~~primary residence.~~

40 3. 2. Include a form with SIMPLIFIED instructions on the procedure  
41 and deadlines for appealing the assessed valuation shown on the notice. The  
42 appeal form for property that is listed as class three pursuant to section  
43 42-12003 shall contain simplified instructions and shall be separate from the  
44 appeal form for other classes of property.



1           D. The petition shall be filed within sixty days after the date the  
2 assessor mailed, delivered by common carrier or transmitted electronically,  
3 the notice of valuation under section 42-15101. United States postal service  
4 postmark dates are evidence of the date petitions were filed for purposes of  
5 this subsection.

6           E. THE PETITION FOR REVIEW FORM FOR PROPERTY THAT IS LISTED AS CLASS  
7 THREE PURSUANT TO SECTION 42-12003 SHALL CONTAIN SIMPLIFIED INSTRUCTIONS AND  
8 SHALL BE SEPARATE FROM THE PETITION FORMS USED FOR OTHER CLASSES OF PROPERTY.

APPROVED BY THE GOVERNOR MAY 14, 2012.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 14, 2012.

Passed the House February 20, 2012

Passed the Senate April 19, 2012

by the following vote: 52 Ayes,

by the following vote: 29 Ayes,

0 Nays, 6 Not Voting  
2 vacant

0 Nays, 1 Not Voting

[Signature]  
Speaker of the House

[Signature]  
President of the Senate

[Signature]  
Chief Clerk of the House

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

30<sup>th</sup> day of April, 20 12

at 4:30 o'clock P M.

[Signature]  
Secretary to the Governor

Approved this 14<sup>th</sup> day of

May

at 12:01 o'clock P. M.

[Signature]  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 14<sup>th</sup> day of May, 20 12

at 3:21 o'clock P M.

[Signature]  
Secretary of State

H.B. 2486