



STATE OF ARIZONA  
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY  
GOVERNOR

EXECUTIVE OFFICE

May 13, 2019

The Honorable Katie Hobbs  
Secretary of State  
1700 W. Washington, 7<sup>th</sup> Floor  
Phoenix, AZ 85007

Dear Secretary Hobbs:

I am transmitting to you the following bill from the Fifty-fourth Legislature, 1st Regular Session, which I signed on May 13<sup>th</sup>, 2019:

H.B. 2074 treatment and education facilities; exemption (Bowers)  
H.B. 2241 JLAC; political subdivisions; investigation (Kern)  
H.B. 2433 G&F; trophy definition; repeal (Cobb)  
H.B. 2442 community services special plates (Griffin)  
H.B. 2453 land use plans; contents; aggregates (Griffin)  
H.B. 2692 state drink; lemonade (Petersen)  
S.B. 1026 school pupils; emergency medication administration (Carter)  
S.B. 1096 health professionals data; repository (Carter)  
S.B. 1112 juvenile group homes; license; DCS (Pace)  
S.B. 1139 redistricting; legislative district one (Fann)  
S.B. 1261 lobbyists; filings; attestations (Livingston)  
S.B. 1315 victims' rights; refusal of interviews (E. Farnsworth)  
S.B. 1441 county officers; confidentiality; e-mail (Pratt)  
S.B. 1483 vulnerable adults; financial exploitation (Mesnard)  
S.B. 1526 firefighting foam; prohibited uses (Carter)  
S.B. 1534 annuity disclosure; rules (Brophy-McGee)  
S.B. 1535 AHCCCS; opioid treatment programs; requirements (Brophy-McGee)

Sincerely,

Douglas A. Ducey  
Governor  
State of Arizona

cc: Senate Secretary  
Chief Clerk of the House of Representatives  
Arizona News Service

House Engrossed  
**FILED**  
**KATIE HOBBS**  
**SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Fifty-fourth Legislature  
First Regular Session  
2019

**CHAPTER 208**  
**HOUSE BILL 2074**

AN ACT

AMENDING SECTIONS 42-11001, 42-11104, 42-11132 AND 42-12009, ARIZONA  
REVISED STATUTES; RELATING TO 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 42-11001, Arizona Revised Statutes, is amended  
3 to read:

4 42-11001. Definitions

5 In chapters 11 through 19 of this title, unless the context  
6 otherwise requires:

7 1. "Assessed valuation" means the value derived by applying the  
8 applicable percentage prescribed by chapter 15, article 1 of this title to  
9 the full cash value or limited property value of the property, as  
10 applicable.

11 2. "Board" or "state board" means the state board of equalization.

12 3. "County board" means the county board of supervisors sitting as  
13 the county board of equalization.

14 4. "Current usage" means the use to which property is put at the  
15 time of valuation by the assessor or the department.

16 5. "Due date" means the next business day if a due date of any  
17 report, claim, return, statement, payment, deposit, petition, notice or  
18 other document or filing falls on Saturday, Sunday or a legal holiday.

19 6. "Full cash value", for property tax purposes, means the value  
20 determined as prescribed by statute. If ~~no~~ A statutory method is NOT  
21 prescribed, full cash value is synonymous with market value, which means  
22 the estimate of value that is derived annually by using standard appraisal  
23 methods and techniques. Full cash value is the basis for assessing,  
24 fixing, determining and levying primary and secondary property taxes on  
25 property described in section 42-13304. Full cash value shall not be  
26 greater than market value regardless of the method prescribed to determine  
27 value for property tax purposes.

28 7. "Limited property value" means the value determined pursuant to  
29 section 42-13301. Limited property value is the basis for:

30 (a) Computing levy limitations for counties, cities, towns and  
31 community college districts.

32 (b) Assessing, fixing, determining and levying primary and  
33 secondary property taxes on all property except property described in  
34 section 42-13304.

35 8. "Net assessed value" means the assessed value minus any exempt  
36 property.

37 9. "Person" means a natural person, individual, proprietor,  
38 proprietorship, company, corporation, organization, association, joint  
39 venture, partner, partnership, trust, estate or limited liability company,  
40 the federal or state government, a political subdivision of a state or any  
41 other legal entity or combination of entities that owns, controls or has  
42 possession of real or personal property.

43 10. "Personal property" includes property of every kind, both  
44 tangible and intangible, THAT IS not included ~~in the term~~ AS real estate.

1 11. "Primary property taxes" means all ad valorem taxes except for  
2 secondary property taxes.

3 12. "Producing mine" or "mining claim" means a mine or mining claim  
4 from which coal or any other mineral or mineral substance, except for  
5 clay, sand, gravel, building stone or a mineral or mineral substance that  
6 is normally processed into artificial stone, has been extracted for  
7 commercial purposes at any time during a period of one year before the  
8 first Monday in January of the valuation year.

9 13. "Real estate" includes the ownership of, claim to, possession of  
10 or right of possession to lands or patented mines.

11 14. "RESIDENTIAL TREATMENT AND EDUCATION FACILITY" MEANS ANY  
12 RESIDENTIAL FACILITY THAT IS SUBJECT TO TITLE 15, CHAPTER 10, ARTICLE 6.

13 ~~14.~~ 15. "Roll" means the assessment and tax roll.

14 ~~15.~~ 16. "Secondary property taxes" means:

15 (a) Ad valorem taxes or special property assessments that are used  
16 to pay the principal of and the interest and redemption charges on bonded  
17 indebtedness or other lawful long-term obligations that are issued or  
18 incurred for a specific capital purpose by a municipality, county or  
19 taxing district.

20 (b) Ad valorem taxes or assessments THAT ARE levied by or for  
21 special taxing districts and assessment districts other than school  
22 districts and community college districts.

23 (c) Amounts THAT ARE levied pursuant to an election to exceed a  
24 budget, expenditure or tax limitation.

25 ~~16.~~ 17. "Tax year" for all property means the calendar year in  
26 which the taxes are levied.

27 ~~17.~~ 18. "Valuation" means the full cash value or limited property  
28 value that is determined for real or personal property, as applicable.

29 ~~18.~~ 19. "Valuation date", for the purposes of real property and  
30 property valued by the department, means January 1 of the year preceding  
31 the year in which taxes are levied.

32 ~~19.~~ 20. "Valuation year" means:

33 (a) For real property and property valued by the department, the  
34 calendar year preceding the year in which the taxes are levied.

35 (b) For personal property, the calendar year in which the taxes are  
36 levied.

37 Sec. 2. Section 42-11104, Arizona Revised Statutes, is amended to  
38 read:

39 42-11104. Exemption for educational and library property

40 A. Libraries, colleges, school buildings and other buildings that  
41 are used for education, with their furniture, libraries and equipment and  
42 the land that is appurtenant to and used with them, are exempt from  
43 taxation if they are used for education and not used or held for profit.

44 B. Property and buildings are exempt from taxation if leased from:

1           1. A school district pursuant to a lease or lease-purchase  
2 agreement under section 15-342, paragraph 9 or 10.

3           2. A community college district pursuant to a lease or  
4 lease-purchase agreement under section 15-1444.

5           C. Property and buildings, including land, improvements, furniture  
6 and equipment, that are owned by a nonprofit organization that is  
7 recognized under section 501(c)(3) of the internal revenue code and that  
8 operates as:

9           1. A charter school pursuant to section 15-183 are exempt from  
10 taxation beginning on the date the nonprofit organization acquires  
11 ownership of the property and buildings if the property and buildings are  
12 used for education and are not used or held for profit.

13           2. A trap and skeet shooting club that teaches, trains, sponsors,  
14 coaches or hosts or sponsors clinics, shooting leagues, competitive  
15 tournaments or other events, including hunter and firearm safety classes,  
16 are exempt from taxation if the property and buildings are used for  
17 education purposes and not used or held for profit.

18           3. A RESIDENTIAL TREATMENT AND EDUCATION FACILITY ARE EXEMPT FROM  
19 TAXATION BEGINNING ON THE DATE THE NONPROFIT ORGANIZATION ACQUIRES  
20 OWNERSHIP OF THE PROPERTY AND BUILDINGS IF THE PROPERTY AND BUILDINGS ARE  
21 USED FOR EDUCATION AND ARE NOT USED OR HELD FOR PROFIT.

22           D. Within ten days after receiving an initial affidavit of  
23 eligibility submitted under section 42-11152 by a nonprofit organization  
24 described under subsection C of this section, the county assessor, on  
25 request, shall issue a receipt for the affidavit.

26           E. If ~~the~~ A nonprofit organization described under subsection C of  
27 this section files with the assessor evidence of the organization's tax  
28 exempt status under section 501(c)(3) of the internal revenue code, the  
29 organization is exempt from the requirement of filing subsequent  
30 affidavits under section 42-11152 until all or part of the property is  
31 conveyed to a new owner or is no longer used for education. At that time  
32 the organization shall notify the assessor of the change in writing.

33           F. A nonprofit organization described under subsection C of this  
34 section that acquires ownership of property that was previously owned by  
35 another nonprofit organization and used primarily for education shall  
36 comply with the requirements of section 42-11152 to qualify and establish  
37 eligibility for exemption.

38           G. If a nonprofit organization described under subsection C of this  
39 section that holds title to property used primarily for education fails to  
40 file the affidavit required by section 42-11152 in a timely manner, but  
41 otherwise qualifies for exemption, the county board of supervisors, on  
42 petition by the organization, shall direct the county treasurer to:

43           1. Refund any property taxes paid by the organization for a tax  
44 year if the organization submits a claim for the refund to the county  
45 treasurer within one year after the date the taxes were paid. The county

1 treasurer shall pay the claim within thirty days after it is submitted to  
2 the treasurer. The county treasurer is entitled to a credit for the  
3 refund in the next accounting period with each taxing jurisdiction to  
4 which the tax monies may have been transmitted.

5 2. Forgive and strike off from the tax roll any property taxes and  
6 accrued interest and penalties that are due but not paid.

7 Sec. 3. Section 42-11132, Arizona Revised Statutes, is amended to  
8 read:

9 42-11132. Property leased to educational institutions

10 A. Property, buildings and fixtures that are leased to a nonprofit  
11 charter school OR A RESIDENTIAL TREATMENT AND EDUCATION FACILITY and that  
12 are used for educational instruction in any grade or program through grade  
13 twelve shall be classified as class nine property pursuant to section  
14 42-12009. If only part of a parcel of real property or improvements to  
15 real property is leased for operation of a charter school OR A RESIDENTIAL  
16 TREATMENT AND EDUCATION FACILITY, only the portion so leased qualifies as  
17 class nine property.

18 B. Property, buildings and fixtures that are owned by an  
19 educational, a religious or a charitable organization, institution or  
20 association and leased to a nonprofit educational organization,  
21 institution or association are exempt from taxation if the property is  
22 used for educational instruction in any grade or program through grade  
23 twelve.

24 C. If the educational, religious or charitable organization,  
25 institution or association that owns the property files with the assessor  
26 evidence of the organization's, institution's or association's tax exempt  
27 status under section 501(c)(3) of the internal revenue code and an  
28 affidavit by the educational organization, institution or association that  
29 it uses the property for educational instruction as described in  
30 subsection B of this section, the property qualifies for the tax exemption  
31 under this section and is exempt from the requirement of filing subsequent  
32 affidavits under section 42-11152 until all or part of the property is  
33 conveyed to a new owner or is no longer used for educational purposes. At  
34 that time the educational, religious or charitable organization,  
35 institution or association must notify the assessor of the change in  
36 writing.

37 Sec. 4. Section 42-12009, Arizona Revised Statutes, is amended to  
38 read:

39 42-12009. Class nine property

40 A. For purposes of taxation, class nine is established consisting  
41 of:

42 1. Improvements that are located on federal, state, county or  
43 municipal property and owned by the lessee of the property if:

1 (a) The improvements are required to become the property of the  
2 federal, state, county or municipal owner of the property on termination  
3 of the leasehold interest in the property.

4 (b) Both the improvements and the property are used exclusively for  
5 convention activities or athletic, recreational, entertainment, artistic  
6 or cultural facilities.

7 2. Improvements that are located on federal, state, county or  
8 municipal property and owned by the lessee of the property if:

9 (a) The improvements are required to become the property of the  
10 federal, state, county or municipal owner of the property on termination  
11 of the leasehold interest in the property.

12 (b) Both the improvements and the property are:

13 (i) Used for or in connection with aviation, including hangars,  
14 tie-downs, aircraft maintenance, sales of aviation-related items, charter  
15 and rental activities, parking facilities and restaurants, stores and  
16 other services located in a terminal.

17 (ii) Located on a state, county, city or town airport or a public  
18 airport operating pursuant to sections 28-8423, 28-8424 and 28-8425.

19 3. Property that is defined as "contractor-acquired property" or  
20 "government-furnished property" in the federal acquisition regulations  
21 (48 Code of Federal Regulations section 45.101) and that is leased to or  
22 acquired by the government and used to perform a government contract.

23 4. Property of a corporation that is organized by or at the  
24 direction of this state or a county, city or town to develop, construct,  
25 improve, repair, replace or own any property, improvement, building or  
26 other facility to be used for public purposes that the state, county, city  
27 or town pledges to lease or lease-purchase with state, county or municipal  
28 special or general revenues and that is not otherwise exempt under chapter  
29 11, article 3 of this title.

30 5. Real property and improvements, including land, buildings,  
31 furniture and equipment, regardless of ownership, that are leased for the  
32 entire valuation year to, and used exclusively by, a nonprofit  
33 organization that is recognized under section 501(c)(3) of the internal  
34 revenue code and that operates on the premises as EITHER a charter school  
35 pursuant to section 15-183 OR A RESIDENTIAL TREATMENT AND EDUCATION  
36 FACILITY or that are leased for the entire valuation year to, and used  
37 exclusively by, a nonprofit church, religious assembly or religious  
38 institution. If only part of a parcel of real property or improvements to  
39 real property is leased for operation of a charter school OR RESIDENTIAL  
40 TREATMENT AND EDUCATION CENTER or a church, religious assembly or  
41 religious institution as provided by this paragraph, only the portion so  
42 leased qualifies for classification under this section. A property owner  
43 ~~who~~ THAT leases property to a charter school OR RESIDENTIAL TREATMENT AND  
44 EDUCATION FACILITY or a church, religious assembly or religious  
45 institution as provided by this paragraph shall file an affidavit with the

1 county assessor stating that the charter school OR RESIDENTIAL TREATMENT  
2 AND EDUCATION FACILITY or THE church, religious assembly or religious  
3 institution shall be the sole beneficiary of the change in property tax  
4 classification pursuant to this section and that the lease rate that is  
5 charged to the charter school OR RESIDENTIAL TREATMENT AND EDUCATION  
6 FACILITY or THE church, religious assembly or religious institution is  
7 consistent with the lease rates that are charged to other tenants of the  
8 property or a fair market rate.

9 B. Improvements that are located in an area defined as a research  
10 park pursuant to section 35-701 may not be classified under this section.

11 C. All property classified as class nine is subject to valuation at  
12 full cash value.

13 Sec. 5. Retroactivity

14 This act applies retroactively to taxable years beginning from and  
15 after December 31, 2018.

**APPROVED BY THE GOVERNOR MAY 13, 2019.**

**FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 13, 2019.**

Passed the House February 11, 2019

by the following vote: 60 Ayes,

0 Nays, 0 Not Voting

[Signature]  
Speaker of the House

Pro Tempore

[Signature]  
Chief Clerk of the House

Passed the Senate May 6, 2019

by the following vote: 28 Ayes,

0 Nays, 2 Not Voting

[Signature]  
President of the Senate

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

7<sup>th</sup> day of May, 2019

at 11:53 o'clock A M.

[Signature]  
Secretary to the Governor

Approved this 13<sup>th</sup> day of

May 2019

at 1:40 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 13 day of May, 2019

at 5:03 o'clock P. M.

[Signature]  
Secretary of State

H.B. 2074