

NOTICES OF PROPOSED RULEMAKING

Unless exempted by A.R.S. § 41-1005, each agency shall begin the rulemaking process by 1st submitting to the Secretary of State's Office a Notice of Rulemaking Docket Opening followed by a Notice of Proposed Rulemaking that contains the preamble and the full text of the rules. The Secretary of State's Office publishes each Notice in the next available issue of the *Register* according to the schedule of deadlines for *Register* publication.

Under the Administrative Procedure Act (A.R.S. § 41-1001 et seq.), an agency must allow at least 30 days to elapse after the publication of the Notice of Proposed Rulemaking in the *Register* before beginning any proceedings for adoption, amendment, or repeal of any rule. A.R.S. §§ 41-1013 and 41-1022.

NOTICE OF PROPOSED RULEMAKING

TITLE 15. REVENUE

CHAPTER 4. DEPARTMENT OF REVENUE PROPERTY, AND SPECIAL TAX SECTION

PREAMBLE

- | <u>Sections Affected</u> | <u>Rulemaking Action</u> |
|--------------------------|--------------------------|
| R15-4-117 ✓ | Repeal |
| R15-4-119 ✓ | Repeal |
| R15-4-120 ✓ | Repeal |
| R15-4-121 ✓ | Repeal |
| R15-4-122 ✓ | Repeal |
| R15-4-123 ✓ | Repeal |
- The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):

Authorizing statute: A.R.S. §§ 42-105 and 42-141

Implementing statute: A.R.S. §§ 42-150, and 42-221
- The name and address of agency personnel with whom persons may communicate regarding the rulemaking:

Name: Ed Leyba, Administrator

Address: Assessment Standards & Equalization Section
Arizona Department of Revenue
1600 West Monroe
Phoenix, Arizona 85007

Telephone: (602) 542-3529

Or

Name: Ernest Powell, Tax Analyst

Address: Tax Research & Analysis Section
Arizona Department of Revenue
1600 West Monroe
Phoenix, Arizona 85007

Telephone: (602) 542-4672

Fax: (602) 542-4860
- An explanation of the rules, including the agency's reasons for initiating the rule:

As a result of legislative changes, the Department is proposing to repeal the above rules.
- A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable.

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6. **The preliminary summary of the economic, small business, and consumer impact:**
The repeal of these rules will benefit the public by eliminating obsolete rules which no longer serve their intended purpose. The Department will incur the costs associated with the rulemaking process. Taxpayers are not expected to incur any expense in the repeal of these rules.
7. **The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:**
Name: Ernest Powell, Tax Analyst
Address: Tax Research & Analysis Section
Arizona Department of Revenue
1600 West Monroe
Phoenix, Arizona 85007
Telephone: (602) 542-4672
Fax: (602) 542-4680
8. **The time, place, and nature of the proceedings for the adoption, amendment, or repeal of the rule or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:**
The Department has not scheduled any oral proceedings. Written comments on the proposed rules or preliminary economic, small business, and consumer impact statements may be submitted to the person listed above. Pursuant to A.R.S. § 41-1023(C), the Department will schedule oral proceedings if 5 or more people file written requests for oral proceedings within 30 days after this publication of this notice.
9. **Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:**
Not applicable.
10. **Incorporations by reference and their location in the rules:**
None.
11. **The full text of the rules follows:**

TITLE 15. REVENUE

CHAPTER 4. PROPERTY AND SPECIAL TAX SECTION

ARTICLE 1. PROPERTY VALUATION

Section

- R15-4-117. Sales ratio studies, frequency and timing
- R15-4-118. Sales screening and processing
- R15-4-119. Adjustments to sales ratio studies
- R15-4-120. Sales ratio statistics
- R15-4-121. Biennial equalization
- R15-4-122. Equalization requirements
- R15-4-123. Determination of compliance

ARTICLE 1. PROPERTY VALUATION

R15-4-117. Sales ratio studies, frequency and timing

- A. Sales ratio studies shall be conducted 4 times a year as follows:
1. Pre-notice study. The Department shall annually prepare this sales ratio study by October 31 prior to the tax year.
 - a. The pre-notice study shall be used to determine whether property values have been listed on the tax rolls at their full cash value prior to the mailing of property value notices, as provided in R15-4-121(A).
 - b. On or before September 30, counties not under contract with the Department for data processing services shall provide the Department with computer readable copies of their pre-notice files, in a format compatible with the Department's data processing system, for use in the pre-notice study.
 2. Preliminary study. The Department shall annually prepare this sales ratio study by March 31 of the current tax year.

- a. The preliminary study shall be used to determine whether property values have been listed on the tax rolls at their full cash value after the mailing of property value notices, as provided in R15-4-121(A).
 - b. On or before February 15, counties not under contract with the Department for data processing shall provide the Department with computer readable copies of their notice files, in a format compatible with the Department's data processing system, for use in the preliminary study.
3. Intermediate study. The Department shall annually prepare this sales ratio study by June 30 of the current tax year.
- a. The intermediate sales ratio study shall be used to determine whether property values listed on the county assessor's certified roll are listed at full cash value for the current tax year, as provided in R15-4-121(A).
 - b. On or before May 15, counties not under contract with the Department for data processing shall provide the Department with computer readable copies of their certified files, in a format compatible with the Department's data processing system, for use in the intermediate study.
 - c. The intermediate sales ratio study shall form the basis of any equalization orders to be issued in odd-numbered years for the next tax year.
4. Final sales ratio study. The Department shall annually prepare this sales ratio study by September 30 of the current tax year.

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- a. The final study shall be the official sales ratio study for the current tax year.
 - b. On or before August 10, counties not under contract with the Department for data processing shall provide the Department with computer-readable copies of their final files for the tax year, in a format compatible with the Department's data processing system, for use in the final study.
- B.** Sales used in each of the 4 sales ratio studies for a given tax year shall span the same period of time.
- 1. The time span for residential properties and vacant land shall be 18 months starting with sales from July 1, 2 years prior to the tax year through December 31 of the year prior to the tax year.
 - 2. The time span for commercial and industrial properties shall be 30 months starting with sales from July 1, 3 years prior to the tax year through December 31 of the year prior to the tax year.
- C.** The Department shall give 60 days' written notice to the counties of any changes in computer-readable formats compatible with the Department's data processing system.

R15-4-119. Adjustments to sales ratio studies

The Department shall adjust all sales prices used in its sales ratio studies by calendar year quarter to the 4th quarter (October through December) of the year preceding the tax year for which the study is being made.

R15-4-120. Sales ratio statistics

- A.** The Department's sales ratio studies shall employ the following 3 measures of central tendency: the median, the mean and the weighted mean. The Department's sales ratio studies shall employ the following three measures of dispersion: the coefficient of dispersion, the coefficient of variation, and the weighted coefficient of variation.
- B.** The Department may supplement the sales data used in its sales ratio studies with independent appraisals. The Department may request the county assessors to conduct field appraisals using standard appraisal methods and techniques for this purpose.

R15-4-121. Biennial equalization

- A.** By August 31 of each year, the Department shall notify the county assessors in writing of the specific numerical values for the measures of central tendency and dispersion that the Department will use in the following tax year to determine whether property values have been listed on the tax rolls at their full cash value. The primary measure of central tendency for this purpose shall be the median sales ratio. The primary measure of dispersion for this purpose shall be the coefficient of dispersion.
- B.** By July 1 of odd-numbered years, the Department shall issue any equalization orders for the following tax year based upon a comparison of the measures of central tendency and dispersion in its intermediate sales ratio study with the measures of central tendency and dispersion specified in subsection (A) of this rule.

R15-4-122. Equalization requirements

- A.** All equalization orders shall refer to the sales ratio statistics upon which the orders were based. The equalization orders shall specify the overall percentage increase or decrease in full cash values for those parcels to which the order applies. Those parcels shall be listed by parcel number or described by class, type of property, book and map number, geographical ("market" or "submarket") area, or any combination of the foregoing.

- B.** The Department shall issue equalization orders to the county assessors by July 1 of odd-numbered years, if the Department's sales ratio studies indicate that 1 or more of the following conditions exist:

- 1. Commercial and industrial properties within a county are not listed on the tax rolls at full cash value, as provided in R15-4-121(A);
- 2. Residential or vacant properties in a market area within a county are not listed on the tax rolls at full cash value, as provided in R15-4-121(A);
- 3. Property classes, geographic area, or other subgroups of the above properties are not listed on the tax rolls at full cash value, as provided in R15-4-121(A).

- C.** The Department shall not issue equalization orders for a particular county, area, class or property classification if there are less than 30 sales, or less than 30 sales and appraisals, upon which to base such an order, unless the Department's statistical analysis shows, at the 95% confidence level, that the affected properties are not listed on the tax rolls at full cash value, as provided in R15-4-121(A).

- D.** For the purpose of equalizing commercial and industrial property values, the Department shall supplement its sales ratio studies by one or more of the following:

- 1. Performing appraisals of sold or unsold properties, or requesting the county assessor to conduct such appraisals using standard appraisal methods and techniques;
- 2. Adjusting sales prices to cash equivalent amounts on a parcel-by-parcel basis and conducting a ratio study or other comparative analysis using the adjusted cash equivalent values;
- 3. Comparing the county assessor's average appraised value with average sales prices or with average market values derived from independent sources;
- 4. Conducting other market value analyses of commercial and industrial property within the county, area, class or classification which is the subject of the sales ratio study.

R15-4-123. Determination of compliance

- A.** The Department shall determine compliance with equalization orders by computing the overall percentage change in full cash values for properties subject to the equalization order as follows:

- 1. Compute the total full cash value of the affected parcels for the upcoming tax year based on the county's pro-notice files;
- 2. Compute the total full cash value of the same parcels based on the county's certified roll for the current tax year;
- 3. Subtract the amount computed in Paragraph (2) from the amount computed in Paragraph (1) to obtain the total increase or decrease in full cash value; and
- 4. Divide the remainder computed in Paragraph (3) by the amount computed in Paragraph (2) to obtain the overall percentage change in full cash values.

- B.** All new parcels and all existing parcels subject to significant physical change, as indicated by their property status codes assigned for the upcoming tax year, shall be excluded from the compliance computation in Subsection (A). For purposes of this rule, a "property status code" is a departmental code assigned to property to indicate whether the property is unchanged, has new construction, or has been significantly modified since the previous tax year.

- C.** The Department shall notify the county assessor in writing if the assessor has not complied with an equalization order, as provided in subsection (A). The assessor shall make addi-

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~~tional adjustments in the subject parcels until the overall percentage increase or decrease required by the equalization order has been attained. The county assessor shall not mail notices of property value for the tax year until the Department notifies the assessor in writing that the assessor has complied with any equalization orders issued for that county. In order to determine compliance by counties not under con-~~

~~tract with the Department for data processing services, such counties shall submit to the Department, at least 30 days prior to the mailing of property value notices, computer-readable copies of their property value files for the upcoming tax year in a format compatible with the Department's data processing system.~~