

Overview of the Arizona Property Tax System



Preface

In 2018, the Department of Revenue (Department or DOR) Manuals Team undertook a major project to update all manuals and guidelines produced by the Property Tax Unit. The following three levels of updates were to be applied, dependent upon the perceived need:

Review: Manual or guideline conforms to standard style and formatting. Legislative and other citations verified. No changes to content, methodology, policy, or practice.

Revision: Includes applicable Review processes. Manual or guideline is newly edited. Nonsubstantive legislative changes incorporated. Addition or deletion of information that does not alter valuation methodology.

Rewrite: Includes applicable Review and Revision processes. Major substantive changes made to any combination of content, valuation methodology, policy, or practice.

This version of the Overview of the Arizona Property Tax System (Manual) is a Rewrite of the prior version of the Manual issued by the Department in 2002, and supersedes all previous property tax system overviews issued by the Department. This Manual was published April 20, 2021, and remains effective until replaced. Additional information may be issued as an addendum to this Manual or as a separate guideline. Due to the flexibility provided for in statute, deadlines and procedures may vary from county to county across the state. The Department recommends contacting your county assessor for detailed information regarding the deadlines and procedures in their jurisdiction. The information in this Manual is based upon laws and rules in effect at the time of publication. Should any content in this Manual conflict with current laws or rules, the latter shall be controlling.

All inquiries, comments, and suggestions concerning the material in this Manual may be submitted to the following:

Arizona Department of Revenue
Local Jurisdictions District
Property Tax Unit
1600 West Monroe Street
Phoenix, AZ 85007-2650
(602) 716-6843
propertymanuals&forms@azdor.gov

The Overview of the Arizona Property Tax System may be viewed on the Department website at:

https://azdor.gov/sites/default/files/2023-03/PROPERTY_OverviewAZPTSystem.pdf.

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Introduction

Arizona law provides authority for the identification, classification, valuation, and assessment of real and personal property. These duties are administered jointly by the Department and the 15 county assessors. This Manual provides an overview of the property tax system as it relates to ***locally assessed property***.¹ **This Manual is not intended as an overview of the property tax system as it relates to *centrally valued property*.**²

This Manual includes an overview of topics such as:

- Classification and valuation of property.
- Administrative and judicial appeals of property assessments.
- Exemptions and other property tax relief programs.
- Correction of property tax errors.

Where applicable, this Manual will direct you to additional Department manuals or guidelines for more detailed discussions of specific topics.

History

Arizona has had a property tax system since it was only a territory. In 1871, the Arizona Territorial Legislature enacted a revenue code that provided for level assessments, valuation appeals, and property tax exemptions. It also designated county sheriffs as the tax assessors and collectors for each county. When Arizona became a state in 1912, the new legislature adopted all preexisting territorial property tax laws.

Major changes to the property tax system occurred in 1980, when a statewide vote established maximum assessment increases and property tax rates, defined the terms

¹ Property assessed by the assessor of the county in which the property is located.

² Property assessed by the Department, e.g., mines, utilities, railroads, telecommunications companies, etc.

full cash value (FCV) and *limited property value* (LPV), and restricted the Arizona legislature from increasing property taxes without a two-thirds majority vote.

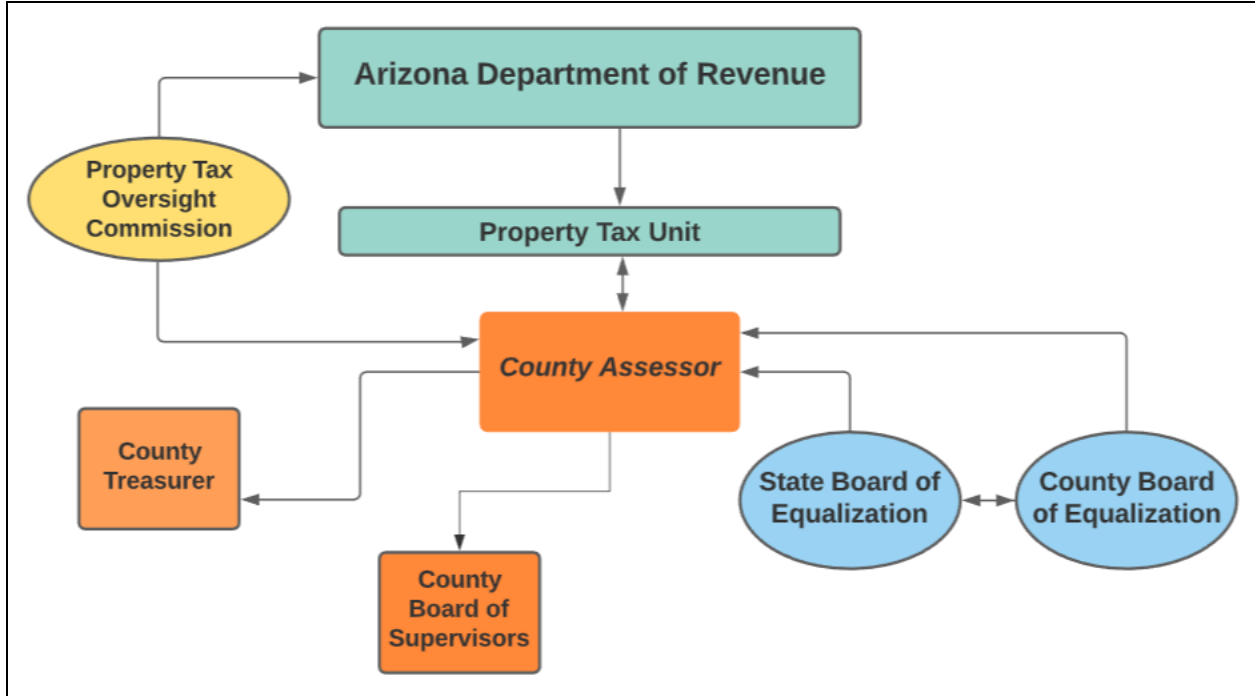
The property tax system underwent major changes again in 2012, when voters approved Proposition 117. That Proposition established limits on the annual increase of the limited property value of locally assessed real property. It also provided that locally assessed real property taxes would be computed based only upon limited property value, rather than upon both limited property value and full cash value, as was the case previously. A.R.S. [42-13304](#). Proposition 117 did not apply to business personal property or centrally valued property (except for class Five property). The changes established by Proposition 117 took effect in the 2014 *valuation year* and the 2015 *tax year*.³

Administration

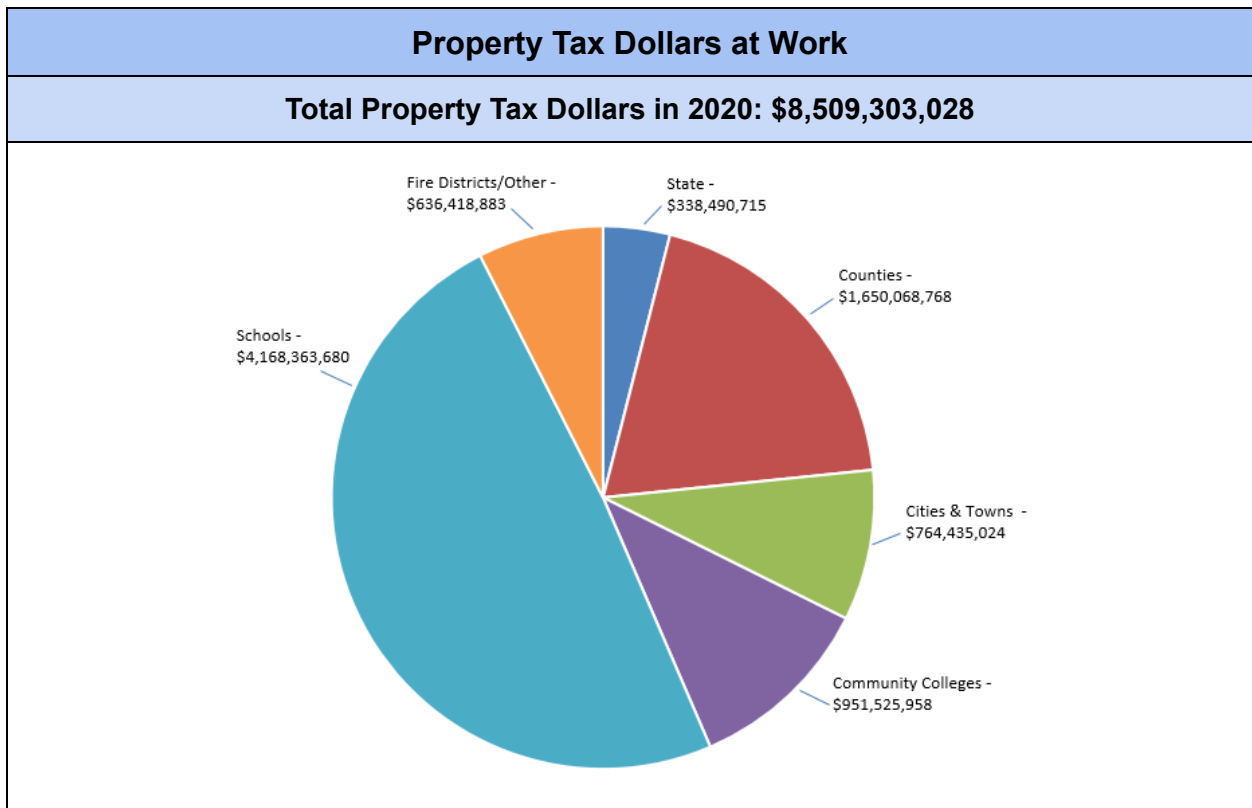
The Arizona property tax system encompasses property valuation, tax imposition and collection, and distribution of the majority of locally assessed and centrally assessed property taxes under one system. The Arizona State Constitution (Ariz. Const.), Arizona Revised Statutes (A.R.S.), and Arizona Administrative Code (A.A.C.) provide the framework for the property tax system. These laws and rules assign the Department with authority and responsibility to implement the property tax system. See A.R.S. [42-1003](#) and [42-1004](#).

The Department administers the property tax system jointly with the 15 county assessors. The Department is headed by a director who is appointed by the governor. A.R.S. [42-1002\(C\)](#). County assessors and treasurers are elected county officials. See A.R.S. [11-401](#) and [11-406](#). Assessors administer the identification, classification, valuation, and assessment of property, and treasurers administer the collection and distribution of assessed property taxes.

³ In Arizona, real property is valued annually (the valuation year) and taxes are assessed in the following year (the tax year), while personal property is valued and assessed in the same year. A.R.S. [42-11001 \(17\) and \(20\)](#).



The purpose of the property tax system is to fund local government budgets, schools, community colleges, and special districts.



Role of Voters and Legislature

As emphasized in the [History](#) above, voters and the Arizona Legislature have been key in reshaping the property tax system. Constitutional amendments have established fundamental changes, while numerous legislative measures have interpreted, clarified, and implemented constitutional provisions.

Role of the Department of Revenue

The Department is responsible for administering the property tax system in cooperation with the assessors. This function is carried out by the Property Tax Unit, an auxiliary of the Taxpayer Services Division of the Department.

Examples of the many duties overseen by the Property Tax Unit include the following:

- Ensuring that all property is uniformly valued for property tax purposes. A.R.S. [42-13002\(A\) \(1\) and \(3\)\(c\)](#).⁴
- Exercising general supervision over county assessors in administering the property tax laws. A.R.S. [42-13002\(A\)\(1\)](#).
- Performing and publishing the results of [sales ratio studies](#). A.R.S. [42-13005](#).
- Equalizing property values among counties, classes of property, and geographic areas within counties. A.R.S. [42-13251](#) et seq.
- Preparing and maintaining assessment procedures manuals and guidelines. A.R.S. [42-11054\(A\)\(2\)](#).
- Prescribing forms to be used by county assessors for listing and valuing property for tax purposes and for reporting changes in valuation. A.R.S. [42-13002\(A\)\(2\)](#).
- Providing for assessor and appraiser training and certification programs. A.R.S. [42-13006](#).

⁴ This duty is founded in the Uniformity Clause of the Arizona Constitution, which states, “[A]ll taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax”. Ariz. Const. art. IX, [sec. 9\(1\)](#).

- Valuing and assessing centrally valued property, which includes the real and personal property of certain entities that operate across county or state boundaries. Examples include telecommunications companies, airlines, mines, pipelines, utilities, water and sewer companies, and railroads. See A.R.S. [42-14001](#) et seq.

Role of the County Assessor

The assessor is responsible for identifying, classifying, valuing, and assessing all property under their jurisdiction that is not valued by the Department. See A.R.S. [42-13051](#), [42-15052](#), and [42-15053](#). Such property includes agricultural, commercial, personal, and residential.

The assessor also hears and makes decisions regarding first-level [appeals](#) of property classification and valuation (A.R.S. [42-16051](#) et seq.), conducts reviews and makes decisions regarding property classification changes from other classes to primary residential property Class Three (A.R.S. [42-12054 \(A\) and \(B\)](#)), maintains tax assessor parcel maps, and administers numerous [property tax exemption](#) and [property tax relief](#) programs.

In performing all these duties, the assessor endeavors to ensure that all property subject to taxation does not escape assessment and is not undervalued or overvalued, so that no property owner or person in possession or control of property receives preferential treatment and so that all are subject only to a fair portion of the property tax.

Role of the Board of Equalization

In Arizona, there are both a State Board of Equalization and county boards of equalization. A.R.S. [42-16151](#) et seq. and [42-16101](#) et seq. The State Board of Equalization has jurisdiction over all counties with a population of 500,000 or more (currently, Maricopa and Pima), while county boards of equalization are established in each county that has a population of less than 500,000. A.R.S. [42-16153](#) and [42-16102](#).

The State Board of Equalization consists of 41 members appointed by the Governor and by the Maricopa and Pima county boards of supervisors. A.R.S. [42-16153\(A\) \(1\) to \(3\)](#). In contrast, each county board of equalization consists of the county board of supervisors sitting as a board of equalization. A.R.S. [42-16102\(A\)](#).

Among other things, boards of equalization are responsible to hear and make decisions regarding second-level administrative [appeals](#) of property classification and valuation. A.R.S. [42-16101](#) et seq. and A.R.S. [42-16151](#) et seq. Such appeals may be filed by:

- Owners of real property appealing determinations made by the assessor. A.R.S. [42-16105\(A\)](#) and [42-16157\(A\)](#).
- Owners of personal property appealing determinations made by the assessor. A.R.S. [42-16157\(D\)](#) and [42-19052\(A\) \(1\) and \(2\)](#).
- Owners of real property appealing a [Supplemental Notice of Change](#) issued by the assessor due to certain changes to the property that occurred late in the valuation process. A.R.S. [42-15105\(2\)](#), [42-16105\(C\)](#), and [42-16157\(C\)](#).
- Owners of centrally valued property appealing determinations made by the Department. A.R.S. [42-16158](#).
- The Department contesting determinations made by the assessor. A.R.S. [42-16105\(B\)](#) and [42-16157\(B\)](#).

The boards of equalization also conduct hearings requested by:

- The assessor regarding an [equalization order](#) issued by the Department. A.R.S. [42-16159](#).
- The taxpayer regarding [property tax errors](#). A.R.S. [42-16252\(G\)](#) and [42-16254\(F\)](#).
- The taxpayer regarding property classification changes from other classes to primary residential property Class Three. A.R.S. [42-12054 \(A\) and \(B\)](#).

Role of the County Treasurer

The county treasurer is responsible for billing and collecting all real and personal property taxes and distributing those funds to the various tax districts. A.R.S. [11-493](#) and [42-18001](#) et seq. Tax districts include state, county, city, town, school, community college, and special districts.

Role of the County Board of Supervisors

The county board of supervisors provides leadership and oversight for each county, including all unincorporated areas. A.R.S. [11-201](#) et seq. Among other things, the board of supervisors is responsible for receiving the certified assessment role from the assessor, setting the county tax rate, approving the county budget (see A.R.S. [11-251](#) et seq.), and making decisions regarding property classification changes to primary residential property Class Three (A.R.S. [42-12054 \(C\) to \(G\)](#)), and regarding petitions to redeem [property tax exemptions](#) that were waived due to untimely applications (A.R.S. [42-11109\(E\)](#) and [42-11153\(B\)](#)).

Additionally, in each county with a population of less than 500,000, the county board of supervisors acts as the county board of equalization. A.R.S. [42-16102\(A\)](#). In fulfilling its role as the board of equalization, the board of supervisors may appoint a hearing officer to conduct hearings and make decisions regarding second-level administrative [appeals](#) of property classification and valuation. A.R.S. [42-16103\(A\)](#). The county board of supervisors may also choose to engage the State Board of Equalization to hear and issue decisions regarding second-level administrative appeals. A.R.S. [42-16102\(C\)](#) and [42-16157\(E\)](#).

Role of the Property Tax Oversight Commission

The Property Tax Oversight Commission (Commission) was established in 1987 to oversee the implementation of constitutional and statutory limitations on property tax

rates and levies. See A.R.S. [42-17001](#) et seq. and A.A.C. [R15-12-101](#) et seq. According to A.R.S. [42-17002\(A\) \(1\) to \(3\)](#), the purposes of the Commission are to:

- Further the public confidence in property tax limitations.
- Provide a uniform methodology for determining those limitations.
- Provide a continuing review of practices for ensuring a fair and equitable administration of property tax laws.

The Commission carries out its purpose by ensuring that each taxing jurisdiction performs appropriate property tax valuations and calculations and remains in compliance with tax levy limits and truth-in-taxation laws. A.R.S. [42-17003\(A\) \(1\) to \(7\)](#) and A.A.C. [R15-12-201](#). If the Commission identifies a violation, it must inform the taxing jurisdiction in writing of both the violation and the steps necessary to remedy the violation. A.R.S. [42-17003 \(B\) and \(C\)](#) and A.A.C. [R15-12-301](#). A taxing jurisdiction that disputes the findings of the Commission may request a hearing to resolve such disputes. A.R.S. [42-17004](#) and A.A.C. [R15-12-302](#) et seq. The Commission is required to meet at least annually, upon the call of the chairman, or at other times as necessary. A.R.S. [42-17002\(F\)](#).

The Director of the Department, or the Director's designee, acts as the Chairman of the Commission. A.R.S. [42-17002\(B\)\(1\)](#). The remaining four members are appointed by the Governor and the Legislature and must be knowledgeable in the areas of property tax assessment and levy. A.R.S. [42-17002\(B\)\(2\)](#).

Property Tax Calendars

The tables below set forth a few important property tax assessment events and activities that occur on, or must be completed by, a specific date. Where applicable, the **dates shown may need to be adjusted** to correspond with year-to-year variations in the date or day of the week.

Two tables are presented because real property is valued annually (the valuation year) and taxes are assessed in the following year (the tax year), while personal property is valued and assessed in the same year. A.R.S. [42-11001 \(17\) and \(20\)](#).

For additional information, refer to the Department's [Annual Calendars of Legal Events and Assessments](#).

Due Date and Filing Date

The term “due date” is defined as “the next business day if a due date of any report, claim, return, statement, payment, deposit, petition, notice or other document or filing falls on Saturday, Sunday or a legal holiday.” A.R.S. [42-11001\(5\)](#).

With respect to all property tax filings and payments, **except for petitions or notices of appeal**, the item is “deemed filed and received...on the date shown by the postmark or other official mark”, or under certain circumstances “on the mailing date as established by competent evidence introduced by the sender.” A.R.S. [1-218\(A\)](#).

Real Property: Specifically Selected Important Dates

Valuation Year	Description
Jan 1	Valuation date. A.R.S. 42-11001(19) and 42-13051(B)(2) .
Feb 28	Legal deadline for the assessor to send the Notice of Value. A.R.S. 42-15101(A) .
Mar 1 to Apr 29 ⁵	Date range for filing first-level classification and valuation appeals with the assessor. A.R.S. 42-15104(1) and 42-16051(D) .
Aug 15	Legal deadline for the assessor to rule on classification and valuation appeals. A.R.S. 42-16055(A) .
Dec 15	Legal deadline for filing classification and valuation appeals with the tax court. A.R.S. 42-16201(A) and 42-16202(A) .
Tax Year	Description
Jan 1	Property tax lien attachment date. A.R.S. 42-17153(C)(1) .
Feb 28	Legal deadline for filing most exemption claims. A.R.S. 42-11153(A) .
Mar 1	Due date for the second one-half of property tax for the prior tax year. A.R.S. 42-18052(A) .
May 1	Delinquent date for the second one-half of property tax for the prior tax year. A.R.S. 42-18052(B) .
Oct 1	Due date for the first one-half of property tax for the current tax year. A.R.S. 42-18052(A) .
Nov 1	Delinquent date for the first one-half of property tax for the current tax year. A.R.S. 42-18052(B) .
Dec 20	Legal deadline for the assessor to complete and certify the assessment roll. A.R.S. 42-15153(A) .

⁵ A date range applies because first-level administrative appeals must be filed with the assessor within 60 days after the date the assessor mailed the Notice of Value (A.R.S. [42-16051\(D\)](#)), and the Notice of Value may be sent anytime from January 1 to February 28 (or 29) (A.R.S. [42-15101\(A\)](#)).

Personal Property: Specifically Selected Important Dates

Date	Description
Jan 1	Property tax lien attachment date. A.R.S. 42-17153(C)(1) .
Feb 1	Legal deadline for the assessor to mail personal property return. A.R.S. 42-15053(A) .
Mar 1	Due date for the second one-half of property tax for the prior year. A.R.S. 42-18052(A) .
Apr 1	Due date for the filing of personal property return. A.R.S. 42-15053(A) .
May 1	Delinquent date for the second one-half of property tax for the prior year. A.R.S. 42-18052(B) .
Aug 30	Legal deadline for the assessor to send the Notice of Value. A.R.S. 42-19006(A) .
May 2 to Sep 29 ⁶	Date range for filing first-level classification and valuation appeals with the assessor. A.R.S. 42-19051(A) .
Oct 1	Due date for the first one-half of property tax for the current year. A.R.S. 42-18052(A) .
Oct 19	Legal deadline for the assessor to rule on classification and valuation appeals. A.R.S. 42-19051(B) .
Nov 1	Delinquent date for the first one-half of property tax for the current year. A.R.S. 42-18052(B) .
Dec 15	Legal deadline for filing classification and valuation appeals with the tax court. A.R.S. 42-16201(A) and 42-16202(A) .

⁶ A date range applies because first-level administrative appeals must be filed with the assessor within 30 days after the date the assessor mailed the Notice of Value (A.R.S. [42-19051\(A\)](#)), and the Notice of Value could conceivably be sent as early as April 2 (A.R.S. [42-15053\(A\)](#)).

Identification of Property

The assessor has a duty to identify locally assessed property and list it on the tax roll. A.R.S. [42-13051](#) and [42-15053](#). As part of the identification process, if the assessor discovers any centrally valued property, the same should be reported to the Department. Locally assessed property identified by the Department should likewise be reported to the assessor of the county in which the property is located.

The Identification of property refers to its location, boundaries, and attributes. Information required to identify property is collected numerous ways, but several examples follow.

Identification of Real Property

With respect to real property, the assessor may obtain public records regarding property transfers from the county recorder. See A.R.S. [42-13051\(C\)](#). In addition, municipalities are required to provide the assessor with copies of all building permits and information from all certificates of occupancy. A.R.S. [9-467\(A\)](#), [11-321\(G\)](#), and [42-15057](#). Onsite inspections and knowledge gained through community activities also provide information useful to the assessor in identifying property that must be listed on the tax roll.

Identification of Business Personal Property

Identification of taxable business personal property is facilitated by the requirement of an annual report made by the property owner. Subject to certain exceptions, each taxpayer that owns or has charge or control of taxable business personal property is required to annually file a correct report, or statement, of the property. A.R.S. [42-15053\(A\)](#). The business personal property statement must be filed with the assessor of the county in which the property is located on or before April 1 each year. A.R.S. [42-15053\(A\)](#).

For additional information, refer to the [Personal Property Manual](#).

Internal Identification of Property

To internally identify property, the assessor maintains records that include an assigned account and/or parcel number. Additional tools for property identification include aerial photography, digital maps, and geographic information system (G.I.S.) technology. Assessor records for each account and/or parcel should contain all information pertaining to each account and/or parcel that is necessary to enable the assessor to perform their duties, support other governmental functions, and serve the public.

For additional information, refer to [Assessment Mapping and Parceling Standards](#).

Distinguishing Between Real and Personal Property

Property must be identified as either real property or personal property in order to be correctly valued and assessed. In addition, distinguishing between real and personal property ensures that property is taxed only once. See A.R.S. [42-11003](#). This becomes especially important if real and personal property are associated or used together, but owned separately.

For instructions on distinguishing between real and personal property, refer to the Department's [Personal Property Manual](#), Chapter 1 – Personal Property Overview.

Real Property

When discussing the Arizona property tax system, use of the terms “real property” and “real estate” may overlap. In Arizona, the term “real estate” is defined as “the ownership of, claim to, possession of or right of possession to lands or patented mines.”⁷ A.R.S.

⁷ This definition is generally more consistent with the term “real property.” Within the Arizona property tax system use of these two terms may overlap, but outside of the Arizona property tax system these terms are not usually interchangeable. The following definitions are instructive:

Real Estate — The physical parcel of land and all improvements permanently attached.

Real Property — Consists of the interests, benefits, and rights inherent in the ownership of land plus anything permanently attached to the land or legally defined as immovable; the bundle of rights with which ownership of real estate is endowed. *To the extent that “real estate” commonly includes land and any permanent improvements, the two terms can be understood to have the same meaning.* Also called “realty.”

[42-11001\(13\)](#). Thus, real property in Arizona is understood to include these rights as well as the land and all improvements.

Improvements include anything done *on* or *to* land with the intention of increasing its value and utility. *Improvements on the land* include developments such as buildings, parking, fences, and row crops. While *improvements to the land* (generally considered part of the land) include enhancements such as leveling, retention walls, sidewalks, and sewers. Improvements to the land are not valued separately, but as an integral part of the land because they combine with the land to make it viable for its current use.

Specific examples of real property include residences, office buildings, farmland, parks, ponds, and roads.

Personal Property

Personal property is defined by exception as all types of tangible and intangible property *not included* in the term real estate. A.R.S. [42-11001\(10\)](#). Personal property includes property used for commercial, industrial, residential, and agricultural purposes. It also includes certain *improvements on possessory rights* and certain *leasehold improvements*. Specific examples of taxable personal property include manufactured housing and business personal property such as office furniture, store equipment, manufacturing fixtures, and tools.

Improvements on Possessory Rights

Improvements on possessory rights (IPR/s) are buildings, structures, or other improvements located on land that is not owned by the owner of the improvements. Improvements on possessory rights may be situated on land that is taxable⁸ or nontaxable. If located on taxable land, improvements on possessory rights are classified

International Association of Assessing Officers (IAAO), Glossary for Property Appraisal and Assessment, 2nd ed. (Kansas City: IAAO, 2013), 129, 138 (emphasis added) (hereinafter, IAAO Glossary).

⁸ Though improvements on possessory rights are **not** typically located on taxable land, the assessor and treasurer must be aware that in such a case procedures for dealing with both property tax billing and property tax liens (see A.R.S. [42-17154\(B\)](#)) are usually addressed in the subject lease.

and valued according to current use. In contrast, improvements on possessory rights that are located on nontaxable land may be subject to statutorily defined valuation procedures, such as the following.

- “Improvements, appurtenances, wells, stock tanks and any other fixed property that is located on unpatented land, a mining claim or state land not secured by patented real property...shall be valued as personal property.” A.R.S. [42-19003\(A\)\(1\)](#). Personal property is typically valued and assessed based upon its full cash value. A.R.S. [42-11001\(6\)](#).
- “Improvements that are located on federal, state, county or municipal property” and that also meet certain leasehold and property use requirements (e.g., aviation, education, nonprofit, recreation, research), may qualify as class Nine property (A.R.S. [42-12009\(A\)](#)) that is “subject to valuation at full cash value” (A.R.S. [42-12009\(C\)](#)).
- Possessory *improvements* are separately defined in statute to include buildings and other improvements “located on federal, state, county or municipal property or the property of another political subdivision of this state that is owned by a nongovernmental possessor thereof.” A.R.S. [42-15301](#). For several reasons, including their immovability, possessory improvements are subject to special valuation requirements, as follows.
 - Must be valued using standard appraisal methods and techniques. A.R.S. [42-15302](#).
 - Are subject to a limited property value (“[t]he limited property value of possessory improvements shall be calculated...and is not subject to the exemption for personal property as set forth in section 42-13304.”). A.R.S. [42-15303](#).
 - “[M]ay be placed on the real property roll.” A.R.S. [42-15304\(A\)](#).
 - “[S]hall be subject to procedures for delinquent taxes as real property”. A.R.S. [42-15304\(B\)](#).

Classification of Property

In Arizona, classification of most property is based upon the current use of the property (classification statutes describe each property class using phrases such as “used for” and “used as”). However, in certain instances property is classified based upon a unique qualifying status. Examples include historic property (A.R.S. [42-12006\(1\)](#), [42-12007](#), [42-12008](#)), partially completed property (A.R.S. [42-12051](#)), and property located in a foreign trade zone (A.R.S. [42-12006\(2\)](#)).

Property Classes and Assessment Ratios

Property is classified for assessment purposes into nine classes, many of which include numerous subclasses. A.R.S. [42-12001](#) et seq. The property classes are established “for the common treatment of the property in each class for purposes of the assignment of a common assessment percentage.” A.R.S. [42-12010](#). Thus, each property class has a corresponding assessment ratio. A.R.S. [42-15001](#) et seq.

The following table provides a **sample** of various property classes and their corresponding assessment ratios.

Class	Description	Ratio	Statutes
One	Commercial	0.18	42-12001 and 42-15001
Two	Agricultural & Property not included in any other class	0.15	42-12002 and 42-15002
Three	Primary Residential	0.10	42-12003 and 42-15003
Four	Other Residential	0.10	42-12004 and 42-15004
Six	Special Valuation Properties	0.05	42-12006 and 42-15006
Seven	Commercial Historic	Mixed	42-12007 and 42-15007
Eight	Commercial Historic Rental	Mixed	42-12008 and 42-15008

For additional information, refer to the Department Guideline, [Property Classification](#).

Mixed Use Percentages and Assessment Ratios

Property may be used simultaneously for more than one purpose. Such mixed-use property must be classified proportionally, according to the appropriate property classes for each use occurring on the property. For example, property used for both agricultural and commercial purposes must be classified proportionally as property class Two and property class One.

For instructions on determining mixed-use assessment percentages for property subject to multiple uses, refer to the Department Guideline, [Determining Mixed-Use Percentages and Assessment Ratios](#).

Determining Assessed Value

The assessed value of property is determined by applying the appropriate assessment ratio to the limited property value or to the full cash value, as applicable. A.R.S. [42-15010](#). The *net assessed value* (NAV) is calculated by subtracting any applicable exemptions from the assessed value. A.R.S. [42-11001\(8\)](#).

Valuation of Property

The assessor is responsible for valuing all locally assessed real and personal property and then listing it on the tax roll. A.R.S. [42-13051\(B\) \(2\) and \(3\)](#), [42-13054\(A\)](#), [42-15053](#), and [42-19002](#).

Real property is valued annually (the valuation year) and taxes are assessed in the following year (the tax year), while personal property is valued and assessed in the same year. A.R.S. [42-11001 \(17\) and \(20\)](#). Even so, for property in classes Two, Three, and Four, the assessor may use the same valuation for up to three consecutive tax years if the assessor files a specific plan for such valuations with the Department, and if the plan is implemented uniformly throughout the affected county. A.R.S. [42-13052 \(1\) and \(2\)](#).

Current Use Standard

Valuation of most property is based upon the current use of the property, rather than the appraisal industry standard of potential *highest and best use*. A.R.S. [42-11054\(C\)\(1\)](#). Current use is defined as “the use to which property is put at the time of valuation by the assessor or the department.” A.R.S. [42-11001\(4\)](#).

Full Cash Value and Limited Property Value

Real property, as well as manufactured housing and mobile homes (which are usually personal property), are valued and assessed based upon limited property value. Ariz. Const. art. IX, [sec. 18\(3\)\(b\)](#) and A.R.S. [42-11001\(7\)\(b\)](#). Even so, the assessor must still determine the full cash value of real property, manufactured housing, and mobile homes (A.R.S. [42-13051\(B\)\(2\)](#)) for purposes of appeal (A.R.S. [42-16051\(B\)](#)) and to ensure that the limited property value does not exceed the full cash value (A.R.S. [42-13301\(B\)](#)).

Locally assessed personal property (i.e., business personal property), not including manufactured housing and mobile homes, is assessed based upon full cash value. A.R.S. [42-11001\(6\)](#) and [42-13304\(1\)](#). For business personal property, the limited property value is equal to the full cash value. See A.R.S. [42-13304\(1\)](#).

For additional information regarding the valuation of locally assessed business personal property, manufactured housing, and mobile homes, refer to the [Personal Property Manual](#).

Full Cash Value

Full cash value is defined as “the value determined as prescribed by statute. If a statutory method is not prescribed, full cash value is synonymous with market value, which means the estimate of value that is derived annually by using standard appraisal methods and techniques.” A.R.S. [42-11001\(6\)](#).

There are no limits regarding how much full cash value can fluctuate from year to year, but full cash value “shall not be greater than market value regardless of the method prescribed to determine value for property tax purposes.” A.R.S. [42-11001\(6\)](#).

Examples of property for which a statutory valuation method is prescribed include property used for agricultural purposes (A.R.S. [42-13101](#)), golf courses (A.R.S. [42-13152](#)), and shopping centers (A.R.S. [42-13202](#)).

Full cash value “is the basis for assessing, fixing, determining and levying [primary and secondary property taxes](#) on property described in section 42-13304.” A.R.S. [42-11001\(6\)](#). Property described in A.R.S. [42-13304](#) includes “personal property, other than mobile homes”⁹ and centrally valued property “included in property class one under section 42-12001, paragraphs 1 through 7, 11 and 14.” A.R.S. [42-13304 \(1\) and \(2\)](#).

Limited Property Value

Limited property value is called by this name due to the restraint on its annual growth and because limited property value cannot exceed full cash value. See Ariz. Const. art. IX, [sec. 18\(3\)\(b\)](#) and A.R.S. [42-13301 \(A\) and \(B\)](#).

There are two methods by which limited property value can increase from one valuation year to the next valuation year. These methods are identified as “Rule A” and “Rule B”. Rule A is described in A.R.S. [42-13301](#), and Rule B is described in A.R.S. [42-13302](#).

Regardless of which rule is used to value a property, Rule A or Rule B must be applied to the entire property. “Separate determinations shall not be made for the limited property value of land and for the improvements on the land in reference to property parcels.” A.R.S. [42-13301\(C\)](#).

For additional information regarding limited property value, including sample calculations, refer to the Department publication, [Limited Property Value](#).

⁹ As used in this statute, the term “mobile homes” is understood to include all types of manufactured housing.

Rule A: Limited Property Value Under No-Change Circumstances. Rule A is utilized under no-change circumstances, meaning that none of the conditions that trigger a requirement to use Rule B have occurred with respect to a subject property. Limited property value is calculated according to Rule A as set forth in A.R.S. [42-13301 \(A\) and \(B\)](#). This is accomplished by (a) adding five percent to the value of the limited property value of the preceding valuation year, (b) comparing the result to the current year full cash value, and (c) selecting the lesser of the two values as the new current year limited property value.

Rule B: Limited Property Value Under Changed Circumstances. Circumstances that trigger a Rule B valuation are set forth in A.R.S. [42-13302\(A\) \(1\) to \(4\)](#), as follows:

1. Property that was erroneously totally or partially omitted from the tax roll in the preceding tax year.
2. Property for which a change in use has occurred since the preceding tax year.
3. Property that has been modified by construction, destruction, or demolition since the preceding valuation year, such that the total value of the modification is equal to or greater than 15 percent of the full cash value.
4. Property that has been split, subdivided, or consolidated, except for cases that result from an action initiated by a governmental entity.

Rule B Ratio. If one of the changes set forth above has occurred, the new limited property value of the subject property “shall be established at a level or percentage of full cash value that is comparable to that of other properties of the same or similar use or classification”. A.R.S. [42-13302\(A\)](#). The ratio used to determine the level or percentage of full cash value is known as the *Rule B Ratio*. This ratio represents the relationship between full cash values and limited property values for properties of a similar use or classification.

Application of Limited Property Value. Limited property value “is the basis for...[c]omputing levy limitations for counties, cities, towns and community college

districts” and for “[a]ssessing, fixing, determining and levying [primary and secondary property taxes](#) on all property **except** property described in section 42-13304.” A.R.S. [42-11001\(7\)](#) (emphasis added). Property described in A.R.S. [42-13304](#) (which must be assessed and taxed based upon full cash value) includes “personal property, other than mobile homes” and centrally valued property “included in property class one under section 42-12001, paragraphs 1 through 7, 11 and 14.” A.R.S. [42-13304 \(1\) and \(2\)](#).

Approaches to Value

Standard appraisal methods and techniques are used to determine the market value of property that is not subject to valuation by statutory prescription. See A.R.S. [42-11001\(6\)](#). Standard appraisal methods and techniques include the three generally recognized approaches to value: cost approach, sales comparison approach, and income approach. The reliability of each approach is dependent upon the quality of the data used to develop each estimate of value. Generally, more than one approach is applied to each appraisal problem resulting in a range of proximate values, which the appraiser reconciles to arrive at a single indication of value.

For additional information, refer to the Department Manual, [Approaches to Value](#).

Cost Approach

The cost approach estimates the market value of real property by reference to the cost of replacing or reproducing the property. This is accomplished by (a) calculating the current cost of constructing the subject improvements, (b) subtracting accumulated depreciation of the improvements, and (c) adding the land value to the difference.

This approach is based on the *economic principle of substitution*, which states that a buyer will not pay more for a property than the cost of acquiring a comparable substitute property.

The cost approach is most reliable for property that is newly-built, one-of-a-kind, or for which comparable sales and income data are limited. Thus, the cost approach is a

primary indicator of value for commercial and industrial property, special purpose property, and some residential property (e.g., atypical and custom homes).

Sales Comparison Approach

The sales comparison approach estimates the market value of real property by reference to recent sales of comparable properties. This is accomplished by (a) selecting a sufficient number of recently-sold comparable properties, (b) comparing those properties to the subject property, and (c) adjusting the sales prices of the comparable properties to reflect any substantial differences between the comparable and subject properties.

As with the cost approach, the sales comparison approach is based upon the economic principle of substitution, which asserts that a buyer will not pay more for a property than the cost of acquiring a comparable substitute property.

The sales comparison approach requires sufficient sales data to describe the market in a statistically valid manner. Thus, this approach is best utilized when there is an active market that provides numerous recent sales of comparable properties. This requirement makes the sales comparison approach an excellent indicator of value for most residential real property and vacant land.

Income Approach

The *income approach* estimates the market value of real property by reference to the income potential of the property. This approach is also referred to as the *income capitalization approach* because the method used to convert the anticipated future income into an estimate of present value is called *income capitalization*.

The income approach is primarily founded on the *economic principle of anticipation*, which states that current value is based upon the expectation of benefits to be derived in the future. Thus, the value estimated by the income approach is often called the present worth of future benefits.

The income approach requires sufficient income and expense data as well as information that can be used to quantify the relationship between future income and present value. Thus, the income approach is best utilized to estimate the value of income producing commercial property in active markets, such as an office building or apartment complex.

In some cases, statute requires or allows the income approach to be used to value property, such as with land used for agricultural purposes (required by A.R.S. [42-13101](#)) and shopping centers (allowed by A.R.S. [42-13204](#)).

Personal Property

Locally assessed business personal property, not including manufactured housing and mobile homes, is valued and assessed based upon full cash value. A.R.S. [42-11001\(6\)](#) and [42-13304\(1\)](#). The full cash value of personal property cannot be greater than its market value, regardless of the method used to determine its value. A.R.S. [42-11001\(6\)](#) and [42-13054\(A\)](#).

“The taxable value of personal property that is valued by the county assessor is the result of acquisition cost less any appropriate depreciation as prescribed by tables adopted by the department.” A.R.S. [42-13054\(A\)](#). In other words, locally assessed business personal property is valued using the cost approach. The *replacement cost new* (RCN) of business personal property is determined by applying a market trending factor to the *total acquisition cost* of the property. The market trending factor is derived by relating current trends of business personal property costs to total acquisition costs. The resulting RCN is then depreciated to reflect the current age of the business personal property, providing the market value estimate known as *replacement cost new less depreciation* (RCNLD).

For additional information regarding the valuation of locally assessed business personal property, refer to the [Personal Property Manual](#).

Notice of Value

Real Property

On any date before March 1 of the assessment year, the assessor must provide a Notice of Value (NOV) to all real property owners of record, or purchasers under a deed of trust or an agreement of sale, except not for property affected by an [equalization order](#). A.R.S. [42-15101\(A\)](#). The Notice of Value must provide the full cash value of the property and its limited property value, if applicable, to be used for assessment purposes. A.R.S. [42-15101\(A\)](#).

In the event of an act of God, flood, or fire, the Department may extend the final deadline for sending the Notice of Value for a period of not more than 30 days. A.R.S. [42-15101\(D\)](#).

Within 60 days of sending the Notice of Value, if the assessor discovers that an incorrect opinion of value for a grouping of properties (neighborhood or classification) was reached because of an issue with property data used for the valuations, the assessor may send Amended Notices of Value. A.R.S. [42-15101\(E\)](#). However, the revised valuations must be approved by the Department prior to sending the Amended Notices of Value. A.R.S. [42-15101\(E\)](#).

Personal Property

On or before August 30 of each year, the assessor must mail a Notice of Value to the owner or person in possession of personal property. A.R.S. [42-19006\(A\) \(1\) and \(2\)](#).

Sample Notice of Value

COUNTY ASSESSOR'S NAME
 _____ COUNTY ASSESSOR

 PHONE NUMBER _____

(BAR CODE)

TO: _____

2018 RESIDENTIAL NOTICE OF VALUE

THIS IS NOT A TAX BILL

- **Full Cash Value (FCV):** Full Cash Value is the value set by statute. If no statutory formula is prescribed, Full Cash Value is synonymous with market value; which is the estimate of value developed annually by using standard appraisal methods and techniques. The FCV will not be used to calculate primary or secondary taxes starting in Tax Year 2015.

- **Limited Property Value (LPV):** Beginning with the 2015 Tax Year, the Limited Property Value is the basis for calculating all property taxes. The LPV is determined by a statutory formula which limits the amount by which it can increase each year. The LPV can equal but cannot exceed the FCV.

- **Classification:** Please review the classification information about your property contained in the box below. In addition also review the Property Classification, Description and Assessment Ratio Information in the area immediately below the box and Separate Addendum Statement. If the property listed on the Notice is classified as class 3 and it is not a primary residence the owner must notify the County Assessor of the use of the property or be subject to a civil penalty prescribed by A.R.S. §42-12052.

Please note that if your property is rented as a Residential Rental property you must report the residential-rental use to the County Assessor. Failure to report the residential-rental use may result in a civil penalty pursuant to A.R.S. § 33-1902. See back of this Notice for additional information.

Please see the back of this Notice for definitions to ensure your property is correctly classified and for appeal information.

PARCEL ID NUMBER:	NOTICE DATE:	APPEAL DEADLINE:
LIMITED PROPERTY VALUE		FULL CASH VALUE
Property Class	Value	Assessment Ratio
Assessed value		
2018	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
2017	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Description:		

Supplemental Notice of Value

In the event of certain changes to property “that occur after September 30 of the preceding year and before October 1 of the valuation year”, the assessor is required to issue a *Supplemental Notice of Value*, also referred to as the *September Notice of Change*. A.R.S. [42-15105](#). Examples of changes to property that necessitate the need for a Supplemental Notice of Value include new construction, changes to assessment parcels, or changes in use or classification.

Valuation Equity and Uniformity

The Department is required by law to ensure that property in Arizona is valued equitably and uniformly. This is accomplished in part via sales ratio studies and equalization orders.

Sales Ratio Studies

To ensure a fair and equitable property tax system, the Department performs and issues the results of statewide sales ratio studies. A.R.S. [42-13005\(A\)](#). Sales ratio studies measure two primary aspects of mass appraisal: assessment level and assessment uniformity. Assessment level measures the degree to which assessments approximate market value. Assessment uniformity measures the degree to which properties in the same group (e.g., class, use, subdivision) are assessed at the same percentage of market value.

If sales ratio studies disclose values outside of acceptable parameters, the Department may request that field appraisals be performed within the county, area, class, or classification of the properties in which the discrepancies exist. A.R.S. [42-13005\(B\)](#). Based upon the field appraisals, adjustments to property valuations may be made in order to achieve level and uniform appraisal. A.R.S. [42-13005\(B\)](#).

Sales ratio studies alone are not sufficient to require an equalization order affecting commercial or industrial property, but may be used in combination with other data to justify an order. A.R.S. [42-13005\(C\)](#).

Sales ratio studies are “based upon sales data contained in property value affidavits”, commonly referred to as “sales affidavits.” A.A.C. [R15-4-118\(A\)](#). An Affidavit of Property Value (DOR Form [82162](#)) is a document that must accompany, subject to certain exemptions (A.R.S. [11-1134](#)), every “deed evidencing a transfer of title and any contract relating to the sale of real property” (A.R.S. [11-1133\(A\)](#)). The Affidavit of Property Value is the source of sales data used in several Department and State programs, including sales ratio studies. A.R.S. [11-1131](#) et seq. and A.A.C. [R15-4-118\(A\)](#). Therefore,

considerable importance must be placed on the accuracy and completeness of the data included in the Affidavit of Property Value.

Examples of data required in an Affidavit of Property Value include the date of sale of the property and the use of residential property by the buyer. See A.R.S. [11-1133\(A\) \(5\) and \(10\)](#).

The date of sale means the date the sales contract was signed, not the date escrow closed. This is important because the date of sale must reflect market conditions at the time the sales contract and price were negotiated. Market conditions at the close of escrow may be considerably different than market conditions on the date of sale, because considerable time passes between the date of sale and the close of escrow.

Use of residential property by the buyer, as a primary residence or a secondary residence, must be indicated on the Affidavit of Property Value. This is because a primary residence occupied by the owner or by a qualified family member is eligible for a property tax reduction.

Equalization Orders

Arizona property tax law requires that all property be uniformly valued. Ariz. Const. art. IX, [sec. 9\(1\)](#) and A.R.S. [42-13251](#) et seq. To ensure uniformity, the Department regularly reviews property valuations determined by the assessors in all 15 counties. A.R.S. [42-13251\(A\)](#). If the Department finds inequalities between or within counties or between or within property classes or classifications, the Department may issue an equalization order. A.R.S. [42-13252\(A\)](#). If an equalization order is necessary, the Department must issue the same no later than January 15 of the valuation year. A.R.S. [42-13254\(A\)](#). An assessor who receives an equalization order may appeal the order to the State Board of Equalization, pursuant to A.R.S. 42-16159, on or before February 15 of the valuation year. A.R.S. [42-13255](#).

Appeals Process

Property owners or persons in control or possession of property who are dissatisfied with the valuation or classification of the property, as determined by the county assessor, have well defined rights of appeal. Both administrative and judicial appeal processes are provided for by law. The appeal processes are similar for both real and personal property, differing mainly in appeal periods and deadlines. For additional information, refer to the Department publication, *The Appeals Process*.

Administrative Appeals

The administrative appeals process consists of two levels. Level one is heard by the county assessor and level two is heard by either the county board of equalization or the State Board of Equalization. County boards of equalization are established in counties with a population of less than 500,000, while the State Board of Equalization has jurisdiction over counties with a population of 500,000 or more. A.R.S. [42-16102](#) and [42-16153](#). No appeal may be filed with either board of equalization without having been filed first with the assessor. A.R.S. [42-16056\(D\)](#).

Representation in Administrative Appeals

Property owners or persons in control or possession of property may represent themselves or utilize an agent to act on their behalf in the administrative appeal process. A.R.S. [32-3651\(3\)](#) and [42-16001](#). Property tax agents must be designated annually by filing an Agency Authorization or Agency Authorization Continuation (DOR Forms [82130AA](#) and [82130AAA](#)) with the county assessor. A.R.S. [42-16001\(B\)](#). These forms are available from the Department or the assessor and must accompany all appeals. A.R.S. [42-16001\(C\)](#). Statutory requirements regarding property tax agents are found in A.R.S. [32-3651](#) et seq.

Once a property tax agent is designated, all notices relating to an appeal must be sent directly to the agent by the county assessor, county board of equalization, or State Board of Equalization. A.R.S. [42-16001\(C\)](#). Though attorneys may represent property

owners in administrative appeals, attorneys are not required to register as property tax agents. A.R.S. [32-3651\(3\)](#).

Appeals to the County Assessor

Real Property Appeals. If a real property owner disagrees with a real property valuation or classification, the owner may file a Petition for Review of Real Property Valuation (DOR Form [82130](#)) with the county assessor. A.R.S. [42-15104\(1\)](#) and [42-16051](#). The petition must be filed within 60 days of the mailing date of the Notice of Value and must provide the owner's opinion of value or legal classification and substantial information to justify that opinion. A.R.S. [42-16051 \(B\) and \(D\)](#).

The assessor must rule on all real property petitions by August 15 each year. A.R.S. [42-16055\(A\)](#). If the relief requested in an appeal is granted, the petitioner may not appeal the ruling. A.R.S. [42-16056\(A\)](#). If an appeal is denied in whole or in part, the assessor must deliver to the petitioner written notice of the grounds for refusal. A.R.S. [42-16056\(C\)](#).

Personal Property Appeals. If a personal property owner or person in possession of personal property disagrees with a personal property valuation or classification, they may file a Petition for Review of Personal Property (DOR Form [82530](#)) with the county assessor. The petition must be filed within 30 days after the date the Notice of Value was delivered (i.e., the postmark date) by the assessor and must provide the owner's opinion of value or legal classification and substantial information to justify that opinion. A.R.S. [42-19051\(A\) \(1\) and \(2\)](#).

The county assessor must rule on all personal property petitions within 20 days after the filing date. A.R.S. [42-19051\(B\)](#). If an appeal is denied in whole or in part, the assessor must deliver to the petitioner written notice of the grounds for refusal. A.R.S. [42-19051\(D\)](#).

Appeals to the County Board of Equalization

If the assessor denies all or part of an administrative appeal, the petitioner may file a second-level appeal with the county board of equalization. A.R.S. [42-16105\(A\)](#) and [42-19052\(A\)\(1\)](#). The Department may also appeal an assessor's decision before the county board of equalization. A.R.S. [42-16105\(B\)](#).

In fulfilling its role as the board of equalization, the county board of supervisors may appoint a hearing officer to conduct hearings and make decisions regarding second-level appeals of property classification and valuation. A.R.S. [42-16103\(A\)](#). Hearings may be conducted by one or more members of the county board of equalization or by a hearing officer. A.R.S. [42-16104\(A\)](#). The county board of supervisors may also choose to engage the State Board of Equalization to hear and issue decisions regarding second-level administrative appeals. A.R.S. [42-16102\(C\)](#).

Real Property Appeals. If the original petition applied to real property, a second-level appeal to the county board of equalization must be filed within 25 days after the assessor's notice of decision is mailed. A.R.S. [42-16056\(C\)\(1\)](#). The county board of equalization must complete a hearing on the petition and issue a decision within 10 days after the date of the hearing, and in any event not later than October 15. A.R.S. [42-16108\(A\)](#). However, if the original appeal is related to a [Supplemental Notice of Change](#), the deadline to complete a hearing and issue a decision is extended to the third Friday in November of the valuation year. A.R.S. [42-16108\(B\)](#).

Personal Property Appeals. If the original petition concerned personal property, a second-level appeal to the county board of equalization must be filed within 20 days after the date of the county assessor's notice of decision. A.R.S. [42-19052\(A\)\(1\)](#). The county board of equalization must complete the appeal hearing and issue a decision on or before December 1. A.R.S. [42-16108\(C\)](#).

Appeals to the State Board of Equalization

If the assessor denies all or part of an administrative appeal, the petitioner may file a second-level appeal with the State Board of Equalization. A.R.S. [42-16157 \(A\) and \(D\)](#) and [42-19052\(A\)\(2\)](#). The Department may also appeal an assessor's decision before the State Board of Equalization. A.R.S. [42-16157\(B\)](#).

The State Board of Equalization may employ one or more hearing officers who meet certain qualifications to assist with property valuation and classification appeals. A.R.S. [42-16155\(A\)](#). Hearings that involve class Three property or property valued at \$3,000,000 or less are heard by at least one member of the Board or by a hearing officer from the county in which the property is located. A.R.S. [42-16156\(B\)\(2\)](#). All other appeals are heard by a panel of either three or five members of the Board, two of whom must be from the county in which the property is located, unless the Board chairman is representing the county. A.R.S. [42-16156\(B\)\(3\)](#).

Real Property Appeals. If the original petition applied to real property, a second-level appeal to the State Board of Equalization must be filed within 25 days after the assessor's notice of decision is mailed. A.R.S. [42-16157\(A\)](#). The State Board of Equalization must complete a hearing on the petition and issue a decision on or before October 15. A.R.S. [42-16165](#). However, if the original appeal is related to a [Supplemental Notice of Change](#), the deadline to complete a hearing and issue a decision is extended to the third Friday in November of the valuation year. A.R.S. [42-16165\(2\)](#). If the hearing involves centrally valued property, the decision must be issued on or before November 15. A.R.S. [42-16165\(1\)](#).

Personal Property Appeals. If the original petition concerned personal property, a second-level appeal to the State Board of Equalization must be filed within 20 days after the date of the county assessor's notice of decision. A.R.S. [42-16157\(D\)](#) and [42-19052\(A\)\(2\)](#). The Board must complete the appeal hearing and issue a decision on or before December 1. A.R.S. [42-16165\(3\)](#).

Judicial Appeals

A property owner who is dissatisfied with the valuation or classification of property on the Notice of Value may choose to file a judicial appeal at any time on or before December 15, rather than file an administrative appeal. A.R.S. [42-15104\(2\)](#) and [42-16201\(A\)](#).

Alternatively, if a property owner chooses to file an administrative appeal and is dissatisfied with the decision of the assessor, county board of equalization, or State Board of Equalization, the property owner may file a judicial appeal. A.R.S. [42-16201 to 42-16203](#). See also A.R.S. [42-16056\(C\)\(3\)](#), [42-16111\(A\)](#), [42-16168\(A\)](#) and [42-19052\(B\)](#). However, once an administrative appeal is commenced, a subsequent judicial appeal must be filed within a certain timeframe. In cases of judicial appeals of decisions issued by the assessor or the State Board of Equalization, the appeal must be filed within 60 days after the mailing date of the most recent administrative decision. A.R.S. [42-16201\(B\)](#) and [42-16203\(C\)](#). In the case of a judicial appeal of a decision issued by the county board of equalization, the appeal must be filed within 60 days after the mailing date of the decision, or by December 15, whichever is later. A.R.S. [42-16202\(A\)](#).

Under certain circumstances, the assessor or the Department may also file a judicial appeal in response to decisions of either board of equalization, but must do so in the same manner and by the same date as a property owner. A.R.S. [42-16202\(B\)](#), [42-16203\(A\)](#) and [42-16206](#).

All taxes levied and assessed against real property for which a judicial appeal has been filed must be paid prior to the date the taxes become delinquent. A.R.S. [42-16210\(A\)](#). If the taxes are not paid prior to becoming delinquent, the tax court will dismiss the appeal. A.R.S. [42-16210\(B\)](#).

A property owner may elect to file a judicial appeal in small claims court if (a) the property is class Three property, or (b) the full cash value of the property does not

exceed \$2,000,000, or (c) the amount of taxes, interest, and penalties in dispute is less than \$5,000. A.R.S. [12-172\(A\) \(1\) and \(2\)](#). The property owner may appear on their own behalf, be represented by an attorney licensed to practice in Arizona, or be represented by any other person the court allows to participate in the hearing. A.R.S. [12-174\(B\)](#).

Property Taxation

All property in Arizona is subject to property taxation unless it is specifically exempted under the laws of the United States or under the provisions of the Arizona Constitution and related statutes. Ariz. Const. art. IX, [sec. 2\(13\)](#). A.R.S. [42-11002](#). Arizona has two distinct types of property taxes, primary and secondary.

Primary and Secondary Property Taxes

Primary property taxes are used to pay for the basic maintenance and operation of a county, city, town, or school district. Primary property taxes are defined by exception to be “all ad valorem taxes except for secondary property taxes.” A.R.S. [42-11001\(11\)](#).


Secondary property taxes are used to satisfy bonded indebtedness of local jurisdictions, taxes levied by special taxing districts, and voter-approved overrides of statutory tax limits.

Primary and secondary property taxes are both listed on the tax roll and the tax statement for each real property parcel and personal property account.

Equalization Assistance to School Districts

By February 15 of each year, the Joint Legislative Budget Committee (JLBC) is required to compute and report annual adjustments to K-12 primary property tax rates for the upcoming fiscal year. A.R.S. [41-1276](#).

Though its name varies by county, this rate may appear on a property tax statement as *School Equal[ization]* (as denoted by a red dot in the sample below, which is provided for illustrative purposes only), *State Equalization Tax*, or something similar.

PIMA COUNTY			2020 PROPERTY TAX STATEMENT			ARIZONA		
THIS IS THE ONLY STATEMENT YOU WILL RECEIVE								
STATE CODE #			AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	IRRIGATION DISTRICT \$ PER ACRE		
BOOK	MAP	PARCEL						
315	18	0550	0150	11.8317	2.9708			
ASSESSMENT			TAXABLE NET ASSESSED VALUE	JURISDICTION	2020 TAXES	2019 TAXES	DIFFERENCE	
REAL PROPERTY			4,752	PIMA COUNTY PRI	186.37	176.58	9.79	
PERSONAL PROPERTY				SCHOOL EQUAL	21.03	20.16	0.87	
2020 TAX SUMMARY				TUSD MAINT & OPER	121.78	110.73	11.05	
PRIMARY PROPERTY TAX			562.24	TUSD ADJACENT WAYS	1.33	0.00	1.33	
LESS STATE AID TO EDUCATION			87.02	TUSD DESEGREGATION	57.00	52.21	4.79	
NET PRIMARY PROPERTY TAX			475.22	TUSD DROPOUT PREVN	1.02	0.99	0.03	
SECONDARY PROPERTY TAX			141.15	PIMA COLLEGE PRI	63.48	60.74	2.74	
CAGR MEMBER DUES			0.00	CITY OF TSN PRI	21.14	19.78	1.36	
TOTAL TAX DUE FOR 2020			616.37	TUCSON TORT PRI	2.07	0.33	1.74	
				COUNTY BONDS SEC	24.71	30.46	-5.75	
				TUSD SCH DIST SEC	22.88	22.51	0.37	
				JNT TECH ED SEC	2.38	2.21	0.17	
				CITY OF TSN SEC	41.29	40.86	0.43	
				CEN ARIZ WTR SEC	6.65	6.19	0.46	
				PIMA CO FLD SEC	15.85	14.72	1.13	
				LIBRARY DISTRICT	25.44	23.63	1.81	
				FIRE DIST ASSIST	1.95	1.87	0.08	
				TOTALS	616.37	583.97	32.40	
PLEASE CHECK YOUR RECORDS --- DELINQUENT TAXES --- CALL (520) 724-8341								
PAYMENT INSTRUCTIONS			DOE ROBERT & JANE 21 N MOONRIVER AVE DEARBORN MI 49673-3888					
To pay the 1st half installment, send the 1st half coupon with your payment postmarked no later than Nov. 2, 2020 .								
To pay the 2nd half installment, send the 2nd half coupon with your payment postmarked no later than May 3, 2021 .								
The minimum acceptable payment is \$10 or 10% of the payment due, whichever is greater.								

Based on complex funding formulas, the intent of this tax is to ensure that schools across the state are funded in an equal manner, regardless of fluctuating property values within each school district.

Levy and Collection

Tax Levy

A tax levy is “[t]he total amount of money to be raised from the property tax as set forth in the budget of a taxing jurisdiction.” IAAO Glossary, 132. Thus, in Arizona primary and secondary property taxes are levied by the governing body of each county, city, town, community college district, school district, and special taxing districts (such as fire

districts). A.R.S. [42-17151\(A\)\(1\)](#) and [42-19101](#). The total amount of property tax levied, plus all other sources of revenue and all unencumbered balances from the preceding fiscal year, must be equal to the total amounts in the budget proposed for the current fiscal year. A.R.S. [42-17151\(A\)\(1\)](#).

Tax Rate

To compute the primary and secondary tax rates, the required property tax levy is divided by the final assessed value determined for the taxing jurisdiction. See A.R.S. [42-17151\(A\)\(3\)](#) and [42-17152\(A\)](#). The rates are applied to the assessment roll prepared by the assessor to compute the total taxes for each parcel or account. A.R.S. [42-17152\(B\)](#). The resulting document constitutes the assessment and tax roll for the year. A.R.S. [42-17152\(B\)](#). The completed tax roll must be delivered to the county treasurer on or before October 1 of the tax year. A.R.S. [42-18003\(A\)](#).

Tax Collection

The county treasurer is responsible for collecting all property taxes levied on the tax roll. A.R.S. [42-18003\(B\)](#). Property taxes may be paid in two installments if the amount due exceeds \$100. A.R.S. [42-18052\(C\)](#). The first half of property taxes are due on October 1 of the tax year and become delinquent after November 1 of that year. A.R.S. [42-18052 \(A\) and \(B\)](#). The second half of property taxes are due on the following March 1, and become delinquent after the following May 1. A.R.S. [42-18052 \(A\) and \(B\)](#).

If the total amount of property taxes due is \$100 or less, the full amount must be paid in a single installment and becomes delinquent if not paid by December 31. A.R.S. [42-18052\(C\)\(2\)](#).

No matter the amount of property tax due, a taxpayer has the option of paying the full amount by December 31, and interest will **not** be collected for failure to pay the first installment by November 1. A.R.S. [42-18053\(B\)\(2\)](#).

If a property is mortgaged, and the mortgage terms state that the mortgagee (typically a bank) will pay property taxes on behalf of the mortgagor, the treasurer must send a property tax statement to the mortgagor, and upon request, to the mortgagee. A.R.S. [42-18054\(A\) \(1\) and \(2\)](#).

Delinquent Property Taxes

Arizona law establishes procedures for the collection of delinquent property taxes by the attachment and sale of property tax liens. A lien is defined as “(1) The legal right to take or hold property of a debtor as payment or security for a debt. (2) Any legal hold or claim, whether created voluntarily or by operation of law, which a creditor has on all or specified portions of the property owned by a person indebted to him.” IAAO Glossary, 92.

Property Tax Liens

Property tax liens are prescribed by law for real property (A.R.S. [42-17153\(A\)](#)), personal property (A.R.S. [42-17153\(A\)](#) and [42-19106\(A\)](#)), and possessory interests (A.R.S. [42-17154\(B\)](#)). In addition, personal property taxes become a debt against the property owner. [42-19117\(A\)](#). And finally, “[p]ersonal property is liable for taxes levied on real property, and real property is liable for taxes levied on personal property.” A.R.S. [42-17154\(A\)](#).

Property tax liens attach to all taxable property on January 1 of the tax year and remain until all taxes, penalties, and other charges are paid. A.R.S. [42-17153\(C\) \(1\) and \(2\)\(a\)](#). Property tax liens are “prior and superior to all other liens and encumbrances on the property, except: (a) Liens or encumbrances held by this state. (b) Liens for taxes accruing in any other years.” A.R.S. [42-17153\(C\)\(3\) \(a\) and \(b\)](#).

Sale of Property Tax Liens

The county treasurer is required to secure payment of delinquent property taxes through the sale of the relevant tax lien(s). A.R.S. [42-18101\(A\)](#) and [42-18401\(A\)](#).

Real Property. Liens for delinquent real property taxes must be listed by the treasurer on or before December 31 each year. A.R.S. [42-18106\(A\)\(1\)](#). After sufficient notice (A.R.S. [42-18106 \(A\)\(2\) and \(B\)](#)), the liens are sold at a public auction in February (A.R.S. [42-18112\(A\)](#)). The successful purchaser of each lien is the person who pays the full amount of delinquent taxes, interest, penalties, and charges due, and who accepts the lowest interest rate on the amount paid to redeem the subject property. A.R.S. [42-18114](#).

Personal Property. In contrast to real property, personal property is moveable and subject to inherent depreciation. Therefore, personal property that is subject to delinquent property taxes may be seized at any time, even immediately, after the treasurer receives the tax roll. A.R.S. [42-18401\(A\)](#) and [42-18402](#). After sufficient notice, the seized property may be sold. A.R.S. [42-18401\(B\)](#) and [42-18402](#). The successful purchaser of a personal property tax lien is the person who pays the purchase price and for delivery of the property. A.R.S. [42-18401\(D\)](#).

Redemption and Foreclosure of Property Tax Liens

A real property tax lien may be redeemed by paying the amounts set forth in statute. A.R.S. [42-18151](#) et seq. However, if redemption is not completed within a certain time period, the purchaser of the tax lien may bring a judicial action to foreclose the right to redeem and to obtain a treasurer's deed for the property. A.R.S. [42-18201](#) et seq.

A personal property tax lien may be redeemed before it is sold by paying the amounts set forth in statute, but the right to redeem terminates after the property is sold. A.R.S. [42-19112 \(A\) and \(B\)](#).

Property Tax Errors

Arizona law establishes procedures to correct certain errors in property tax assessment or collection. A.R.S. [42-16251](#) et seq. Such corrections may be initiated by the taxpayer or a tax officer, meaning the assessor, treasurer, or Department. A.R.S. [42-16251\(4\)](#).

Examples of property tax errors include imposing an improper tax rate, incorrectly identifying property use, applying an erroneous assessment ratio, misreporting or failing to report personal property, and directly valuing a property based upon misentered data. A.R.S. [42-16251\(3\)](#).

The property tax error correction process is not to be used as a substitute for the [appeal process](#). The appeal process is used when a property owner disagrees with the assessor's or Department's opinion of property valuation or classification, which requires discretion and judgement to formulate. See A.R.S. [42-16051](#). In contrast, a correctable error must be exclusively factual, objectively verifiable, and demonstrable by clear and convincing evidence. A.R.S. [42-16251\(3\)\(e\)](#). Although the procedures for appeal and error correction are entirely separate, if an administrative or judicial appeal is already pending, any alleged error must be adjudicated as part of the appeal. A.R.S. [42-16255\(B\)](#).

There are time limitations regarding the correction of property tax assessment or collection errors. A.R.S. [42-16256 \(A\) to \(C\)](#). For example, except under certain circumstances, property tax errors may be corrected for the current tax year and the three preceding tax years. A.R.S. [42-16256\(B\)](#).

For additional information regarding property tax errors, refer to the Department Guideline, [Correcting Property Tax Errors](#).

Notice of Proposed Correction

The Notice of Proposed Correction is a notification provided by a tax officer to the property owner if the tax officer determines the property was assessed improperly due to a property tax error. A.R.S. [42-16252](#).

The property owner may submit a written response to the tax officer within 30 days either to consent to the proposed correction, dispute the proposed correction, or request an extension of time to respond. A.R.S. [42-16252\(C\)](#). Failure by the property owner to

respond within 30 days or by the extended due date constitutes consent to the proposed correction. A.R.S. [42-16252\(C\)](#).

If a **real** property owner

consents to the proposed correction, or consents to the proposed correction but disputes the proposed valuation or legal classification..., the tax roll shall be promptly corrected to allow property taxes to be levied and collected in all subsequent tax years, but no additional tax, interest or penalty may be imposed for the current tax year or any tax year preceding the date of the notice of proposed correction.

A.R.S. [42-16252\(E\)](#).

If an agreement cannot be reached, the property owner may appeal to the board of equalization with jurisdiction over the matter. A.R.S. [42-16252\(G\)](#). Any party not satisfied with the decision of the board may file an appeal with the tax court. A.R.S. [42-16252\(H\)](#).

Taxpayer Notice of Claim

The Taxpayer Notice of Claim is a notification filed by the property owner if the owner believes the property was assessed improperly due to a property tax error. A.R.S. [42-16254\(A\)](#).

The Notice of Claim must be filed with the county assessor¹⁰ if the alleged error pertains to the valuation or classification of property, or with the county board of supervisors if the alleged error pertains to the imposition of a tax rate. A.R.S. [42-16254\(A\) \(1\) and \(3\)](#).

The tax officer may submit a written response to the property owner within 60 days either to consent to or dispute the claim and to provide grounds for disputing the claim. A.R.S. [42-16254\(C\)](#). Failure by the tax officer to respond within 60 days will constitute consent to the claim. A.R.S. [42-16254\(C\)](#).

¹⁰ Or with the Department if the subject property is centrally valued property. A.R.S. [42-16254\(A\)\(2\)](#).

If an agreement cannot be reached, the property owner may appeal to the board of equalization with jurisdiction over the matter. A.R.S. [42-16254\(F\)](#). Any party not satisfied with the decision of the board may file an appeal with the tax court. A.R.S. [42-16254\(G\)](#).

Property Tax Exemptions

All property in Arizona is subject to property taxation unless specifically exempted under the laws of the United States or under the provisions of the Arizona Constitution and related statutes. Ariz. Const. art. IX, [sec. 2\(13\)](#). A.R.S. [42-11002](#). See Ariz. Const. art. IX, secs. [2](#), [2.1](#), [2.2](#), and [2.3](#); A.R.S. [42-11101](#) et seq.

The assessor is responsible for processing and approving or disapproving property tax exemption applications, monitoring previously-approved exemptions, and discontinuing exemptions that are no longer warranted.

For additional information, refer to the Department publication, [Property Tax Exemptions](#).

Exemption Categories

There are three types of property tax exemptions recognized in Arizona: general, restricted, and individual. Property in the general category is automatically and totally exempted from property taxation. Property in the restricted category is exempt from property taxation as long as the property is not used or held for profit. Individual exemptions apply to certain property owned by widows, widowers, or persons with a disability.

The following tables list exemptions in each of the three categories, along with related law. These tables are not meant to be exhaustive.

GENERAL EXEMPTIONS	
Federal, State, County and Municipal Property	Ariz. Const. art. IX, sec. 2(1); A.R.S. 42-11102
Public Debts	Ariz. Const. art. IX, sec. 2(3); A.R.S. 42-11103
Property Held to Preserve or Protect Scientific Resources	Ariz. Const. art. IX, sec. 2(2); A.R.S. 42-11115
Trading Commodities	A.R.S. 42-11128
Animal and Poultry Feed	A.R.S. 42-11123
Inventory, Materials, and Products	Ariz. Const. art. IX, secs. 2(5) and 13(1); A.R.S. 42-11125
Production Livestock and Animals	Ariz. Const. art. IX, sec. 13(2); A.R.S. 42-11126
Personal Property in Transit	A.R.S. 42-11128
Household Goods	Ariz. Const. art. IX, sec. 2(4)
Vehicles (subject to in-lieu license tax)	Ariz. Const. art. IX, sec. 11; A.R.S. 28-5801
Aircraft (subject to in-lieu license tax)	Ariz. Const. art. IX, sec. 15; A.R.S. 28-8335
Watercraft	Ariz. Const. art. IX, sec. 16
Personal Property of Servicemembers	50 U.S.C. 3901 et seq.

RESTRICTED EXEMPTIONS	
Educational and Library Property	Ariz. Const. art. IX, sec. 2(2); A.R.S. 42-11104
Health Care Property	A.R.S. 42-11105
Apartments for Residents with Disabilities or Elderly Residents	A.R.S. 42-11106
Institutions for Relief of Indigent or Afflicted	A.R.S. 42-11107
Grounds and Buildings Owned by Agricultural Societies	A.R.S. 42-11108
Religious Property	Ariz. Const. art. IX, sec. 2(2); A.R.S. 42-11109
Cemeteries	Ariz. Const. art. IX, sec. 2(7); A.R.S. 42-11110
Observatories	A.R.S. 42-11112
Animal Control and Humane Society Property	A.R.S. 42-11113
Property Held for Conveyance as Parkland	A.R.S. 42-11114
Property of Arts and Science Organizations	A.R.S. 42-11116
Property of Volunteer Fire Departments	A.R.S. 42-11117
Property of Social Welfare and Quasi-Governmental Volunteer Service Organizations	A.R.S. 42-11118
Property of Volunteer Roadway Cleanup and Beautification Organizations	A.R.S. 42-11119
Property of Organizations for Veterans	A.R.S. 42-11120
Property of Charitable Community Service Organizations	A.R.S. 42-11121
Possessory Interests for Educational or Charitable Activities	A.R.S. 42-11124
Agricultural and Business Personal Property	Ariz. Const. art. IX, sec. 2(6); A.R.S. 42-11127

RESTRICTED EXEMPTIONS (continued)	
Property of Fraternal Societies	A.R.S. 42-11129
Property of a Public Library Support Organization	A.R.S. 42-11130
Low-Income Native American Housing	A.R.S. 42-11131
Property Leased to Educational Institutions	A.R.S. 42-11132
Property Leased to a Church, Religious Assembly or Institution	A.R.S. 42-11132.01
Affordable Housing Projects	A.R.S. 42-11133

INDIVIDUAL EXEMPTIONS	
Property of Veterans ¹¹	Ariz. Const. art. IX, sec. 2 (8) to (10)
Property of Widows, Widowers, and Persons with Disabilities	Ariz. Const. art. IX, secs. 2(11), 2.1, and 2.2; A.R.S. 42-11111

Property Tax Relief Programs

In Arizona, there are several constitutional and statutory programs that appear similar to property tax exemptions, but which are more properly categorized as property tax relief programs.

Additional State Aid for Education Program

Under the Additional State Aid for Education program, a percentage of school district taxes levied on owner-occupied residential property is rebated to the property owner. A.R.S. [15-972\(D\)](#). This rebate is automatic and is reflected on the property tax bill as a separate line item. The amount of the rebate is limited, with exceptions, to a maximum amount of \$600 for each qualifying residential property. A.R.S. [15-972\(D\)](#). Subject to certain limitations, the total of all rebates provided to property owners is reimbursed to affected school districts by the state as additional state aid. See A.R.S. [15-972\(E\)](#).

The Additional State Aid for Education program is also used to comply with the constitutional limitation that caps property taxation of owner-occupied residential

¹¹ The Arizona Constitution provides several property tax exemptions for the property of veterans. However, the Arizona Court of Appeals held that these exemptions were unconstitutional because the residency requirements violate the Equal Protection Clause of the Fourteenth Amendment. [Benjamin v. Ariz. Dept. of Rev.](#), 163 Ariz. 182, 786 P.2d 1033 (1989). While a specific exemption for the property of veterans no longer exists, the property of veterans with a disability may otherwise qualify for exemption under A.R.S. [42-11111](#).

property. This limitation states that “[t]he maximum amount of ad valorem taxes that may be collected from residential property in any tax year shall not exceed one per cent of the property’s full cash value....”¹² Ariz. Const. art. IX, [sec. 18\(1\)](#). See A.R.S. [42-17152\(A\)](#). Accordingly, subject to the constraints in A.R.S. [15-972\(K\)](#), if the sum of the primary property taxes for an owner-occupied residential property exceeds the constitutional limit, the state pays an additional portion of the property owner’s school district taxes so that the total tax bill does not exceed the one percent cap.

Senior “Freeze” Program

The Senior Freeze program, officially known as the Property Valuation Protection Option, is described in the Arizona Constitution. See Ariz. Const. art. IX, [sec. 18 \(7\) to \(9\)](#). Thus far, no statutory provisions have been enacted to assist in administering the Senior Freeze program. Application for the program may be accomplished using either DOR Form [82104](#) or a form specific to your county.

The Senior Freeze program allows taxpayers qualified by age and income to have the valuation of their property class Three primary residence fixed (i.e., “frozen”) for a renewable period of three years. While the valuation of the primary residence remains fixed as long as the taxpayer is eligible, property taxes do not, but continue to be levied at the same rate that is applicable to all other properties in the taxing district. Certain taxpayers may be able to qualify simultaneously for both the Senior Freeze program and a property tax exemption, such as an exemption for widows, widowers, or persons with a disability.

Elderly Assistance Fund

A.R.S. [42-17401](#) requires the establishment of an Elderly Assistance Fund in any county with a population of over two million residents (currently, only Maricopa County). The intent of the fund is to reduce primary school district taxes for a qualified individual,

¹² A constitutional amendment that became effective in tax year 2015 provided that property taxes would be calculated based only upon limited property value, rather than upon both limited property value and full cash value, as was the case previously. Ariz. Const. art. IX, [sec. 18\(3\)\(b\)](#) and A.R.S. [42-11001\(7\)\(b\)](#).

defined as any “individual who lives in an organized school district and who is approved for the [Senior Freeze program]”. A.R.S. [42-17401\(E\)](#). No action on the part of a qualified individual is necessary to obtain the benefit of the Elderly Assistance Fund, other than applying and being approved for the Senior Freeze program.

The Elderly Assistance Fund is administered by the county treasurer. Each June 30, the treasurer determines the balance of the fund and the total number of qualified individuals in the county. In the following tax year, the funds are used to “proportionately reduce the primary school district taxes that are levied against the property of all qualified individuals”. A.R.S. [42-17401\(C\)](#).

Residential Property Tax Deferral Program

The Residential Property Tax Deferral program is described in A.R.S. [42-17301](#) et seq. This program allows qualified taxpayers to defer payment of their property taxes for one taxable year. This deferral does not constitute a property tax exemption, but only delays the payment of property taxes. Because of its numerous requirements and limitations, and its one-year maximum applicability, this program is rarely utilized by taxpayers.

Both the individual applicant and the subject property must meet certain criteria to qualify for this program, as set forth below.

Individual Qualifications

Pursuant to A.R.S. [42-17302](#), at the time the applicant files for a residential property tax deferral, the applicant must:

1. Be at least 70 years of age.
2. Own or be purchasing the residence.
3. Have lived in the residence for at least 6 years or have been a resident of Arizona for at least 10 years.
4. Not own or have an interest in any other real property, except indirectly, such as through a mutual fund.

5. Not have a total taxable income for the preceding year that exceeds \$10,000 (this figure includes the income of all persons who reside in the residence).

Residential Qualifications

Pursuant to A.R.S. [42-17303](#), to qualify for residential property tax deferral, the residence must:

1. Be the applicant's primary residence.
2. Not be income producing.
3. Not have a full cash value exceeding \$150,000.
4. Not be subject to any real property lien of record less than five years old.
5. Not be subject to unpaid property taxes "for years preceding the year for which the initial election is made."

Note: The last statement is interpreted to mean that property taxes for all tax years prior to the calendar year of application must be paid before the residence can qualify for the tax year of application. This effectively limits utilization of the program to one-year time periods only, as property taxes cannot accrue unpaid from one year to another.

Marital Qualifications

In the case of a married couple, A.R.S. [42-17302\(C\)](#) requires that all of the individual and residential requirements set forth above must be met, and that both spouses must consent to the deferral, whether or not both have an ownership interest in the subject residence. Though not addressed in the statute, the Department has determined that these requirements also apply to unmarried couples or other co-owners.

Homestead Exemption

The Homestead Exemption is not a property tax exemption like similarly titled exemptions in some other states. Instead, the Homestead Exemption provides owners of class Three residential property with limited protection against the attachment,

execution, and forced sale (i.e., seizure and sale for the payment of debt) of their primary residence, or homestead, by a creditor. A.R.S. [33-1101](#) et seq.

The Homestead Exemption protects the equity position of a homestead owner in an amount up to \$150,000, but does not prevent the collection of debt for a consensual lien (e.g., mortgage), a lien for labor or materials, or a lien for child support or spousal maintenance. A.R.S. [33-1103\(A\)](#).

If a creditor chooses to forcibly seize and sell a class Three residential property for the payment of a debt, the creditor's equity in the property must exceed \$150,000. This is because once the property is sold, the creditor must pay \$150,000 to the former homestead owner, pay off any consensual liens that had priority over the creditor's lien, and cover the costs of the forced seizure and sale. A.R.S. [33-1105](#).

The Homestead Exemption exists by operation of law, and does not require a written or recorded document. A.R.S. [33-1102\(A\)](#). A single person or married couple (unmarried or other co-owners are not addressed) may claim only one Homestead Exemption. A.R.S. [33-1101\(B\)](#).

Note: A similar exemption from legal process (i.e., seizure) of personal property is found in A.R.S. [33-1121](#) et seq.