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# **2002 PROPERTY TAX LEGISLATION**

## **Summaries of Major Bills Affecting Arizona's Property Tax System**

**June, 2002**

**For Discussion Only**

These summaries of recent legislation have been prepared by the Department of Revenue for reference use and discussion purposes only. They do not contain full information on each bill. The reader should obtain a complete copy of any bill for which full information is required from the Secretary of State's Office.

## SUMMARY OF MAJOR 2002 PROPERTY TAX LEGISLATION

This summary contains information found in the bills (and the one resolution) adopted in the 2002 legislative session which affect property tax issues, as well as relevant commentary, where warranted. The summaries are shown in Senate and then House bill number sequence, followed by the one resolution adopted. The Legislature adjourned Sine Die on May 23, 2002. The General Effective date for all legislation is August 22, 2002 (unless it has otherwise been specified in the comments following the individual bills).

### PART ONE - SENATE BILLS:

#### **S.B. 1139 / CHAPTER 326. TAX CORRECTIONS ACT.**

**Summary:** Makes several technical corrections and a variety of nonsubstantive language conforming or clarifying amendments to a number of general taxation statutes. Those that are relevant to property taxation are shown below.

- **AMENDS A.R.S. § 41-1292. Joint legislative oversight committee on property tax assessment and appeals**

Deletes subsection F, which requires the State Board of Tax Appeals to maintain various appeal-related records to be reported to this committee. The S.B.T.A. has no property tax appeal responsibilities, and so has nothing to report to the committee. It appears that the S.B.T.A. was referenced in the statute in error.

- **AMENDS A.R.S. § 42-2001. Definitions**

Deletes the definition of a "claimant" (of unclaimed property) from subsection 2, and deletes references to "claimant(s)" throughout the remainder of the statute, as well as deleting a holder's report (of unclaimed property) from the definition of a "report."

- **REPEALS A.R.S. § 42-2003. Authorized disclosure of confidential information**

Deletes references to a "claimant" (of unclaimed property) and references to unclaimed property throughout the statute, which eliminates an overlap of confidentiality provisions in current statutes under Titles 42 and 44. The amendments also add severance, jet fuel excise, and use tax information to the types of information that may be disclosed to various political subdivision officials.

- **AMENDS A.R.S. § 42-11102. Exemption for governmental property; application of procedural provisions**

Amends subsection C(2) to alter (from the third Monday in August to the third Friday in September) the date that the Assessors must calculate the amount of either a government property lease tax or the voluntary contribution which the State Retirement System, the Corrections Officer Retirement Plan, the Public Safety Personnel Retirement System, and the Elected Officials' Retirement Plan must make in lieu of paying property taxes.

(S.B. 1139 is continued on the next page.)

- **AMENDS A.R.S. § 42-11127. Exemption for commercial and agricultural personal property; definition**

Subsection A currently references § 42-12001(12) as being exempt from personal property taxation, in error (subsection 12 is in regard to real property). Simultaneously, subsection A excludes § 42-12001(11), which is in regard to personal property. This amendment corrects these erroneous subsection cross-references.

- **AMENDS A.R.S. § 42-11128. Exemption for personal property in transit; violation; classification**

Subsection E currently references a "subsection A, paragraph 3" in two places. There is no "paragraph 3" under subsection A. It should reference "paragraph 2." This amendment corrects the erroneous subsection reference by simply referencing § 42-11122, which is the statute that subsection E(2) makes reference to in the first place.

- **AMENDS A.R.S. § 42-11153. Deadline for filing affidavit**

Adds § 42-11110 (regarding cemeteries) to the referenced property types not subject to filing an annual affidavit for exemption. Currently, only property that is used for religious purposes is statutorily exempt from this annual filing requirement.

- **REPEALS A.R.S. § 42-13103. Valuation and assessment of feeder livestock and**

- **REPEALS A.R.S. § 42-13104. Valuation of range livestock and dairy cattle**

Both of the above-listed statutes currently require actions on the part of the various County Assessors which are no longer valid, due to the exemption of "commercial production" animals or livestock under constitutional amendments made in recent years. See current Article 9, Section 13 of the Arizona Constitution. The repeal of these two statutes, which now serve no purpose, prevents a conflict with constitutional law.

- **ADDS A.R.S. § 42-14006. Signatures for documents; alternative methods; definition**

Allows the Department to prescribe "alternative methods for signing, subscribing or verifying any report or statement required to be filed with the Department" regarding property tax or unclaimed property (i.e., electronic filing). The primary significance of this relative to property tax is in relation to those Centrally Valued taxpayers who must provide annual reports which are utilized by the Department in the subsequent valuation and assessment of their property.

- **AMENDS A.R.S. § 42-14152. Annual report for determining valuation; failure to file; penalty; forfeiture of appeal rights**

Amends the language of subsection A, changing the statement that the Department values the company into stating that the Department values the company's property. Then adds the requirement that the Department is to provide the required reporting forms to each company whose property is being valued on or before February 1.

- **AMENDS A.R.S. § 42-15053. Duty to report personal property; confidentiality**  
Subsection (C)(2) erroneously references agriculturally-used personal property as being in Legal Class Four, and personal property that is used in a trade or business as being in Legal Class Three. In 1999, when the legal classification statutes were "simplified," these cross-references were not correctly updated. These amendments merely correct the statutory references to show agriculturally-used personal property as being classified under Legal Class Two(P), and the personal property of a trade or business as being classified under Legal Class One, subclasses 8 through 11 and 13 (depending on the type of personal property involved).
- **AMENDS A.R.S. § 42-15057. Information from political subdivisions (re building permits)**  
Deletes subsection B (and restructures the remainder of the statute), eliminating the requirement that the County Assessors must transmit copies of building permits to the Department.
- **REPEALS A.R.S. § 42-15064. Assessing transient livestock; definition**  
This statute, in a manner similar to §§ 42-13103 and 42-13104, also requires actions on the part of the County Assessors which are no longer valid due to the exemption of "commercial production" animals or livestock under constitutional amendments made in recent years. See current Article 9, Section 13 of the Arizona Constitution. The repeal of this statute, which now serves no purpose, also prevents a conflict with constitutional law.
- **AMENDS A.R.S. § 42-19004. Property in transit and transient property**  
Deletes from subsection A the reference to § 42-15064, for the same reasons as stated above for the repeal of § 42-15064 itself.
- **AMENDS A.R.S. § 42-19151. Definitions**  
Subsection 1, in defining a "mobile home," uses incorrect syntax in stating (as a part of the definition) that a mobile home is "More than eight body feet in width, thirty-two body feet or more in length and ...". There is no such thing as a "body foot." To clarify the intended meaning, this amendment simply corrects the language of the statutory definition under subsection 1 to state " ... eight feet in body width, thirty-two feet or more in body length ...".

Effective August 22, 2002.

**S.B. 1212 / CHAPTER 101.  
PROPERTY TAX EXEMPTIONS.**

**Summary:** Codifies the already common practice of many County Assessors to meet with taxpayers someplace other than at the Assessor's Office (often, but not always, at the taxpayer's home) to complete any of a variety of exemption applications (affidavits).

- **AMENDS A.R.S. § 42-11152. Affidavit; false statement**

Allows the County Assessors to " ... arrange a mutually satisfactory meeting place to make an affidavit ...". This was done to accommodate those few taxpayers (generally, the elderly or disabled) who may not be able to travel and appear at the County Assessor's Office, in order to assist them with completing and submitting exemption applications (affidavits).

Effective August 22, 2002.

**S.B. 1224 / CHAPTER 201.  
VALUATION OF TIMESHARE PROPERTY.**

**Summary:** Amends the appropriate legal classification statute and creates new statutes under Title 42 regarding timeshare properties and their newly-specified valuation procedure.

- **AMENDS A.R.S. § 42-12004. Class four property**

Adds timeshare property as defined under A.R.S. § 32-2197, excluding any type of commercial, industrial or "transient occupancy" uses, to Legal Class Four.

- **ADDS to Title 42, Chapter 13, a new Article 10, Timeshare Property.**

- **ADDS A.R.S. § 42-13451. Definitions**

Provides several definitions for the terminology that is relevant to timeshare properties.

- **ADDS A.R.S. § 42-13452. Computing valuation**

Specifies the statutory valuation procedure for valuing defined timeshare properties that is to be utilized by the County Assessors.

- **ADDS A.R.S. § 42-13453. Timeshare use form**

Specifies that the Department is to provide the County Assessors with a "timeshare use" form, and that the County Assessors are to provide that form to the "managing entity" of the timeshare property on or before August 1 of each year. It also details the information that the form is required to contain, and specifies that the form is to be filed with the County Assessor by the "managing entity" of the timeshare property on or before September 30 of each year if the statutory valuation procedure is to be utilized in the valuation of the timeshare property. **Note:** These forms will be to the Assessors before August 1, 2002.

- **ADDS A.R.S. § 42-13454. Managing entity as agent of owner**

Specifies that the "managing entity" that is identified on the "timeshare use" form is to be considered the "agent" of the owner of the timeshare property.

Effective August 22, 2002.

**S.B. 1290 / CHAPTER 174.  
PROPERTY TAX EXEMPTIONS.**

**Summary:** Clarifies that qualifying "community health centers" (clinics) that provide care in "medically underserved areas or populations" are exempt from property tax. In effect, this provides tax exempt status to clinics as defined under Title 36 that are not specifically designated as serving only the "indigent or afflicted," nor that only provide services specifically to "persons who are handicapped or sixty-two years of age or older," and which are not explicitly named as an exempt party in statute. More comprehensively, this identifies them as "nonprofit" in nature.

- **AMENDS A.R.S. § 42-11105. Exemption for health care property**

Adds new subsection C, to include "qualifying community health care centers as defined in section 36-2907.06(H), appurtenant land and their fixtures and equipment" to those types of properties that are exempt from property tax assessment.

Effective August 22, 2002.

## **PART TWO - HOUSE BILLS:**

### **H.B. 2063 / CHAPTER 234. ELECTRIC UTILITIES VALUATION.**

**Summary:** This bill freezes the valuations for existing electric generating facilities at the 2002 levels, and creates a combined allocation method for distributing valuations among Arizona counties for tax year 2003. The bill also creates a timetable for repealing existing sections of 2000's Session Laws; sets up the subsequent delayed repeal of certain sections of this years Session Laws; and provides for a retroactively effective date of 12-31-2001.

- **AMENDS A.R.S. § 42-14154. Computing valuation of electric and gas utility property; definitions**

Deletes the term "generating" from several subsections which list the types of utility properties valued pursuant to this section. Deletes an existing definition of "generation and transmission cooperative" corporations and then replaces it with a definition of "transmission cooperative" corporations only. Restructures the remainder of the subsections accordingly.

- **AMENDS Session Laws 2000, Chapter 384 (H.B. 2324), Section 5.  
Sec. 5. Voluntary contributions to taxing jurisdictions; computation**

Makes various amendments to the dates and language of this section to include tax years 2003 and 2004 in the timeframe for the new method of determining voluntary contributions, and changes language to provide that these payments will be made in order to prevent an increase in county tax rates that could occur due to a decrease in the electric generating property values which would result in a total assessed value of less than ninety percent of the county's total assessed value in tax year 2000.

- **ADDS Session Laws 2002, Chapter 234 (H.B. 2063), Section 3.  
Sec. 3. Computing valuation of electrical generation facilities for tax year 2003**

Creates a temporary valuation procedure for electric generating facilities for tax year 2003, and delineates procedures to be used for those facilities that were in existence and valued for tax year 2002, versus any new facilities first placed in service in 2001.

- **ADDS Session Laws 2002, Chapter 234 (H.B. 2063), Section 4.  
Sec. 4. Allocation of valuation of electrical generation facilities**

Creates a temporary allocation of valuations procedure for tax year 2003. Stipulates specific valuation and allocation procedures for environmental protection facilities and construction work in progress, and defines these terms (and the terms "materials and supplies" and "original plant in service cost") according to § 42-14154.

- **ADDS Session Laws 2002, Chapter 234 (H.B. 2063), Section 5.  
Sec. 5. Report for tax year 2003; deadline; penalty**

Specifies that a report providing the information necessary for the Department to value electric generating facilities for 2003 must be filed by July 1, 2002, and specifies the applicable penalties if the report is not filed on time.

(H.B. 2063 is continued on the next page.)

- **AMENDS Session Laws 2000, Chapter 384 (H.B. 2324), Section 7.  
Sec. 7. Delayed repeal**

- ✓ Amends subsection 1 with the specification that the delayed repeal of Section 4 refers to Laws 2000, Chapter 384 (H.B. 2324), Section 4, which is still to be repealed delayed effective from and after 12-31-2002.
- ✓ Amends subsection 2 with the specification that the delayed repeal of Section 5 refers to Laws 2000, Chapter 384 (H.B. 2324), Section 5, which is still to be repealed delayed effective from and after 12-31-2004.
- ✓ Amends subsection 3 with the specification that the delayed repeal of Section 6 refers to Laws 2000, Chapter 384 (H.B. 2324), Section 6, which is still to be repealed delayed effective from and after 12-31-2002.
- ✓ Adds subsection 4, with the specification that Sections 3, 4 and 5 of Session Laws 2002, Chapter 234 (H.B. 2063) are to be repealed delayed effective from and after 12-31-2004.

**Effective retroactively from January 1, 2002.**

**H.B. 2071 / CHAPTER 259.**

**MORTGAGES AND DEEDS OF TRUST.**

**Summary:** Allows title insurers to prepare, execute and record a full or partial release of a security interest on real property which has a recorded affidavit of affixture for a mobile home (or manufactured house, etc.) that is located on the parcel. Also adds or amends several statutes regarding mortgages and deeds of trust under Title 33 (Property) which, not being directly relevant to Property Tax, are not delineated here.

- **AMENDS A.R.S. § 42-15203. Affidavit of affixture**

Adds new subsections E through J to the statute, the effects of which are adequately described by the summary above.

Effective August 22, 2002.



**H.B. 2128 / CHAPTER 79.  
HISTORIC AGRICULTURAL PROPERTY.**

**Summary:** Creates the "Register of Heritage Agriculture" which is to be overseen by the Historical Advisory Commission (reference § 41-1352). Allows agriculturally-used property that has been in continuous commercial production (and that has been owned by the same family) for the past fifty years to be given the "honorific recognition" (or, designation) of an "Arizona Heritage Agricultural Property" by application to, and qualification by, this Commission.

- ADDS to Title 3 (Agriculture), Chapter 1,  
new **ARTICLE 5. HISTORIC AGRICULTURAL RECOGNITION**
- **ADDS A.R.S. § 3-161. Definition of commission**  
Defines the Historical Advisory Commission pursuant to § 41-1352, and defines "Register" to mean the Arizona Register of Heritage Agriculture."
- **ADDS A.R.S. § 3-162. Arizona register of heritage agriculture; qualifying criteria; definition**  
Establishes the Arizona Register of Heritage Agriculture and the qualification requirements for being listed on this register.
- **ADDS A.R.S. § 3-163. Application**  
Establishes the application process for the nomination of an Agricultural Heritage property.
- **ADDS A.R.S. § 3-164. Listing property on register**  
Establishes specifications for the listing of an Agricultural Heritage property on the Register; delineates that the "recognition" is honorific only, and does not affect any other property rights; and describes events resulting in termination of the designation. Also provides the Commission with the authority to require an affidavit for annual requalification.
- **ADDS A.R.S. § 3-165. Restricted use of designation; violation; classification**  
Provides that use of the "designation" is with the permission of the Commission only, and excludes any commercial use of the "designation." Specifies that a violation of these restrictions constitutes a Class Three misdemeanor.

Effective August 22, 2002.

**H.B. 2181 / CHAPTER 237RFE.  
ENTERPRISE ZONE TAX INCENTIVES.**

**Summary:** Creates several modifications to the Arizona Enterprise Zone program under Titles 20 (Insurance), 41 (State Government), 42 (Taxation) and 43 (Taxation of Income), which follow last year's extension of the program for an additional five years. These modifications include; the specification of a minimum net increase in the number of "qualified" employment positions that are required for the application of premium tax and income tax credits; prohibits the ability of a participating business to "double-dip" for those credits allowed under this program and for those credits allowed under the Military Reuse and Defense Restructuring programs; clarifies what types and amounts of retail activities are permitted on these properties; changes various application and reporting processes; prohibits the eligibility of electric generating facilities to participate in any property tax provisions of this program; and clarifies several definitions (and many other types of information) concerning the Enterprise Zone program.

Amendments to §§ 42-12006 and 42-15006 are detailed below. Aside from these two statutes, the most directly relevant amendments of any non-Title 42 statutes relative to property tax would appear to be under § 20-224.03, regarding the increase in the "target" of qualified employment positions to "at least one hundred" that must be met. This would appear to have an effect on the number of businesses that could qualify for the program - and therefore, the number of properties (that is, individual parcels) that would be classified under Legal Class Six with a five percent assessment ratio. The specific amendments to all of these non-Title 42 statutes are too numerous and subject-specific to detail them all in this format. Nor would most be of any real interest from a property tax perspective. Please refer to the bill itself for any specific information desired on any of the non-Title 42 statutes dealing with the Enterprise Zone program.

- **AMENDS A.R.S. § 20-224.03. Premium tax credit for increased employment in enterprise zones; definition**
- **AMENDS A.R.S. § 20-224.04. Premium tax credit for increased employment in military reuse zones; definitions**
- **AMENDS A.R.S. § 41-1525. Tax incentives**
- **AMENDS A.R.S. § 41-1525.01. Certification of small manufacturing businesses; definition**
- **AMENDS A.R.S. § 41-1531. Designating military reuse zone; term; renewal**
- **AMENDS A.R.S. § 42-12006. Class six property**

Adds new subsection 3(d) and divides subsection 4 into new subsections 4(a) and 4(b). New subsection 3(d) prohibits any property that has been classified under subsection 3 (Military Reuse Zones) from ever being classified under subsection 4 (Enterprise Zones), even if it is located in an Enterprise Zone. Conversely, the addition of subsection 4(b) prohibits any property that has been classified under subsection 4 from ever being classified under subsection 3, even if it is located in a Military Reuse Zone. Subsection 4(a) also had the qualifier of the classification as an Enterprise Zone and the assessment ratio being five percent applying only for primary property tax purposes unless "finally adjudicated to be invalid" deleted from the statutes' language.

(H.B. 2181 is continued on the next page.)

- **AMENDS A.R.S. § 42-15006. Assessed valuation of class six property**

Restructures the statute into new subsections 1 and 2, with subsection 1 retaining the assessment ratio of five percent for all property described under § 42-12006, subsections 1 through 3, 5 and 6. New subsection 2(a) adds that property described under § 42-12006, subsection 4 (Enterprise Zones), for primary property tax purposes, is assessed at five percent. New subsection 2(b) adds that for secondary property tax purposes, the assessment ratio is to be twenty-five percent. Then, new subsection 2(c) adds the qualifier that was deleted from § 42-12006(4)(a) that says that if the provision (now) under new subsection 2(b) is "ever adjudicated to be invalid" that the assessment ratio would then be five percent.

- **AMENDS A.R.S. § 43-1074. Credit for increased employment in enterprise zones**
- **AMENDS A.R.S. § 43-1077. Credit for employment by qualified defense contractor**
- **AMENDS A.R.S. § 43-1079. Credit for increased employment in military reuse zones; definition**
- **AMENDS A.R.S. § 43-1161. Credit for increased employment in enterprise zones**
- **AMENDS A.R.S. § 43-1165. Credit for employment by qualified defense contractor**
- **AMENDS A.R.S. § 43-1167. Credit for increased employment in military reuse zones; definition**

The bill also makes amendments to Laws 2001, Chapter 370, Section 9, regarding the extension or renewal of current Enterprise Zones; provides a retroactively effective date beginning from and after 12-31-2001; and specifies that the act becomes effective immediately when signed by the Governor.

**Effective retroactively from January 1, 2002.**

**H.B. 2207 / CHAPTER 52.  
COUNTY RECORDING.**

**Summary:** Adds or amends map and plat information requirements and size specifications for all maps or plats submitted to the County Recorder's Office. Related to property tax, these amendments will be of significance to the cadastral mapping and G.I.S. units of the Assessor's Offices and the G.I.S. unit of the Department's Property Tax Function.

- **AMENDS A.R.S. § 11-481. Title and size prerequisites for recording maps and plats; recording fee; exception**

Adds to subsection A that the type of map or plat, a description of the area indicated by the map or plat, and the identity of the property owner must be specified, and that an area of the map or plat must be provided for the County Recorder's information and seal. Deletes from subsection B(1), regarding all subdivision maps and plats, the 200 feet-to-the-inch scale specification, and adds that at least eleven-point type must be utilized. Adds to subsection B(2), regarding all other types of maps or plats, an additional overall dimension option for maps and plats, deletes the 400 feet-to-the-inch scale specification, and adds that at least eleven-point type must be utilized.

Effective August 22, 2002.

**H.B. 2244 / CHAPTER 242.**

**INCOME, TRANSACTION PRIVILEGE, AND USE TAX APPEALS.**

**Summary:** Provides exceptions to the Tax Court's authority to dismiss a property tax appeal.

**Note:** Although they are indicated by the subject title, the proposed amendments to several Income Tax, Transaction Privilege Tax and Use Tax statutes were not enacted. The Title 42 Property Tax amendments were adopted, however.

- **AMENDS A.R.S. § 42-16210. Payment of tax**

Restructures subsection B into new subsections B(1) and B(2). Subsection B(1) now provides that a property tax appeal may proceed if any taxes not paid for the tax year under appeal that have become delinquent are paid in full on or before December 31 of the tax year. Subsection B(2) now provides that a property tax appeal may proceed if the remaining one-half of the taxes for the tax year under appeal that have become delinquent "after the immediately following May 1 at 5:00 p.m. is paid by July 1, including all interest due."

Effective August 22, 2002.

**H.B. 2263 / CHAPTER 308E.**

**MOBILE HOME ASSESSMENT.**

**Summary:** Through amendments to Title 28 (Transportation), Title 33 (Property) and Title 42, creates the ability for an owner of a mobile home (or a manufactured house, etc.) that is located in a mobile home park, with a long-term lease of the land the unit is located on, to record an affidavit of affixture in order for that unit to be financed in the same manner as real property while maintaining its valuation and assessment as personal property.

- **AMENDS A.R.S. § 28-2063. Mobile home certificate of title; exceptions; fee**

Adds to subsection A(3) a reference to newly-created § 33-1501.

- **ADDS to Title 33 (Property), Chapter 11, new ARTICLE 6, AFFIDAVIT OF AFFIXTURE**

- **ADDS A.R.S. § 33-1501. Affidavit of affixture for mobile home in mobile home park**

Creates a new statute detailing the general provisions involved in the recording of an affidavit of affixture for a mobile home (etc.) that is located in a mobile home park and that has a long-term lease (twenty years), so that it can be financed in the same manner as real property while maintaining its valuation and assessment as personal property.

- **AMENDS A.R.S. § 42-15203. Affidavit of affixture**

Adds new subsection E, which states that a mobile home (etc.) identified in an affidavit of affixture recorded pursuant to § 33-1501 shall be assessed as personal property.

**Effective May 28, 2002 as an emergency measure.**

**H.B. 2334 / CHAPTER 9.  
CONVEYANCES AND DEEDS.**

**Summary:** Clarifies the specific language regarding the actual operation of beneficiary deeds in relation to other forms of property ownership, and of ownership transfers. Also specifies, substantially, the format of the deed, as well. **Note:** An owner may record a beneficiary deed in order to transfer title to a beneficiary when the owner dies, even if this supercedes any directions to the contrary in an existing will.

- **AMENDS A.R.S. § 33-405. Beneficiary deeds; recording; definitions**

Amends all existing (and creates several new) subsections under this statute, the overall effects of which are adequately described by the summary above.

Effective August 22, 2002.

**H.B. 2595 / CHAPTER 297.  
DRUG LABS; REAL PROPERTY; REMEDIATION (CONTAMINATED PROPERTY).**

**Summary:** Establishes several new definitions and procedures under Title 12 (Courts and Civil Proceedings), Chapter 7, Article 12, and under Title 32 (Professions and Occupations), for notification, remediation and enforcement in cleaning up "clandestine drug labs," which are typically found in houses, apartments, motels, and rental storage spaces. Despite the bills' title, these labs can also be found in mobile homes and recreational vehicles. (These are defined as real property in new § 12-990 - see comments, below.) The various statutes that have been amended or added to Title 32 are listed below for reference purposes, but their provisions are not described here in detail, as they are not directly relevant to property taxation.

This legislation is important from a property tax perspective because, as with any other type of contamination problem, any type of perceived "stigma" from the contamination that becomes associated with a particular property, or those in proximity to it, can create severe marketability problems. According to the fact sheet accompanying this legislation, this is especially true for this particular type of contamination, as the dangers associated with the production of crystal methamphetamine ("meth"), ecstasy and L.S.D. include the flammability, toxicity, reactivity, and the oxidation and corrosion potential of many of the substances utilized in their production. Contamination can linger in ventilation and plumbing systems, and on surfaces such as walls, flooring and ceilings. Even low-level exposure may be very harmful due to the toxic nature of these contaminants. All of the abnormal expenses usually involved with the required cleanup of this type of a contamination problem (typically, the expenses are estimated to range from \$3,000 to \$150,000), in combination with the potential of a perceived "stigma" associated with such a property, can have a measurable effect on the property's (and potentially, adjacent properties) market value.

- **ADDS A.R.S. § 12-990. Definitions**

Provides several definitions of terminology relevant to the subject of "clandestine drug labs." Of particular interest in relation to property tax are the provisions of subsection 7, which defines "real property," for the purposes of this act, to include certain types of personal property as they are defined under Title 42. This could lead to some confusion between the County Assessors and property owners if these terms are not utilized carefully when dealing with the valuation of any properties that suffer from this particular type of contamination.

(H.B. 2595 is continued on the next page.)

- **ADDS A.R.S. § 12-1000. Clandestine drug labs; notice; cleanup; residual contamination; civil penalty; immunity; violation; classification; definitions**

Establishes requirements for property owners and managers to provide notification of contamination to all prospective customers, tenants and buyers of a property; creates a five-day cancellation period for any purchase or occupancy agreements following the notification; creates civil penalties for a failure to provide such notifications; establishes "best practices" cleanup requirements; stipulates that a cleanup must be accomplished only by a qualified, registered contractor; and provides definitions of relevant terminology.

- **ADDS A.R.S. § 12-1001. Joint legislative oversight committee on residual contamination of drug properties**

Creates a Joint Legislative Oversight Committee (J.L.O.C.) consisting of six legislators, two industrial hygienists, one representative of the residential real estate industry, two public health officials, two law enforcement officers, two public prosecutors, two members of the public, and the Attorney General (or a designee) to review and study the effectiveness of the remediation standards that are required by, and which have been established by, the Attorney General's Office.

**Note:** New § 32-112 creates a new "Environmental Remediation Rules and Standards Committee" under the Arizona State Board of Technical Registration. The new J.L.O.C. on Residual Contamination of Drug Properties will forward its various recommendations on "best practices and standards" to the Board - and therefor, to this committee - which "shall" adopt them, pursuant to subsection D. No other interaction between the two groups is specified.

- **AMENDS A.R.S. § 32-101. Purpose; definitions**
- **AMENDS A.R.S. § 32-106. Powers and duties**
- **AMENDS A.R.S. § 32-106.01. Petition for injunction**
- **AMENDS A.R.S. § 32-106.02. Authority to investigate; civil penalties**
- **ADDS A.R.S. § 32-112. Environmental remediation rules and standards committee**

**Enacted with a delayed effective date of 12-31-2002.**

**H.B. 2596 / CHAPTER 278.  
PROPERTY TAX APPEALS.**

**Summary:** For all properties that have been appealed in the previous year, the County Assessors are now required to utilize the valuation that was determined at the highest level of appeal as the basis of the subsequent year's value, and can now only change that value to reflect new construction, a "structural change," or a change of use for the property that would alter the legal classification of the property.

- **AMENDS A.R.S. § 42-16002. Changes and corrections in tax roll to reflect determinations on appeal**

Deletes from subsection B the ability of the Assessors to " ... review ... current facts that apply to a revaluation or change the classification and determine that an adjustment ... is appropriate ..." and substitutes new language specifying that only new construction, a "structural change," and changes in use (which would require a different legal classification) can be used as a basis for changing the prior year's appeal-determined value.

Effective August 22, 2002.

## **PART THREE – RESOLUTIONS:**

**Note:** Only one of several proposed Resolutions (relative to property tax) survived the 2002 legislative session.

### **HOUSE CONCURRENT RESOLUTION 2038. RESIDENTIAL PROPERTY TAX VALUATION.**

#### **Proposed amendments to the Arizona Constitution, Article IX, Section 18.**

#### **Residential ad valorem tax limits; limit on increase in values; definitions**

**Summary:** Would further clarify the administration of the property valuation "freeze" option for senior citizen property owners that was passed by voters in the 2000 general election (which was referred to as Proposition 104), by amending Section 18, subsection 7 of the Arizona Constitution. These proposals would add the stipulations that; the income levels are established by Section 1611, paragraph b(1) of the Social Security Act; the application for the "freeze" option must be submitted to the local County Assessor by September 1; if the application is received after that date, the Assessor is to process the application for the subsequent tax year; and that the Assessor is to notify applicants of approval or denial by December 1.

Filed April 24, 2002 with the Secretary of State. Requires voter approval in the upcoming November 2002 General Election prior to implementation.