

VALUATION OF PROPERTY FOR TAXING PURPOSES IN ARIZONA

The primary revenue source for Pima County is the property tax. Property tax is paid in accordance with the value of real and personal property. There are a number of County functions that are paid for by property taxes. The *primary tax* goes to the General Fund and is used for continuing maintenance and operation of the County. The *secondary tax* is used to pay for capital expenditures and some “budget override” amounts approved by the voters. These two levies are supported by two different property values. The *primary tax* is supported by the *limited value* and the *secondary tax* is supported by the *full cash value*. The value on which the amount of the tax is based is the *net value* of the property. The *net value* is set by multiplying the *full* and *limited* value of the property by an *assessment ratio* and subtracting any constitutionally defined *exemptions*.

The *full cash value*¹ of each parcel of property is set by the Assessor or the Arizona Department of Revenue in accordance with standards and procedures established by the Arizona Department of Revenue and the legislature. The value of railroads, mines, utilities, and some other types of personal property are valued by the Arizona Department of Revenue. The “market standard” is used by Arizona for the establishment of the *full cash value* of a property. In other words, the value of a property must come close to the selling price of a similar property which has been sold in an arms length transaction without stress or duress on the part of the seller or buyer.

The *limited value*² of a property is determined by one of two formulas. The *limited value* will change by the formula that produces the largest increase in value of the two formulas. One formula increases the value 10 percent from the previous year’s *limited value*, while the other formula produces a change in the value that is 25 percent of the difference between the previous year’s *limited value* and the current year’s *full cash value*. The *limited value* can never be greater than the *full cash value*.

The *assessment ratios*³ are defined by the Arizona Legislature. They are assigned to a property in accordance with its use. There are nine basic classes of property all having different *assessment ratios*. The same *assessment ratio* is applied to both the *full cash value* and the *limited value* to determine the *assessed value* for the *secondary*⁴ and *primary*⁵ taxes.

The Arizona Constitution stipulates that certain types of property will not be fully taxed or will not be taxed at all. Properties owned by government or nonprofit organizations are not taxed, as long as they are not used in commerce. Widows, widowers, disabled individuals, and certain veterans are given partial exemptions from property tax. The amount of the exemption is determined by the *full cash value* of the property and the person’s income.

All property in the County has a *full cash assessed value* and a *limited assessed value*. The Assessor identifies the amount that is exempt. Most exempt properties are vacant lands which are owned by state and federal agencies. Although these agencies do not pay property taxes, some agencies do pay “in lieu” taxes to compensate those jurisdictions in which the property is located for minimal services provided to the property. The *secondary value* of the exemption is subtracted from the total *secondary assessed value* to derive the *net secondary assessed value*. The same is done to the *primary value* to derive the *net primary assessed value*.

For the current year, the County’s *secondary net assessed value* increased 7.64 percent over the previous year. This increase was due to both new construction and value increases which came with an expanding economy. The *primary net assessed value* increased 7.77 percent.

Endnotes

¹ See Full Cash Values By Class: 2000-2004.

² See Limited Values By Class: 2000-2004.

³ See Assessment Ratios By Class: 2000-2004.

⁴ See Secondary Net Assessed Values By Class: 2000-2004.

⁵ See Primary Net Assessed Values By Class: 2000-2004.