



MEMORANDUM

Date: June 30, 2009

To: Bruce Basemann, Financial Projects Coordinator
Finance and Risk Management

From: C.H. Huckelberry
County Administrator

Craig Horn, Financial Projects Coordinator
Finance and Risk Management

Re: **Property Tax Analysis and Research**

As you know, the Arizona Legislature in their presentation of the state budget, has proposed certain changes to the property tax system by re-basing and/or adjusting the assessment ratios in the secondary property tax base for corporate, commercial, or business property, mines, and utilities, shifting their assessment ratio for tax purposes from the present ratio to 10 percent. Another version of the proposal shifts the present ratios to 15 percent in 1 percent increments each year. Additionally, the proposal was to affect only future bonded indebtedness or the issuance of future general obligation bonds, or bonds repaid with secondary property taxes. However, it has now been expanded to all secondary tax levies, not only bonded indebtedness, for our purposes the Regional Flood Control District and Library District levies.

The purpose of this memorandum is to request additional research into this proposal. Upon first examination the proposal would appear to be a significant tax shift in the burden of payment of property taxes from corporate, business and commercial properties, as well as mines and utilities, to the owner/occupied residential property class, as well as others. Please provide research in the following areas:

- A. Determination of the corporate, commercial or business property, mines, and utilities component of the existing tax base for the most recent tax year for real property. Please determine the following with regard to this request.
1. The percentage of the total for each category.
 2. The total tax levy for each category.
 3. Present assessment ratios for each category.
 4. The number of tax parcels in each category. I understand utilities may require appropriate footnotes for valuation purposes of real property.

5. Ownership category of the taxable property for each category broken down as follows:
 - a. A locally-owned business with ownership interest within Pima County. For a local business, please determine if the business is conducting active commercial activity, or is the local owner simply the landlord investor who passes property taxes along to the actual business user?
 - b. An owner who resides within the state, but not within Pima County.
 - c. National ownership.
 - d. International ownership.

When determining ownership, also determine the total value associated with each category for each ownership class. I would suspect that a significant if not majority of the tax base for these categories has ownership that is either national or international, not local.

- B. Please perform the same analysis above as appropriate for personal property for each category.
- C. Please define the historical shifts in property tax liability by class of property that has occurred over the last 30 years where the property tax burden has been steadily and significantly shifted from a number of other classes of property to the owner-occupied class or the single family homeowner.
- D. Please perform an analysis of the impact of adopting a secondary property tax shift as proposed by the Legislature in pending legislation, transferring the tax burden from corporate, commercial, and business property, mines, and utilities to owner-occupied residential property or the single family homeowner and taxpayer.

I realize there is a lot of information requested within this memorandum. I would ask that you provide me with periodic updates as to the progress made in compiling and analyzing the data and information requested.

CHH/jj

- c: Martin Willett, Chief Deputy County Administrator
Tom Burke, Finance and Risk Management Director
Thomas House, Budget Manager, Finance and Risk Management