LIMITS ON PROPERTY TAXES IN ARIZONA

CSA OF AZ

Arizona ranked very low (48th) in property tax burden in 2023, according to the Tax Foundation - demonstrating that although local governments like schools, counties, and municipalities rely on the property tax to fund essential services, they do so at a lower rate than other states.

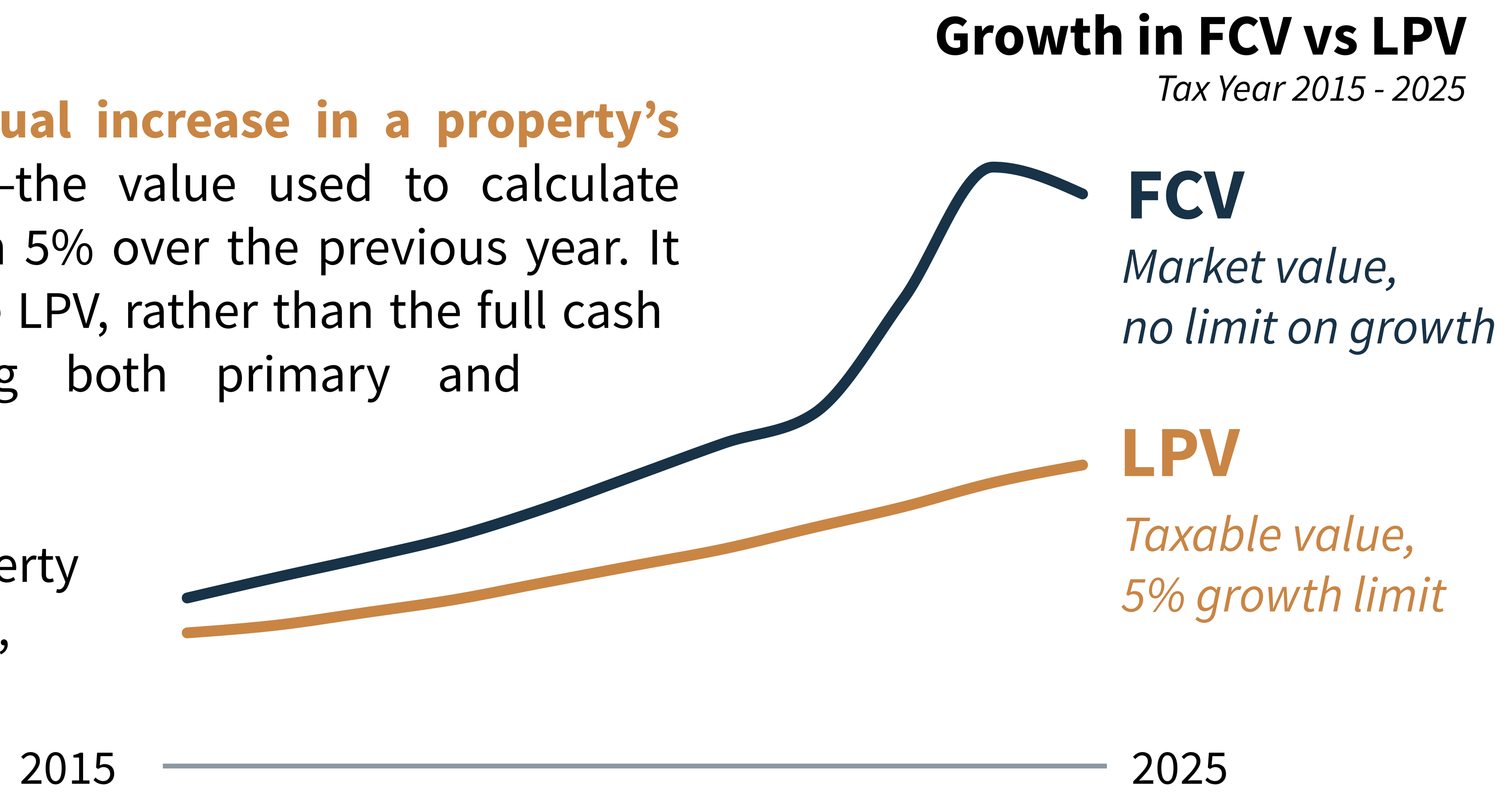
Since property tax reform in the 1980s, Arizona has operated with several constitutional and statutory limitations that restrict the amount of property taxes collected, the rate at which they grow, and require transparency when they are increased.

Restriction on Growth in Taxable Value

Proposition 117

Proposition 117 **limits the annual increase in a property's limited property value** (LPV)—the value used to calculate property taxes—to no more than 5% over the previous year. It also required counties to use the LPV, rather than the full cash value (FCV), when calculating both primary and secondary property taxes.

This limit applies to most property including residential property, with some exclusions of centrally valued property like mines or utilities.



Transparency Requirements

Truth in Taxation (TNT) laws apply to both primary and secondary property taxes. They require Arizona taxing entities to **notify the public and hold a hearing whenever they propose increasing tax levies above the previous year's level**, giving taxpayers a chance to provide input before any increase is approved.

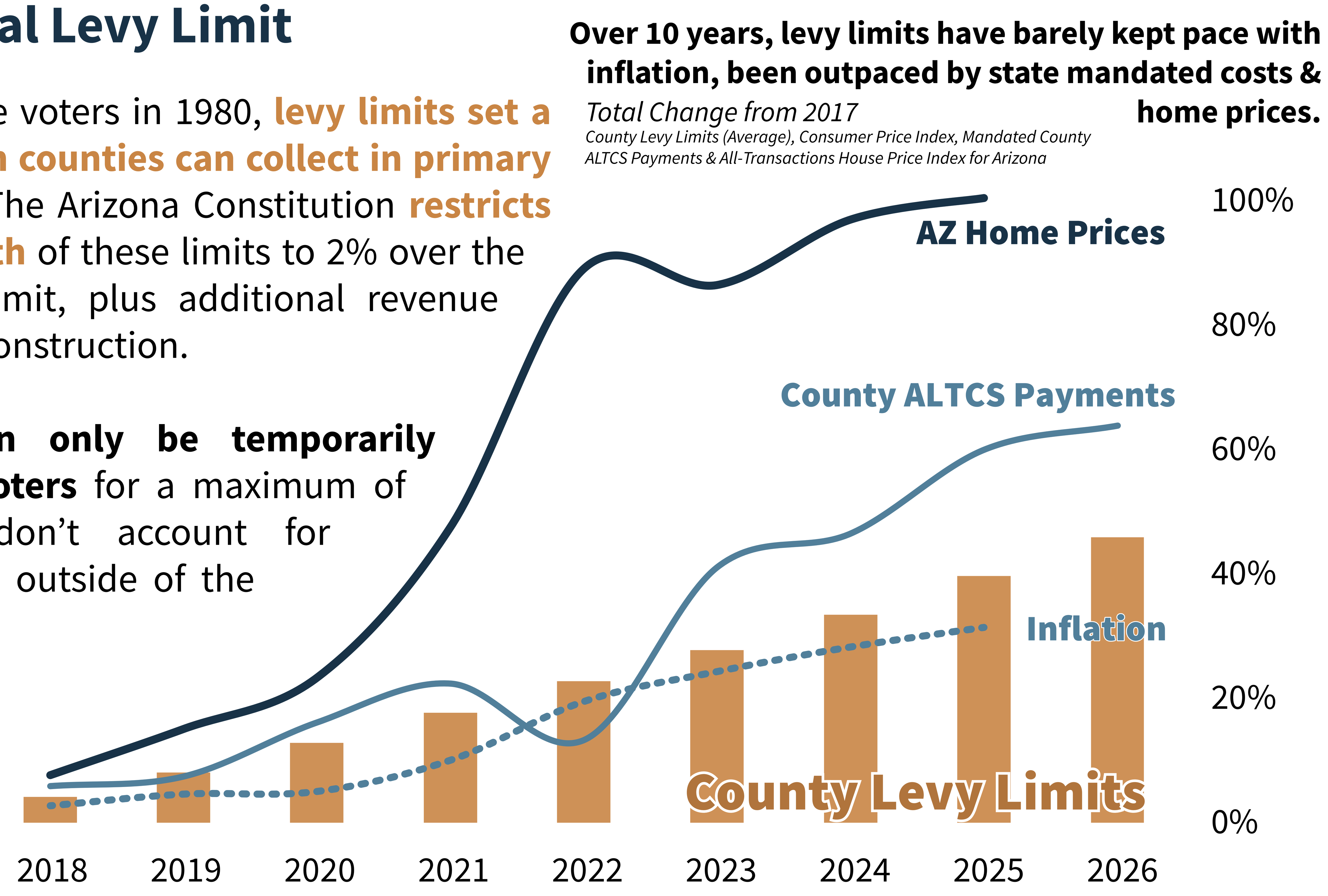
Restrictions on Property Taxes Collected

Constitutional Levy Limit

Established by the voters in 1980, **levy limits set a cap on how much counties can collect in primary property taxes**. The Arizona Constitution **restricts the annual growth** of these limits to 2% over the previous year's limit, plus additional revenue from taxing new construction.

These limits **can only be temporarily overridden by voters** for a maximum of 7 years, and don't account for increases in costs outside of the county's control.

Scan for more:



1% Cap

Arizona's Constitution limits the amount of primary property tax a residential property owner can pay to **1% of the property's limited value (LPV)**. This cap applies to the combined primary property taxes levied by all taxing jurisdictions, including counties, municipalities, community colleges, and school districts.

Homeowner Rebate

The State of Arizona **effectively pays 50% or up to $600 of what a homeowner would pay in primary property taxes** to support the basic operational costs of their local school district. This rebate or offset appears automatically on a homeowner's property tax bill. On the tax bill it is labeled "State Aid to Education."