

Passage of 'Jobs Bill' to seriously impact residential property taxes

Staff Reports

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FRIDAY
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Dispatch

Inside today's Dispatch

Business	3A
Community	4B-5A
Crime	1A-2A
Education	4A
Health & State	7A
Local	1A-2A
Politics	6A
Real Estate	3A
Sports	6A
Travel	4A
Weather	6A

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Three Pinal County supervisor candidates (from left) Weather, right, stands with Pinal County Supervisor in 2008.

Last week the legislature passed HB 2001, more commonly referred to as the "Jobs Bill." The promoted intent of this bill is to create a more business-friendly state, which will attract all types of businesses both large and small, create jobs, and provide tax relief to businesses. The legislation focused on several key areas: corporate income, businesses property tax cuts, job training, the Arizona Competes Fund, and the newly formed Arizona Commerce Authority. Though this legislation has been touted as a solution to get Arizona back on its economic feet, one has to wonder at what and whose expense specifically as it relates to the cost associated with the tax cuts for businesses.

One such solution buried within the 214-page bill is to shift the cost to Arizona homeowners in the form of increased property taxes. Currently many homeowners are unaware that their residential property taxes are lowered by a payment made from the State General Fund directly to the county in which the property is located. This payment is paid to residential

properties in Class Three of the property tax code. Class Three properties include owner occupied primary residences and second/vacation homes. Currently, the rebate happens automatically without the homeowner having to apply for the tax reduction. To note, rental properties are required to be registered as Class Four of the property tax code and are not eligible for the homeowners rebate. Each homeowner can locate their home's annual rebate by looking at a past year's property tax bill for the words, "State Aid."

Under the new legislation, owners of second or vacation property would be disqualified from receiving the homeowner's rebate, which normally saves the homeowners up to \$600 a year – their property taxes will go up. On top of automatically disqualifying some properties from the rebate, the bill further complicates the process of obtaining the rebate by requiring the homeowner to go through the cumbersome process of signing an affidavit beginning in 2012 and subsequent even-numbered years, under penalty of perjury, that they are living in the home or that the home is being leased or rented to a relative. The affidavit will be mailed along with the annual Notice of Full Cash Value sent to owners of Class Three Property. The forms must be completed and returned to the County Assessor within 60 days or the residential property will be reclassified as Class Four and the property taxes will go up as much as \$600 depending on the home's value. The problem with the affidavit is that it treats the property as a rental until the homeowner can prove otherwise. As Tom Farley, CEO of the Arizona Association of REALTORS® stated in Senate testimony, "the new affidavit requirements may be overlooked or mishandled by homeowners who are entitled to the rebate. They are going to throw it in the trash and the next thing they know their taxes will increase substantially."

"The new affidavit requirements may be overlooked or mishandled by homeowners who are entitled to the rebate," said Tom Farley, AAR CEO. "They are going to throw it in the trash and the next thing they know their taxes will increase substantially."

AAR's concerns lie in the fact that the original intent of the homeowners rebate was to go to all Class Three Residential Property and this bill picked winners and losers. Business wins, while Arizona's struggling homeowners lose both with increased taxes and bureaucratic paperwork. Although AAR met with individuals from both the Governor's office and members of the Legislature to voice our strong concerns with the cost shift to homeowners, the "Jobs Bill" was signed into law by the Governor on February 17, 2011.