

State of Arizona
House of Representatives
Fifty-first Legislature
Second Regular Session
2014

HOUSE BILL 2281

AN ACT

AMENDING TITLE 42, CHAPTER 11, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-11134; AMENDING SECTIONS 42-11153 AND 42-12009, ARIZONA REVISED STATUTES; RELATING TO PROPERTY CLASSIFICATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 42, chapter 11, article 3, Arizona Revised Statutes,
3 is amended by adding section 42-11134, to read:

4 42-11134. Property leased to a religious assembly or
5 institution

6 A. PROPERTY, BUILDINGS AND FIXTURES THAT ARE LEASED TO A NONPROFIT
7 RELIGIOUS ASSEMBLY OR INSTITUTION AND THAT ARE PRIMARILY USED FOR RELIGIOUS
8 WORSHIP SHALL BE CLASSIFIED AS CLASS NINE PROPERTY PURSUANT TO SECTION
9 42-12009. IF ONLY PART OF A PARCEL OF REAL PROPERTY OR IMPROVEMENTS TO REAL
10 PROPERTY IS LEASED TO A NONPROFIT RELIGIOUS ASSEMBLY OR INSTITUTION THAT IS
11 PRIMARILY USED OR HELD FOR RELIGIOUS WORSHIP, ONLY THE PORTION LEASED
12 QUALIFIES AS CLASS NINE PROPERTY.

13 B. PROPERTY, BUILDINGS AND FIXTURES THAT ARE OWNED BY AN EDUCATIONAL,
14 A RELIGIOUS OR A CHARITABLE ORGANIZATION, INSTITUTION OR ASSOCIATION, THAT
15 ARE LEASED TO A NONPROFIT RELIGIOUS ASSEMBLY OR INSTITUTION AND THAT ARE
16 PRIMARILY USED FOR RELIGIOUS WORSHIP ARE EXEMPT FROM TAXATION.

17 C. IF THE EDUCATIONAL, RELIGIOUS OR CHARITABLE ORGANIZATION,
18 INSTITUTION OR ASSOCIATION THAT OWNS THE PROPERTY FILES WITH THE ASSESSOR
19 EVIDENCE OF THE ORGANIZATION'S TAX EXEMPT STATUS UNDER SECTION 501(c)(3) OF
20 THE INTERNAL REVENUE CODE AND AN AFFIDAVIT BY THE NONPROFIT RELIGIOUS
21 ASSEMBLY OR INSTITUTION THAT IT USES OR HOLDS THE PROPERTY PRIMARILY FOR
22 RELIGIOUS WORSHIP AS DESCRIBED IN SUBSECTION B OF THIS SECTION, THE PROPERTY
23 QUALIFIES FOR THE TAX EXEMPTION UNDER THIS SECTION AND IS EXEMPT FROM THE
24 REQUIREMENT OF FILING SUBSEQUENT AFFIDAVITS UNDER SECTION 42-11152 UNTIL ALL
25 OR PART OF THE PROPERTY IS CONVEYED TO A NEW OWNER OR IS NO LONGER PRIMARILY
26 USED OR HELD BY A RELIGIOUS ASSEMBLY OR INSTITUTION. AT THAT TIME THE
27 EDUCATIONAL, RELIGIOUS OR CHARITABLE ORGANIZATION, INSTITUTION OR ASSOCIATION
28 MUST NOTIFY THE ASSESSOR OF THE CHANGE IN WRITING.

29 Sec. 2. Section 42-11153, Arizona Revised Statutes, is amended to
30 read:

31 42-11153. Deadline for filing affidavit

32 A. Except as provided in section 42-11104, subsection E, section
33 42-11109, subsection B, section 42-11110, subsection B, section 42-11111,
34 subsection H, section 42-11131, subsection C and section 42-11132, subsection
35 C AND SECTION 42-11134, SUBSECTION C, a failure by a taxpayer who is entitled
36 to an exemption to make an affidavit or furnish evidence required by this
37 article between the first Monday in January and March 1 of each year
38 constitutes a waiver of the exemption.

39 B. If a widow, widower or disabled person whose property is exempt
40 from tax under section 42-11111, or an organization that is exempt from
41 federal income tax under section 501(c) of the internal revenue code and is
42 exempt from property tax under article 3 of this chapter, submits a petition
43 after the deadlines prescribed by subsection A of this section, the person or
44 organization may have the waiver redeemed by the county board of supervisors

1 at any regular meeting, except that no taxes that were due and payable before
2 the petition was submitted may be refunded or abated.

3 Sec. 3. Section 42-12009, Arizona Revised Statutes, is amended to
4 read:

5 42-12009. Class nine property

6 A. For purposes of taxation, class nine is established consisting of:

7 1. Improvements that are located on federal, state, county or
8 municipal property and owned by the lessee of the property if:

9 (a) The improvements are required to become the property of the
10 federal, state, county or municipal owner of the property on termination of
11 the leasehold interest in the property.

12 (b) Both the improvements and the property are used exclusively for
13 athletic, recreational, entertainment, artistic or cultural facilities.

14 2. Improvements that are located on federal, state, county or
15 municipal property and owned by the lessee of the property if:

16 (a) The improvements are required to become the property of the
17 federal, state, county or municipal owner of the property on termination of
18 the leasehold interest in the property.

19 (b) Both the improvements and the property are:

20 (i) Used for or in connection with aviation, including hangars,
21 tie-downs, aircraft maintenance, sales of aviation related items, charter and
22 rental activities, parking facilities and restaurants, stores and other
23 services located in a terminal.

24 (ii) Located on a state, county, city or town airport or a public
25 airport operating pursuant to sections 28-8423, 28-8424 and 28-8425.

26 3. Property that is defined as "contractor-acquired property" or
27 "government-furnished property" in the federal acquisition regulations
28 (48 Code of Federal Regulations section 45.101) and that is leased to or
29 acquired by the government and used to perform a government contract.

30 4. Property of a corporation that is organized by or at the direction
31 of this state or a county, city or town to develop, construct, improve,
32 repair, replace or own any property, improvement, building or other facility
33 to be used for public purposes that the state, county, city or town pledges
34 to lease or lease-purchase with state, county or municipal special or general
35 revenues and that is not otherwise exempt under chapter 11, article 3 of this
36 title.

37 5. Real property and improvements, including land, buildings,
38 furniture and equipment, regardless of ownership, that are leased for the
39 entire valuation year to, and used exclusively by, a nonprofit organization
40 that is recognized under section 501(c)(3) of the internal revenue code and
41 that operates on the premises as a charter school pursuant to section 15-183
42 OR THAT ARE LEASED FOR THE ENTIRE VALUATION YEAR TO, AND USED EXCLUSIVELY BY,
43 A NONPROFIT RELIGIOUS ASSEMBLY OR INSTITUTION. If only part of a parcel of
44 real property or improvements to real property is leased for operation of a
45 charter school OR A RELIGIOUS ASSEMBLY OR INSTITUTION as provided by this

1 paragraph, only the portion so leased qualifies for classification under this
2 section. A property owner who leases property to a charter school OR A
3 RELIGIOUS ASSEMBLY OR INSTITUTION AS PROVIDED BY THIS PARAGRAPH shall file an
4 affidavit with the county assessor stating that the charter school OR
5 RELIGIOUS ASSEMBLY OR INSTITUTION shall be the sole beneficiary of the change
6 in property tax classification pursuant to this section and that the lease
7 rate that is charged to the charter school OR RELIGIOUS ASSEMBLY OR
8 INSTITUTION is consistent with the lease rates that are charged to other
9 tenants of the property or a fair market rate.

10 6. Improvements that are located on federal, state, county or
11 municipal property and owned by the lessee of the property if:

12 (a) The improvements become the property of the federal, state, county
13 or municipal owner of the property on termination of the leasehold interest
14 in the property.

15 (b) Both the improvements and the property are used primarily for
16 convention activities.

17 B. Improvements that are located in an area defined as a research park
18 pursuant to section 35-701 may not be classified under this section.

19 C. All property classified as class nine is subject to valuation at
20 full cash value.