



STATE OF ARIZONA

JANICE K. BREWER
GOVERNOR

EXECUTIVE OFFICE

April 22, 2014

The Honorable Andy Tobin
Speaker of the House
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Re: House Bill 2281 (leased religious property; class nine)

Dear Speaker Tobin,

Today, I vetoed House Bill 2281, which would have provided a 95% reduction in the assessed valuation of "property, buildings and fixtures that are leased to a nonprofit religious assembly or institution and that are primarily used for religious worship." While I appreciate the desire to equalize the tax treatment between religious groups that lease property and those that own property, I have several concerns.

First, since lease rates are based on market dynamics, there is no guarantee that property owners will pass this benefit on to their tenants, despite a provision in the bill that attempts to accomplish this. Second, we know from experience the administrative challenges assessors deal with to accurately classify residential rental properties. Similarly, this legislation would have significantly compounded these challenges by requiring the tracking of commercial property usage, as well as leasing categories for the anticipated religious purposes. Third, unlike the information available on the known quantity of charter schools, there is insufficient data to determine the size of the tax shift to homeowners and businesses that would have occurred as a result of this legislation.

Our property tax classification system is one of the most complicated in the nation and continues to be one of Arizona's thorniest tax policy problems. Our nine classes of property create, by design, huge disparities and shifts in property tax burdens. Granting piecemeal relief exacerbates inequities and results in additional constituencies seeking similar treatment.

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Arizona should instead engage in a rational process to determine a fair and equitable way to minimize the adverse impacts of our classification system.

These concerns are among the primary reasons I vetoed House Bill 2281.

Sincerely,

A handwritten signature in black ink that reads "Janice K. Brewer". The signature is written in a cursive style with a large, looping initial "J".

Janice K. Brewer
Governor

cc: The Honorable Andy Biggs
The Honorable Debbie Lesko