

Real and Personal Property Tax

Arizona has two components of property taxes - primary and secondary. Primary property taxes can be collected by the state, counties, cities, community college or school districts and are dedicated for operation and maintenance expenditures of the respective jurisdiction. Secondary property taxes may be levied for voter-approved budget overrides, special districts, or to pay for bonded indebtedness. Primary and secondary local tax rates are shown in the table below. These are the tax rates imposed by local cities and the County, and include school district property taxes.

City of Kingman		Kingman Area	
Property Tax Rates	Amount per \$100 Assessed	Property Tax Rates	Amount per \$100 Assessed
City of Kingman	\$0.23	City of Kingman	\$0.00
Kingman School Districts	\$3.92	Kingman School Districts	\$3.92
State of Arizona	\$0.00	State of Arizona	\$0.00
Mohave County	\$1.68	Mohave County	\$1.68
Education Equalization	\$0.44	Education Equalization	\$0.44
Flood Control District	\$0.50	Flood Control District	\$0.50
Fire District	\$0.00	Fire District	\$2.95
County TV	\$0.09	County TV	\$0.09
FDAT	\$0.10	FDAT	\$0.10
County Library District	\$0.32	County Library District	\$0.32
Community College District	\$0.90	Community College District	\$0.90
Total Combined Rate	\$8.18	Total Combined Rate	\$11.13

Property taxes apply to real property, as well as secured and unsecured personal property. Secured personal property refers to improvements attached to the land. Unsecured personal property refers to equipment or other property not attached to the land. The tax base is equal to the full cash value or market value of all real property in Arizona and is the starting point for determining taxable value. The net assessed value, or the amount to which the actual tax rate is applied, is the product of the full cash value multiplied by an assessment ratio that varies by property class.

Arizona's property tax system classifies property according to its usage. Each class of property is assigned an assessment ratio, ranging from 1 percent to 25 percent. The assessment ratios are applied to both primary and secondary values of a property and determine the property's net assessed value. The same tax rates apply to net assessed value for all property classifications.

Arizona Property Classification and Assessment Ratios

Class	Description	Assessment Ratio
Class 1	Mines, mining claim property, standing timber	25%
Class 1	Local telecommunications, utilities, pipelines, oil and gas-producing properties	25%
Class 1	Commercial and industrial real property not included in other classes	25%
Class 1	Commercial and industrial personal property	0% of first \$56,298 25% of remaining value
Class 2R	Agricultural real property and vacant land	16%
Class 2P	Agricultural personal property	0% of first \$56,298 16% of remaining value
Class 3	Residential non-rental property	10%
Class 4	Residential rental property	10%
Class 5	Railroads, private car companies, airline flight property	21%
Class 6	Non-commercial historic property, foreign trade zones, military reuse and enterprise zones, environmental technology and remediation property.	5%
Class 7	Improvements to commercial historic property	1% for up to 10 years
Class 8	Improvements to historic residential rental property	1% for up to 10 years
Class 9	Possessor Interests	1%

Source: Arizona Tax Research Association, 2005.

The following example illustrates how property taxes on real and personal property in Arizona are calculated.

Sample Property Tax Calculation

Real Property		Personal Property	
Market Value	\$1,000,000	Market Value	\$2,000,000
Full Cash Value*	\$800,000	Full Cash Value**	\$1,600,000
Class 1 Assessment Ratio	x 25%	Exemption for First \$56,298	\$1,543,702
Assessed Value	\$200,000	Class 1 Assessment Ratio	x 25%
Tax Rate per \$100 Value	x 0.1181	Assessed Value	\$385,926
Tax Liability on Real Property	\$23,620	Tax Rate per \$100 Value	x 0.1181
		Tax Liability on Personal Property	\$45,578

* Full Cash Value is determined by the assessor. However, it is generally about 80% of market value.

**Note that full cash value for personal property does not reflect any depreciation. The State allows an accelerated depreciation schedule for the first four years.

There are a number of tax-saving incentives available to businesses in special zones and for unsecured personal property. Businesses in foreign trade zones, state enterprise zones, and military reuse zones that are certified by the Department of Revenue can use an assessment ratio of 5 percent, rather than the standard 25 percent for most business property. This reduced assessment ratio can result in significant tax savings.

The first \$56,298 of class one commercial and industrial personal property and class two agricultural personal property at each business location are exempt from taxation. In addition, businesses can use an accelerated depreciation schedule on class one and two

personal property. The accelerated rate applies to the scheduled depreciated value over a four year period as follows: year 1 - 35 percent, year 2 - 51 percent, year 3 - 67 percent, year 4 - 83 percent. This depreciation schedule was revised upward by the State Legislature in 1998, to allow for additional tax savings to businesses making capital investments in Arizona.