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Arizona – Assessment Cap Proposition on November Ballot

By Rick Edwards, Phoenix

Arizona has one of the most complicated tax systems in the nation. It levies two types of property taxes—primary and secondary.

A ballot proposition, which goes before voters in the November General Election, does away with secondary property values and tightens the assessment cap on primary values.

PROPOSITION 117

Sponsors of Proposition 117 say that since primary property values are now almost identical to secondary values, an opportunity exists to simplify the system through the use of just one value.

Prop 117 eliminates the secondary value, leaving the primary value as the only taxable value. It also limits property value growth to 5% annually. Currently there is a 10% cap on primary property values and no limit on secondary values.

ARE ADDITIONAL LIMITS NEEDED?

Supporters believe Prop 117 will improve the stability of Arizona's property tax system by providing greater predictability for taxpayers and governments. However, not everyone agrees that changes are needed.

Ken Strobeck, executive director of the League of Arizona Cities and Towns is wary of the proposition. He told the *Arizona Capitol Times* that there are already sufficient safeguards for taxpayers when it comes to growth in primary property taxes, and secondary taxes are subject to voter approval.

“So it doesn't seem to make a lot of sense to put additional limits on property values,” Strobeck said.

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CAPS ARE NO PANACEA

Analysts say assessment caps seldom live up to their goals of providing tax savings. The Center on Budget and Policy Priorities in Washington D.C. points out that:

- Caps can't make government services cost less
- Caps can be particularly harmful when adopted during a weak economy

By capping assessed values in a depressed real estate market, millions of dollars in property values are removed from the tax rolls. Local governments must raise their tax rates to compensate. Even when property values are kept artificially low with assessment caps, the tax burden continues to grow.