

# UNDERSTANDING YOUR ASSESSMENT

A brief explanation about property taxation and valuation in Arizona

## TAXATION

Taxing authorities, such as school districts, fire districts, cities and the county government, set tax rates determined by their tax levy. Taxing authorities require money to provide services to the public. The assessor has no control over tax levies or tax rates. If you are concerned about taxes:

- Attend public hearings about proposed budgets.
- Call or write the council members of the authorities.
- Decide whether you are willing to do without certain services to keep taxes low.
- Work for efficiency in government.

## Primary & Secondary Taxes

Arizona has two types of property taxes; primary and secondary. Primary taxes help pay for general governmental services such as police and fire protection, the court system, public health services and the public education system. Primary taxes are, by law, limited to the amount which they can be increased from one year to the next. College districts, counties and municipalities may not increase their *maximum allowable levy* limit by more than 2% over the prior year maximum levy, plus the value of any new construction or property annexed. Elementary and high school districts primary levies are also limited, but a different formula that adjusts for student population is used.

Secondary taxes are for voters approved items. The most commonly approved secondary taxes are for school construction bonds, improvement districts and primary tax overrides. Secondary taxes are not limited.

## VALUATION

### Full Cash or Market Value

The assessor's office studies the market and collects information about properties to estimate value. A property's value can change for many reasons. The most obvious is that the property itself changes. A bedroom, garage or swimming pool is added, or, part of the property is destroyed by demolition, wind, flood or fire.

The most frequent cause of a change in valuation is change in the market or economy. If a certain neighborhood or community becomes a fashionable place to live, the change in valuation will be reflected by the prices paid for property. In a stable neighborhood, with no extraordinary pressure from the market, simple inflation may increase property value. If you believe the assessor's estimate of your property value is incorrect you may ask someone in the assessor's office:

How does the assessor value property?

How do you gather information about your property and similar property?

How does the appeals process work and what are the deadlines?

## Limited Values

Your property assessment also contains a "Limited Value". This is an amount that is calculated annually, based upon a formula. The formula is very complex and cannot be fully explained here. One of the features of calculating a Limited Value is, that no matter what the formula yields, it may not exceed the Full Cash Value.

If you believe the assessor's estimate of your Limited Value is incorrect you may ask someone in the assessor's office:

How does the assessor calculate the Limited Value?

How does the appeals process work and what are the deadlines?

## THE APPEALS PROCESS

An assessment appeal is not a complaint about higher taxes. It is an attempt to prove that your property's Limited Value is calculated incorrectly or that the Full Cash Value (estimated market value) is either inaccurate or unfair. You may appeal when you can prove at least one of four things:

1. Items that affect value are incorrectly stated on your property record (i.e. wrong square footage).
2. The Full Cash Value (estimated market value) is too high when compared with similar properties in your neighborhood which have recently sold.
3. The income producing capability of the property demonstrates that the estimated market value is excessive.
4. The Limited Value has been calculated incorrectly.

***NOTE: You will not win an appeal because you think your taxes are too high. This is an issue you must take up with the officials who determine tax rates and tax levies (Council Members and Board Members).***

## Procedures and Deadlines

When you receive your assessment notice, read it for instructions about deadlines and filing procedures. If they are not clear, call the assessor's office for information. Be sure you understand and follow the instructions. A missed deadline or incorrect filing can cause an action to be dismissed without further appeal rights.

## Assessor Review

The first step in the appeals process is to file a "Petition for Review of Valuation" with the assessor's office. The assessor will assign someone to review your petition. As part of the review process, it may be necessary to schedule an appointment and physically inspect the property to insure that all the valuation components are correct.

After the assessor completes the review of your property you will be notified of the results. If you are satisfied with the assessor's decision, you do not need to proceed any further. The appeal procedure is completed and the valuations will be entered upon the assessment roll. If you are not satisfied with the assessor's decision, you may schedule a meeting with the assessor, or their representative, to further discuss the matters of your appeal.

After the meeting is completed, you will be notified of the results, often immediately. If you are satisfied with the results, you do not need to proceed any further with your appeal. The valuations will be entered upon the assessment rolls. If you still disagree with the assessor's valuation, you may file your appeal with the Board of Equalization.

## Board of Equalization Review

The Board of Equalization is comprised of the Board of Supervisors in all Arizona counties except Maricopa and Pima. In Maricopa and Pima counties the Board of Equalization is comprised of members of the State Board of Tax Appeals and appointees of the Board of Supervisors. The Boards of Equalization may appoint hearing officers to hear your appeal.

It is not the responsibility of the Board of Equalization to determine property values. Their function is to make sure that your assessment was made fairly and equitably with that of the similar and surrounding properties. Unlike your meeting with the assessor, this procedure is formal. If you do not represent yourself at the hearing, you may be represented by a registered tax agent, a real estate broker or an attorney.

When filing an appeal with the Board it is necessary to file all documents you wish for them to consider at your hearing. **You may not file any new information that the assessor has not already reviewed.** The filing must be done within the deadlines established by law. In addition, unless all parties have agreed, your presence at the hearing is required.

At the hearing, both parties, you and the assessor, are given an opportunity to address the Board or the hearing officer, and present evidence. At the end of the hearing the Board or hearing officer will often render their decision, but they are allowed to study the facts of your case and make a ruling within ten days of the hearing.

Most reviews are satisfied at the assessor level. Of those that are appealed, most cases are resolved at the Board of Equalization level. If, by chance, either party is not satisfied with the decision of the Board of Equalization, they may appeal the Board's decision to tax court or superior court.

## Appeals To Court

Tax Court is a division of Maricopa County Superior Court. The division was specially formed to hear tax cases for all Arizona counties. You may still file your case in the Superior Court in your county but most cases are referred to Tax Court for hearing.

If your residence is valued less than \$300,000, or, for any property type, the tax bill is less than \$5,000, you may file your case in Tax Court using the small claims procedures. This procedure is less formal than most court proceedings. Under these provisions you may present your case to the court on your own behalf and you do not need to have an attorney represent you.

There are only two times when it should be necessary to file an appeal in court. The first is when the property owner missed the filing date for the administrative review process described above. The second would be when, after all of the administrative hearings, both parties could not come to an agreement upon the correct assessment.

A very small percentage of all the valuation cases are heard by the courts. This level is usually reserved to arbitrate matters of procedure and equity in taxation. Most valuation matters are typically resolved before an actual court hearing is scheduled.

## Informal Review

At any time during the year you may come into the assessor's office and ask for your property to be reviewed. An appraiser will visit your property to review all

of the valuation components. If they find an error that is to your advantage the correction will be made immediately. Depending upon the error, a correction of some prior year assessments may also be ordered. If it is found that you are not being assessed for all that you own, a correction of the assessment roll will be ordered. When an informal review of a property is performed, the decision of the assessor cannot be appealed to the Board of Equalization. The only appeal procedure is through the court system.

Once again, the assessor has no control over tax levies or tax rates. The assessor's responsibility is to locate, identify and appraise, at current market value, property subject to ad-valorem taxes and to process exemptions as specified by law. If you should have any questions regarding your assessment please contact the assessor's office in your county.

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