

# Property Tax Exemptions



## Preface

The Arizona Department of Revenue (Department or ADOR) administers the property tax system in cooperation with the 15 county assessors, among others. One of the administrative duties of the Department is to prepare and maintain publications reflecting standard and statutory appraisal methods and techniques that are used in the identification, classification, valuation, and assessment of property for ad valorem purposes. The Department regularly updates these publications, consistent with the following three update levels, depending on the perceived need:

**Review:** Publication conforms to standard style and formatting. Legislative and other citations verified. No changes to content, methodology, policy, or practice.

**Revision:** Includes applicable Review processes. Publication is newly edited. Nonsubstantive legislative changes incorporated. Addition or deletion of information that does not alter valuation methodology.

**Rewrite:** Includes applicable Review and Revision processes. Major substantive changes made to any combination of content, methodology, policy, or practice.

This publication is a Rewrite. It supersedes the prior version (2020) of this publication and remains effective until replaced. Additional information may be issued as an addendum to this publication or as a separate publication. Due to the flexibility provided for in statute, deadlines and procedures may vary by county. The Department recommends contacting the county assessor of the county in which a subject property is located for detailed information regarding the deadlines and procedures in that jurisdiction. **The information in this publication is based upon laws and rules in effect at the time of publication. Should any content in this publication conflict with current laws or rules, the latter shall be controlling.**

All comments, inquiries, and suggestions concerning the material in this publication may be submitted to the following:

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This publication can be accessed on the Department website at:

[https://azdor.gov/sites/default/files/media/PROPERTY\\_PropertyTaxExemptions.pdf](https://azdor.gov/sites/default/files/media/PROPERTY_PropertyTaxExemptions.pdf).

## **Authority**

Authority to produce this publication is found in Arizona Revised Statutes (A.R.S.) [42-11054\(A\) \(1\) and \(2\)](#). Regarding the weight of authority of this publication, see A.R.S. [42-13051\(B\)\(2\)](#).

## **Practical Examples**

All practical examples that may appear herein are representative of how the Department would apply a given set of data while adhering to standard or statutory appraisal methods and techniques and to guidelines of the industry and of Arizona. Practical examples may demonstrate the current best practices used to make a necessary determination. Some practical examples may demonstrate the application of a process mandated by statute. See A.R.S. [42-11001\(6\)](#). Other practical examples may demonstrate methods that are adaptable to the particular situations of the various counties. Specific calculations used in the practical examples found herein are for demonstration purposes only.

## **Publication Formatting and Style**

Publications produced by the Department Property Tax Unit generally follow the rules of citation, format, grammar, punctuation, and related matters found in the following three

guides: *Style Manual: An Official Guide to the Form and Style of Federal Government Publications*,<sup>1</sup> *The Chicago Manual of Style*,<sup>2</sup> and *The Bluebook: A Uniform System of Citation*.<sup>3</sup>

## Terminology

In this publication, the term “manufactured housing” is used in a general way to refer to all types of fabricated housing described in Arizona statute, including, among others, mobile homes, recreational vehicles, and fabricated housing used for commercial purposes.

## Changes in Law

Following are notable changes in Arizona law that became effective since the last version of this publication was prepared by the Department, and that may be applicable to the material herein. Although every effort has been made to include all relevant and notable changes in law, this section may not be all inclusive. The Department recommends relying on your own research and discretion.

### ***Statutory and Constitutional Changes***

The table below has been updated through the legislative session identified in the header row.

#### **2022 – Fifty-fifth Legislature – Second Regular Session**

##### **House Bill 2320: Adds A.R.S. 42-11132.2; Amends A.R.S. 42-11152, 42-11153, and 42-12009**

Defines and exempts property leased to a veterans’ organization and identifies the same as property Class Nine; allows for property tax exemption and sets forth affidavit requirements.

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<sup>1</sup> United States Government Publishing Office. [Style Manual: An Official Guide to the Form and Style of Federal Government Publications](#), 31st ed. (Washington, DC: U.S. Government Publishing Office, 2016).

<sup>2</sup> The University of Chicago. [The Chicago Manual of Style](#), 17th ed. (Chicago: University of Chicago Press, 2017).

<sup>3</sup> Editors, Columbia Law Review, et al., comps. [The Bluebook: A Uniform System of Citation](#), 21st ed. (Cambridge: Harvard Law Review Association, 2020).

**2022 – Fifty-fifth Legislature – Second Regular Session****House Bill 2610: Amends A.R.S. 42-11133**

Removes the 200-unit limit that was previously required to qualify affordable rental housing (including Low-Income Housing Tax Credit property) for exemption from property taxation.

**Senate Bill 1095: Amends A.R.S. 15-972, 42-11111, 42-11127, 42-11152, and 42-15053**

Amends individual exemption limits; adds exemption for veterans with a disability; prescribes increased business personal property exemption amount; revises references to Article IX of the Arizona Constitution, as amended.

**Senate Bill 1266: Amends A.R.S. 28-7094, 42-11152, and 42-16254**

Changes highway properties fund payment recipient and fund distributor from the assessor to the treasurer; allows for electronic filing of exemption affidavits and notices of claim.

**Senate Concurrent Resolution 1011: Amends Arizona Constitution, Article IX**

Amends listing of mandatory and discretionary property tax exemptions; adds exemption for veterans with a disability.

***Caselaw Changes***

There were no changes in Arizona caselaw that were notable and applicable to the material in this publication since the prior version was published.

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## Introduction

All property in Arizona is taxable unless specifically exempted under the laws of the United States or under the provisions of the Arizona Constitution and the related Arizona Revised Statutes. Ariz. Const. art. IX, sec. [2\(A\)](#). A.R.S. [42-11002](#). See Ariz. Const. art. [IX](#); A.R.S. [42-11101](#) et seq. The information in this publication is based upon these constitutional and statutory provisions.

## Assessor Responsibility

The county assessor is responsible for identifying, classifying, valuing, assessing, and listing on the tax roll all locally assessed property that is subject to property taxation. See A.R.S. [42-13051](#), [42-15052](#), and [42-15053](#). The assessor is also responsible for processing and approving or disapproving property tax exemption applications, monitoring previously-approved exemptions, and discontinuing exemptions that are no longer warranted. The Department exercises no responsibility with respect to administering exemptions, other than prescribing various application forms that are required by statute. See [Exemption Applications and Affidavits](#), below.

## Exemption of Government Property

Exemption from property taxation is automatically granted for property owned by government entities, which do not impose property taxes on one another. A.R.S. [42-11102\(A\)](#) and [42-11103\(A\)](#). Accordingly, government-owned property is not subject to any application provisions in order to obtain or maintain exempt status. Ariz. Const. art. IX, sec. [2\(D\)](#). A.R.S. [42-11102\(B\)](#) and [42-11103\(B\)](#).

## Exemption of Private Property

The county assessor may grant property tax exemption for property owned by certain private individuals and nonprofit organizations, institutions, and associations that use the property for qualifying purposes. See A.R.S. [42-11101 through 42-11133](#). However, unlike the self-executing exemption of government-owned property, exemption of

privately-owned property may be granted **only** upon formal application. See A.R.S. [42-11151 through 42-11155](#).

### **Exempt Property Included on the Tax Roll**

Property exempted from taxation must nevertheless be included on the tax roll. Pursuant to A.R.S. [42-15152 \(A\) and \(B\)](#), “all real property that is subject to the jurisdiction of this state,...regardless of whether it is exempt from taxation by law or by the Constitution of Arizona, shall be listed on the roll.... The roll shall also include the total personal property tax roll”.

The specific amount of each property tax exemption should also be included on the tax roll. Exempt property is not revalued on a regular basis in many instances, but the property value listed on the tax roll should consist of at least an estimated land value and the value of any improvements according to the cost approach.

Exempt property values and exempted property tax amounts are listed on the tax roll to provide budget-setting and budget-approving entities with estimates of the total value and tax that have been purposely omitted from the tax roll. Having the omitted figures allows these entities to more accurately determine appropriate tax rates, which are imposed on all taxable property to derive the funding necessary for the operational purposes of each taxing jurisdiction.

### **Exemption Requirements**

#### ***Exemption Application***

The exemption application process for individuals and organizations is described in A.R.S. [42-11152](#). In almost every case, the taxpayer must file an application with the county assessor, which provides the information required by the assessor to make an exemption determination. In certain cases, only an initial exemption application is

required, while in other cases, an annual application is required. See [Exemption Applications and Affidavits](#), below.

### ***Property Ownership and Use***

To qualify for most property tax exemptions, requirements regarding both ownership and use of the subject property must be satisfied. However, some exemption statutes only contain a property-use requirement (e.g., property must be “used for”, “used in”, “used as”). In these instances, there is no property-ownership requirement to qualify for exemption. Many properties in this category are leased to be used for a qualifying exempt use.

### ***Nonprofit Status***

Many statutes that allow for property tax exemption do so only if the subject property is “not used or held for profit.” Both the term “nonprofit” and the phrase “not for profit” are also used in various property tax exemption statutes. For the purposes of administering property tax exemptions, “not used or held for profit,” “nonprofit,” and “not for profit” are considered to be synonymous.

If the use of a property creates a potential for realizing a profit, or if a property is held for future profit (i.e., speculation), the use is considered for-profit, and the property does not qualify for property tax exemption.

**Confirming Nonprofit Status.** An entity may confirm its nonprofit status with the assessor according to A.R.S. [42-11154\(1\)](#), which states, “Nonprofit organization status may be established by a letter of determination issued in the organization’s name by the United States internal revenue service recognizing the organization’s tax-exempt status under section 501 of the internal revenue code”. This requirement does not apply to churches, synagogues, temples, mosques, or similar organizations. A.R.S. [42-11154\(1\)\(a\)](#).

**Internal Revenue Code.** Section 501(c) of the Internal Revenue Code (I.R.C.) includes many numbered paragraphs that list organizations recognized as exempt from federal income tax by the Internal Revenue Service (IRS). These same numbered paragraphs are often referenced in certain Arizona Revised Statutes related to property tax exemption. Usually, it is paragraph (3) that is specified (i.e., 501(c)(3)). The full text of the Internal Revenue Code can be found in Title [26](#) of the U.S. Code.

Several types of nonprofit organizations are listed in the Internal Revenue Code, including charitable, religious, educational, scientific, and literary. Examples of the qualifying charitable purposes that such nonprofits can promote include relief for the poor and distressed, elimination of prejudice and discrimination, and operation of labor or political societies. See IRS, Charities and Nonprofits, [Exempt Organization Types](#).

It is important to note that IRS recognition of a property owner as a charitable or nonprofit organization for income tax purposes does not alone qualify the organization for exemption from property taxation.

**Nonprofit Ownership and Use of Property.** The following table summarizes key Arizona court decisions regarding nonprofit ownership and use of property with respect to property tax exemption.

### Key Court Decisions Regarding Nonprofit Ownership and Use of Property

#### Kunes v. Samaritan Health Service

Both the use and the ownership of the property of a nonprofit organization must be considered to determine eligibility for property tax exemption. *“The fact that the constitution excludes from the exempt category any property of charitable organizations ‘used or held for profit’ creates a use requirement in addition to the ownership requirement”*.<sup>4</sup>

#### Volunteer Center of Southern Arizona v. Staples

A nonprofit owner of property may lease a portion of its property to a nonprofit tenant without forfeiting the tax-exempt status of the property. The nonprofit status of, and the use of the property by, both the owner and tenant must be considered. *“[Arizona*

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<sup>4</sup> [Kunes v. Samaritan Health Service](#), 121 Ariz. 413, 416, 590 P.2d 1359, 1362 (1979).

*Revised Statutes] 42-11154 and 42-11155 specifically require us to consider the status of both owners and users of property in evaluating whether the property is being ‘used or held for profit.’ Those statutes are inconsistent with the...contention that we must ignore [the tenant’s] charitable use of the property in determining the tax status of the portion [the tenant] leases.”<sup>5</sup>*

### **Tucson Botanical Gardens Inc. v. Pima County**

The requirement that property being considered for exemption is “not used or held for profit” is not absolute. As long as the property owner primarily uses the property for a designated exempt purpose, the property is entitled to exemption despite occasional or incidental use of the property for other purposes. *“In interpreting and applying tax exemption statutes, our supreme court and this court have consistently recognized the taxpayer may claim the exemption despite some non-exempt use as long as the taxpayer is primarily using the property in the manner specified by the Legislature.”<sup>6</sup>*

### **Held vs. Owned**

The terms “held” and “owned” (or variants thereof, such as “owned by”) are often considered to be synonymous. However, this is not always the case in the Arizona Revised Statutes. For example, the language of A.R.S. [42-11155](#) indicates that the terms can have different meanings with regard to charitable institutions. In that particular statute, “held” appears to mean something other than “owned.” Because the term “held” may be used differently in various property tax statutes, the assessor must always discern the meaning of “held” from the specific context of the statutory language within which it is found.

## **Arizona Property Tax Exemptions**

Property tax exemptions currently established in Arizona are discussed below, along with the constitutional and statutory authority for the exemptions. Where necessary, additional issues or ambiguities created by the statutory text (or lack thereof) or by other circumstances are addressed.

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<sup>5</sup> [Volunteer Center of Southern Arizona v. Staples](#), 214 Ariz. 36, 39, 147 P.3d 1052, 1055 (App. 2006).

<sup>6</sup> [Tucson Botanical Gardens Inc. v. Pima County](#), 218 Ariz. 523, 526, 189 P.3d 1096, 1099 (App. 2008).

The Department recognizes three categories of property tax exemption: General, Restricted, and Individual.

## General Exemptions

Property in the General category is totally exempted from property taxation.

### ***1. Federal, State, County and Municipal Property***

**Generally.** This category includes all land, improvements, and personal property owned and used by a government entity. Ariz. Const. art. IX, sec. [2\(C\)\(1\)](#); A.R.S. [42-11102\(A\)](#). It also includes property used by the state or a political subdivision thereof for a governmental purpose during an entire tax year, if the property is owned by a nonprofit organization or is being purchased by the government entity under a lease-purchase agreement. A.R.S. [42-11102\(A\) \(1\) and \(2\)](#). Also included in this category are improvements on public lands held under grazing permits, if title to the improvements passes to the federal government. A.R.S. [42-11102\(A\)\(3\)](#).

**Application.** Government-owned property is not subject to any exemption application requirements. Ariz. Const. art. IX, sec. [2\(D\)](#); A.R.S. [42-11102\(B\)](#).

**Purchase, Foreclosure, or Taking.** Property purchased by a government entity is exempted during the tax year of the purchase, but only if purchased prior to the date on which tax rates are set and the overall tax levy is imposed, which must occur by the third Monday in August. See A.R.S. [42-17151\(A\)](#).

Real property obtained by a government entity through foreclosure (e.g., by the FHA or VA) or by other means (e.g., eminent domain) is not exempt from property tax for the relevant tax year as government-owned property (see A.R.S. [12-1116 \(H\) and \(N\)](#), [12-1124](#), [12-1126\(A\)](#)), but would be exempt for future years (A.R.S. [12-1123\(D\)](#)).<sup>7</sup> But

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<sup>7</sup> Pursuant to the Supremacy Clause of the United States Constitution, a state cannot tax federally-owned property within its boundaries, unless explicit consent to do so is provided by the United States Congress. U.S. Const. art. [6, cl. 2](#). See footnote 8.

see, e.g., 12 United States Code (U.S.C.) [1714](#).<sup>8</sup> Personal property so acquired is also exempt from property tax.<sup>9</sup> Even so, a government entity holding property that is exempt from taxation may nevertheless choose to make a voluntary payment in lieu of property taxes (PILT). See, e.g., A.R.S. [48-242 \(A\) and \(B\)](#) and 31 U.S.C. [69](#).

**Government Property Lease Excise Tax (GPLET).** Property owned by a government entity that is used by a nongovernmental entity may be subject to GPLET. A.R.S. [42-6201 through 42-6210](#). The activity being taxed by GPLET is the use of government-owned, improved property by a private entity. Any commercial, residential rental, or industrial use of the property by the nongovernmental entity is permitted under GPLET. A.R.S. [42-6201\(2\)](#).

## **2. Public Debts**

Public debts are bonds issued by the state of Arizona, or by one of its counties, municipalities, or other subdivisions (e.g., special taxing districts). Ariz. Const. art. IX, sec. [2\(C\)\(2\)](#); A.R.S. [42-11103\(A\)](#). Because public debt is government property, there is no exemption application requirement. A.R.S. [42-11103\(B\)](#).

## **3. Property Held to Preserve or Protect Scientific Resources**

Property held by a 501(c)(3) charitable organization “to preserve and protect scientific, biological, geological, paleontological, natural or archaeological resources” is exempt from property taxation. A.R.S. [42-11115](#). See Ariz. Const. art. IX, sec. [2\(E\)\(1\)](#). This exemption requires an annual application.

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<sup>8</sup> United States Code [1714](#) provides an example of Congressional consent to tax federally-owned property. It reads:

Nothing in this subchapter shall be construed to exempt any **real property** acquired and held by the Secretary [of Housing and Urban Development (HUD)] under this subchapter from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

(emphasis added).

<sup>9</sup> See footnote 7.



#### **4. Trading Commodities**

Commodities, as they are defined in 7 U.S.C. [1a\(9\)](#),<sup>10</sup> that are warehoused in this state, consigned for resale, and deliverable on contract in the future according to commodity rules and regulations, are exempt from property taxation. A.R.S. [42-11122](#).

Pursuant to A.R.S. [42-11128\(E\)](#), the warehouse owner or operator must file an annual affidavit with the assessor stating that the commodities are futures contract property. The assessor may require additional evidence of the facts set forth in the affidavit.

#### **5. Animal and Poultry Feed**

“Animal and poultry feed, including salts, vitamins and other additives, for animal or poultry consumption is exempt from taxation.” A.R.S. [42-11123](#). See Ariz. Const. art. IX, secs. [2\(E\)\(2\)](#) and [13\(2\)](#). This exemption does not apply to feed for animals used for a nonqualified agricultural use (i.e., “nonproduction”) or to feed for domestic animals. An exemption application is not required for this exemption.

#### **6. Inventory, Materials, and Products**

This category includes raw or unfinished materials, unassembled parts, work in progress, and finished products that constitute the inventory of a retailer, wholesaler, or manufacturer located in Arizona and principally engaged in reselling or manufacturing the inventory. Ariz. Const. art. IX, secs. [2\(C\)\(4\)](#) and [13\(1\)](#); A.R.S. [42-11125](#). This category does not include the operating supplies of a business, which are taxable. An exemption application is not required for this exemption. Ariz. Const. art. IX, sec. [2\(D\)](#).

#### **7. Production Livestock and Animals**

Livestock, poultry, aquatic animals, and bees owned by a person principally engaged in agricultural production are exempt from property taxation. Ariz. Const. art. IX, sec. [13\(2\)](#); A.R.S. [42-11126](#). An exemption application is not required for this exemption. Ariz. Const. art. IX, sec. [13\(2\)](#).

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<sup>10</sup> **Note:** A.R.S. [42-11122](#) incorrectly indicates that commodity is defined in 7 U.S.C. [2](#).

### **8. Personal Property in Transit**

Personal property that is only moving through the state, including personal property consigned from outside the state to a warehouse for storage or assembly inside the state prior to shipment back outside the state, is considered “in transit” and is exempted from property taxation. A.R.S. [42-11128](#).

**Note:** Subsection (D) of A.R.S. [42-11128](#) requires an exemption application accompanied by a warehouse certificate, if applicable. However, an exemption application has not been considered necessary by county assessors, and an application form and procedure has not been prescribed by the Department.

### **9. Household Goods**

Household goods are the various household items used in a property Class Three, owner-occupied, primary residence (e.g., furnishings, decorations, kitchenware). Household goods cannot be utilized for any commercial purpose. No application is required to receive this exemption. Ariz. Const. art. IX, sec. [2\(C\)\(3\)](#).

Household goods in a property Class Four, Subclass (2) residential rental property are excluded from this exemption because they are used for a commercial purpose, even though the household goods are not used in conjunction with a property Class One commercial property. A.R.S. [42-12004\(2\)](#).

### **10. Vehicles**

Vehicles (cars, light trucks, motorcycles, most trailers, etc.) that are registered for operation in Arizona, other than vehicles owned and operated for any commercial purpose, are exempt from property taxation. Ariz. Const. art. IX, sec. [11](#). Such noncommercial-use vehicles are subject to an in lieu license tax.

**11. Aircraft**

Aircraft (airplanes, helicopters, etc.) that are registered for operation in Arizona are exempt from property taxation. Ariz. Const. art. IX, sec. [15](#). Such noncommercial-use aircraft are subject to an in lieu license tax.

This exemption does not apply to:

1. Commercial aircraft.
2. Aircraft owned and held by a dealer solely for sale.
3. Aircraft owned by nonresidents who operate aircraft for 90 days or less per year, as long as such aircraft are not used in intrastate commercial activity.
4. Aircraft owned and operated exclusively in the public service by the state, political subdivision of the state, or civil air patrol.

**12. Watercraft**

Watercraft (boats, jet skis, etc.) that are registered for operation in Arizona, other than watercraft owned and operated for any commercial purpose, are exempt from property taxation. Ariz. Const. art. IX, sec. [16](#). Such noncommercial-use watercraft are subject to an in lieu license tax.

**13. Personal Property of Servicemembers**

The Servicemembers Civil Relief Act of 2003 (SCRA) establishes federal policy regarding taxation of military personnel on active duty in locations other than their state of domicile. 50 U.S.C. [3901](#) et seq. In most cases, the host state (Arizona) cannot impose personal property taxes on property owned by a servicemember if the servicemember is domiciled in another state, but is stationed in Arizona solely due to military orders. 50 U.S.C. [4001 \(a\)\(1\) and \(d\)](#). This is also true with respect to a nonmilitary spouse of a servicemember, as long as the spouse is in Arizona solely to be with the servicemember and maintains the same state of domicile as the

servicemember. 50 U.S.C. [4001 \(a\)\(2\) and \(d\)](#). However, there are three specific cases in which personal property owned by a servicemember is subject to taxation in Arizona:

1. Personal property owned by a servicemember and used in a trade or business is subject to taxation by the presiding jurisdiction. 50 U.S.C. [4001\(d\)\(3\)](#). States and their political subdivisions are **not** prohibited from taxing business personal property owned by a servicemember residing in the state solely in compliance with military orders.
2. Personal property owned by a servicemember is subject to property taxation if the servicemember is domiciled in Arizona upon entering military service, unless the servicemember later changes their domicile to another state within the meaning of the SCRA. 50 U.S.C. [4001 \(a\)\(1\) and \(d\)\(2\)](#).
3. Affixed manufactured housing, which is assessed as real property, is subject to taxation even if it is owned by a servicemember that is present in Arizona solely in compliance with military orders. Affixed manufactured housing is manufactured housing for which an Affidavit of Affixture has been recorded, which changes the assessment of that housing from personal property to real property. A.R.S. [42-15204](#).

If a servicemember is present in Arizona solely due to military orders, and later transfers to another post outside of Arizona, but elects to maintain their family and personal property in Arizona, the personal property is still exempt from property taxation.

The joint interest of a nonmilitary owner (except a spouse) who has part-ownership in personal property with a servicemember present in Arizona by reason of military orders, is taxable to the extent of the joint interest of the nonmilitary owner.

### **Restricted Exemptions**

Property in the Restricted category is exempt from property taxation, provided it is not used or held for profit.

### ***1. Educational and Library Property***

Educational and library property is exempt from property taxation under certain circumstances. A.R.S. [42-11104](#). See Ariz. Const. art. IX, sec. [2\(E\)\(1\)](#). There are three main categories of educational property described in the statute.

**General Property.** A.R.S. [42-11104\(A\)](#) authorizes exemption of the land, improvements, and personal property of libraries, colleges, school buildings, and other buildings, as long as such property is used for education and not used or held for profit.

**Leased Property.** A.R.S. [42-11104\(B\)](#) authorizes exemption of “property and buildings” leased from a public school district or a community college district.

If the owner of the property types described in subsections A (general) and B (leased) of the statute is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must necessarily be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

**Specialized Property.** A.R.S. [42-11104\(C\)](#) authorizes exemption of land, improvements, and personal property owned by 501(c)(3) nonprofit charter schools, trap and skeet shooting clubs, and residential treatment facilities, as long as such property is used for education and not used or held for profit. Pursuant to A.R.S. [42-11104\(E\)](#), the nonprofit organization under subsection (C) is required to file only an initial exemption application, which does not need to be refiled annually unless all or part of the property is conveyed to a new owner or is no longer used for education.

### ***2. Health Care Property***

The health care property exemption is found in A.R.S. [42-11105](#), and applies to four specified subcategories. In all cases, as restricted exemptions, the property to be exempted cannot be used or held for profit.

**A. Hospitals.** Land, improvements, and personal property of hospitals used for the relief of the “indigent or afflicted” (defined in A.R.S. [42-11101](#)).

**B. Disability and Elderly Health Care Institutions.** Property used to operate a health care institution that provides medical, nursing, or health-related services to persons with a disability or who are 62 years of age or older (generally considered to mean a nonprofit nursing home).

**C. Community Health Centers.** Land, improvements, and personal property of qualifying community health centers, which are defined in A.R.S. [36-2907.06\(I\)](#).

If the owner of the property types above (A through C) is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must necessarily be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

**D. Health Care Providers.** Land, improvements, and personal property owned by a nonprofit health care provider, recognized under I.R.C. 501(c)(3), and used to provide health care services.

In this subsection of the statute, “health care provider” means “a health care institution as defined in title 36 or an entity that provides health care services directly to patients through health care providers who are licensed pursuant to title 32.” A.R.S. [42-11105\(D\)](#).

### ***3. Apartments for Residents with Disabilities or Elderly Residents***

Pursuant to A.R.S. [42-11106](#), property used to operate a nonprofit residential apartment housing facility that is structured for residents with disabilities or who are 62 years of age or older is exempted from property taxation **if either** of the following applies:

**(1) Located Adjacent to Disability/Elderly Health Care Institution.** The apartment housing facility is located adjacent to property described and exempted by A.R.S.

[42-11105\(B\)](#) (see Restricted Exemption 2(B) above) and is also “owned and operated by the same person or association that owns that adjacent property,” **or**

**(2) Supported by Government or Nonprofit Organization Subsidy.** The apartment housing facility is supported by a subsidy paid by a government entity **or** a nonprofit organization **and**:

(a) The subsidy is a “substantial amount” relative to either “the amount given or to the total annual operating expenses” **and**

(b) “The nonprofit organization is not created or operated for the primary purpose of providing the subsidy or payment.”

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must necessarily be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

#### ***4. Institutions for Relief of Indigent or Afflicted***

The land, improvements, and personal property of a charitable institution used for the relief of the “indigent or afflicted” (defined in A.R.S. [42-11101](#)) are exempted from property tax if both the institution and property are not used or held for profit. A.R.S. [42-11107](#).

The assessor should make certain that the charitable institution applying for this exemption restricts its activities specifically to caring for the indigent or afflicted, as those terms are defined. Other uses of the institution (e.g., general for-profit health care services, surgery facilities, laboratories, etc.) would provide cause for a partial or complete denial of the exemption.

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must necessarily be proven

to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

### **5. Grounds and Buildings Owned by Agricultural Societies**

Grounds and buildings owned by “agricultural societies” and “used only for those purposes” (not defined, but presumed to mean “agricultural”) and that are not used or held for profit are exempted from property taxation. A.R.S. [42-11108](#).

Because the “use” provision is not specific, property leased from an agricultural society to a nonprofit entity that uses the property for qualifying purposes may also be exempted.

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must necessarily be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

### **6. Religious Property**

“Property or buildings that are used or held primarily for religious worship, including land, improvements, furniture and equipment, are exempt from taxation if the property is not used or held for profit.” A.R.S. [42-11109\(A\)](#). See Ariz. Const. art. IX, sec. [2\(E\)\(1\)](#).

The statute further provides that a religious organization may file evidence with the assessor of its 501(c)(3) tax exempt status and that doing so will eliminate the need for subsequent (i.e., annual) exemption applications until all or part of the property is conveyed to a new owner or is no longer used for religious worship. A.R.S. [42-11109\(C\)](#). However, religious organizations are no longer required to file (but still may) for recognition under I.R.C. 501(c)(3), but are recognized automatically as long as they meet the requirements of that section. A.R.S. [42-11154\(1\) \(a\) and \(c\)](#).



If a portion of a religious organization's property is not used or held primarily for religious worship, or otherwise does not qualify for property tax exemption, it should be excluded from exemption in a proportional manner. Any disallowance of the exemption should be based on the amount of space and time of the nonqualifying use relative to the total space and time the property is utilized for religious worship.

### **7. Cemeteries**

Cemeteries, as they are defined in A.R.S. [32-2101\(11\)](#), and historic burial sites and historic private cemeteries, as they are defined in A.R.S. [41-511.04\(F\)](#), are exempted from property taxation. A.R.S. [42-11110](#). See Ariz. Const. art. IX, sec. [2\(E\)\(3\)](#). Any cemetery or burial site that is not included in the definitions prescribed in this statute would be excluded from this exemption, but could be exempt under a different statute (e.g., a cemetery owned by a religious organization may be exempt under A.R.S. [42-11109](#)). In any case, undeveloped land held for future development would not be exempt.

Pursuant to A.R.S. [42-11110\(B\)](#), the owner of cemetery or burial site property is required to file only an initial exemption application, which does not need to be refiled annually unless all or part of the property is conveyed to a new owner; is no longer, or will not be, used as a cemetery; or has been rezoned.

The statute does not require ownership of the cemetery or burial site by a nonprofit organization. Therefore, for-profit use of a cemetery or burial site is not prohibited, making this the only exemption under the restricted category to have such an exception.

### **8. Observatories**

"Observatories that are maintained for astronomical research and education for the public welfare and property that is used in the work or maintenance of observatories, including property held in trust, are exempt from taxation, if the observatories and other property are used only for those purposes and are not used or held for profit." A.R.S.

[42-11112](#). Ownership of the observatory and other property is not addressed in the statute.

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must necessarily be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

### **9. Animal Control and Humane Society Property**

Land and buildings owned by societies formed to care for, control, shelter, and prevent cruelty to animals and that are used only for those purposes are exempt from property taxation as long as such property is not used or held for profit. A.R.S. [42-11113](#).

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must necessarily be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

### **10. Property Held for Conveyance as Parkland**

Property held for conveyance as parkland is exempt, pursuant to A.R.S. [42-11114](#), as follows:

- A. Property that is held by a charitable organization, recognized under section 501(c)(3) of the internal revenue code, for transfer to this state or to a political subdivision of this state to be used as parkland is exempt from taxation if the charitable organization does not receive rent or valuable consideration.
- B. If property that is exempt under this section is transferred to an entity other than this state or a political subdivision of this state or if the property is used or occupied by or for the benefit of any other person, the charitable organization is liable for all tax, interest and penalties that would be due if the property were not exempt from taxation.

**11. Property of Arts and Science Organizations**

“Property of musical, dramatic, dance and community arts groups, botanical gardens, museums and zoos that are qualified as nonprofit charitable organizations” under I.R.C. 501(c)(3) is exempt from property taxation if the property is used for those purposes and is not used or held for profit. A.R.S. [42-11116](#).

**12. Property of Volunteer Fire Departments**

Property of a nonprofit volunteer fire department, recognized under I.R.C. 501, is exempt from property taxation if the property is “used exclusively for fire suppression and prevention activities and is neither used nor occupied by or for the benefit of any person.” A.R.S. [42-11117](#).

**13. Property of Social Welfare and Quasi-Governmental Volunteer Service Organizations**

Property owned by a volunteer nonprofit organization recognized under I.R.C. 501(c)(4) that is “operated exclusively to promote social welfare and provide community quasi-governmental services in an unincorporated area of a county” is exempt from property taxation if the organization provides at least six of the nine specified quasi-governmental services. A.R.S. [42-11118](#).

The specified services are listed in A.R.S. [42-11118\(B\)](#), as follows:

1. Public information and complaint office.
2. Voter registration.
3. Property tax assessment information.
4. Building permit distribution.
5. Resident assistance with deed restrictions and violations.
6. County planning and zoning review.
7. Water resources planning and management.

8. Public safety planning, oversight and maintenance.
9. Government liaison for regional planning activities.

#### ***14. Property of Volunteer Roadway Cleanup and Beautification Organizations***

Property owned by a volunteer nonprofit organization and “used exclusively for the purpose of performing roadway cleanup and beautification on a gratuitous basis” is exempt from property taxation as long as the property is not used or held for profit or used or occupied by or for the benefit of any person. A.R.S. [42-11119](#).

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must necessarily be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

#### ***15. Property of Organizations for Veterans***

Property owned by a U.S. veterans charitable organization recognized under I.R.C. 501(c)(3) or 501(c)(19) is exempt from property taxation “if the property is used predominantly for those purposes and is not used or held for profit.” A.R.S. [42-11120](#).

#### ***16. Property of Charitable Community Service Organizations***

Property owned by a charitable community service organization recognized under I.R.C. 501(c)(3) that has the mission of serving “a population that includes persons who are indigent or afflicted, as defined in section [42-11101](#)” is exempt from property taxation if the property is not used or held for profit and the organization is primarily engaged in delivering specified services on the property. A.R.S. [42-11121](#).

The specified services are as follows:

1. Fitness programs.
2. Camping programs.
3. Health and recreation services.

4. Youth programs.
5. Child care.
6. Senior citizen programs.
7. Individual and family counseling.
8. Employment and training programs.
9. Services for individuals with disabilities.
10. Meals.
11. Feeding programs.
12. Disaster relief.

### ***17. Possessory Interests for Educational or Charitable Activities***

A possessory interest consisting of property or improvements leased from the state or a political subdivision of the state is exempt from property taxation if the property is used by a nonprofit association or institution recognized under I.R.C. 501(c)(3) that has the specific purpose of educational or charitable activities and that realizes annual gross revenues not exceeding \$50,000. A.R.S. [42-11124](#).

**Note:** A possessory interest that qualifies for this exemption is not subject to a GPLET, pursuant to A.R.S. [42-6208\(13\)](#).

### ***18. Agricultural and Business Personal Property***

Certain personal property used for agricultural and commercial purposes is exempt from property taxation.<sup>11</sup> See Ariz. Const. art. IX, sec. [2\(E\)\(2\)](#). The exemption is codified in A.R.S. [42-11127](#), which provides a personal property tax exemption for property in Class One, Subclasses (8), (9), (10), (11), and (13); and Class Two, Subclass (P).

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<sup>11</sup> **Note:** Residential rental property is not eligible for this exemption. A.R.S. [42-12004\(2\)](#). See [Household Goods](#) above.

The exemption is applied against the full cash value of qualifying personal property for each taxpayer up to a maximum amount that increases annually.<sup>12</sup> For 2023, the exemption amount is \$225,572. On or before December 31 each year, the Department is required to adjust the maximum amount of the exemption for the following tax year to account for inflation. A.R.S. [42-11127\(B\)](#).

### **19. Property of Fraternal Societies**

Property of fraternal societies may be exempt from property taxation, pursuant to A.R.S. [42-11129](#), as follows:

Property that is owned by a fraternal society or organization that is recognized under section 501(c)(8) of the internal revenue code, if the net earnings of the fraternal society or organization are devoted exclusively to religious, charitable, scientific, literary, educational or fraternal purposes, or section 501(c)(10) of the internal revenue code is exempt from taxation if the property is used predominantly for educational, charitable or religious purposes and for the purposes authorized under section 501(c)(8) or 501(c)(10) of the internal revenue code and no portion of the property is used for the sale of food or beverage to the general public or the consumption of alcoholic beverages by nonmembers of the fraternal society or organization or is used or held for profit.

### **20. Property of a Public Library Support Organization**

Property that is not used or held for profit and is owned by a charitable organization recognized under I.R.C. 501(c)(3), the mission of which is “to provide supplemental financial support to public libraries”, is exempt from property taxation if the property is used predominantly for those purposes. A.R.S. [42-11130](#).

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<sup>12</sup> With respect to this exemption, “taxpayer” means the owner of the subject property who pays taxes, rather than a property location or assessment account. Thus, a business entity that operates multiple locations is entitled to only one statewide exemption, rather than an exemption for each location. [Circle K Stores, Inc. v. Apache County](#), 199 Ariz. 402, 407-08, 18 P.3d 713, 718-19 (App. 2001).

**Note:** The Federal Employer Identification Number (FEIN) assigned to each business entity is analogous to the Social Security Number assigned to individuals, and carries similar privacy considerations.

**21. Low-Income Native American Housing**

Pursuant to A.R.S. [42-11131](#), property that is owned and operated by a federally recognized Native American tribe, or its “tribally designated housing authority”, is exempt from property taxation, subject to all of the following requirements:

1. The property is used exclusively to provide low-income rental housing and related facilities for the use of Native Americans.
2. The property is not used, held, or operated for profit.
3. Any net earnings of the housing authority do not benefit any private shareholder or individual.
4. The housing was designed and constructed using either federal financial assistance granted under the Native American Housing Assistance and Self-Determination Act or using tribal government funds.

The statute further provides that filing the documentation required under A.R.S. [42-11131\(B\)](#) will eliminate the need for subsequent (i.e., annual) exemption applications until all or part of the property is conveyed to a new owner or is no longer used for the qualifying purposes. A.R.S. [42-11131\(C\)](#).

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must necessarily be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

**22. Property Leased to Educational Institutions**

Property that is leased to educational institutions may be exempt from property taxation, pursuant to A.R.S. [42-11132\(B\)](#), as follows:

Property, buildings and fixtures that are owned by an educational, a religious or a charitable organization, institution or association and leased to a nonprofit educational organization, institution or association are exempt from taxation if the

property is used for educational instruction in any grade or program through grade twelve.

The statute further provides that if the owner/lessor organization files with the assessor evidence of its 501(c)(3) tax exempt status and an affidavit by the educational organization, institution, or association confirming a qualified educational use of the property, then the owner/lessor organization will not need to file subsequent (i.e., annual) exemption applications until all or part of the property is conveyed to a new owner or is no longer used for educational purposes. A.R.S. [42-11132\(C\)](#).

**Note:** Religious organizations are no longer required to file for recognition (but still may) under I.R.C. 501(c)(3), but are recognized automatically as long as they meet the requirements of that section. However, this automatic recognition does not apply to educational or charitable organizations.

**Note:** A.R.S. [42-11132\(A\)](#) does **not** provide for an exemption, but categorizes as property Class Nine the “[p]roperty, buildings and fixtures that are leased to a nonprofit charter school or a residential treatment and education facility and that are used for educational instruction in any grade or program through grade twelve”. The owner/lessor is required to file an affidavit with the assessor (ADOR Form [82009-RS](#))<sup>13</sup> stating that the lessee charter school or residential treatment and education facility is the sole beneficiary of the change in property classification and that the lease rate is consistent with lease rates charged to other tenants or with a fair market rate. A.R.S. [42-12009\(A\)\(5\)](#).

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<sup>13</sup> **Note:** Throughout this publication, official forms are identified by a Department (ADOR) form number. While many forms are available from the Department, certain forms are available only from the county assessor. In addition, some county assessors do not use ADOR forms, but maintain their own equivalent forms. The Department recommends contacting the county assessor of the county in which a subject property is located for information regarding forms used in that jurisdiction.



**23. Property Leased to a Church, Religious Assembly, or Religious Institution**

Pursuant to A.R.S. [42-11132.01\(B\)](#), “[p]roperty, buildings and fixtures that are owned by an educational, religious or charitable organization, institution or association, that are leased to a nonprofit church, religious assembly or religious institution and that are primarily used for religious worship are exempt from taxation.”

The statute further provides that if the owner/lessor organization files with the assessor evidence of its 501(c)(3) tax exempt status and an affidavit by the nonprofit church, religious assembly, or religious institution confirming the property is used or held primarily for religious worship, then the owner/lessor organization will not need to file subsequent (i.e., annual) exemption applications until all or part of the property is conveyed to a new owner or is no longer primarily used or held by the church, assembly, or institution. A.R.S. [42-11132.01\(C\)](#).

**Note:** Religious organizations are no longer required to file for recognition (but still may) under I.R.C. 501(c)(3), but are recognized automatically as long as they meet the requirements of that section. However, this automatic recognition does not apply to educational or charitable organizations.

**Note:** A.R.S. [42-11132.01\(A\)](#) does **not** provide for an exemption, but categorizes as property Class Nine the “[p]roperty, buildings and fixtures that are leased to a nonprofit church, religious assembly or religious institution and that are primarily used for religious worship”. The lessee organization must annually file an affidavit with the assessor (ADOR Form [82132](#)) affirming that the property is used or held primarily for religious worship and that the lessee is the sole economic beneficiary of the change in property classification. A.R.S. [42-11132.01\(A\) \(1\) and \(2\)](#). The owner/lessor is required to file an affidavit with the assessor (ADOR Form [82009-RS](#)) stating that the lessee religious organization is the sole beneficiary of the change in property classification and that the lease rate is consistent with lease rates charged to other tenants or with a fair market rate. A.R.S. [42-12009\(A\)\(5\)](#).

#### **24. Property Leased to a Veterans' Organization**

Pursuant to A.R.S. [42-11132.02\(B\)](#), “[p]roperty, buildings and fixtures that are owned by a veterans’ organization, that are leased to a veterans’ organization and that are primarily used for veterans’ organization operations are exempt from taxation.”

The statute further provides that if the veterans’ organization that owns the property files with the assessor evidence of its 501(c) tax exempt status and an affidavit by the veterans’ organization confirming that it uses or holds the property primarily for veterans’ organization operations, then the owner/lessor organization will not need to file subsequent (i.e., annual) exemption applications until all or part of the property is conveyed to a new owner or is no longer primarily used or held by the veterans’ organization. A.R.S. [42-11132.02\(C\)](#).

**Note:** A.R.S. [42-11132.02\(A\)](#) does **not** provide for an exemption, but categorizes as property Class Nine the “[p]roperty, buildings and fixtures that are leased to a veterans’ organization”. The lessee organization must annually file an affidavit with the assessor (ADOR Form 82132-V) affirming that the property is used or held primarily for the veterans’ organization operations and that the lessee is the sole economic beneficiary of the change in property classification. A.R.S. [42-11132.02\(A\) \(1\) and \(2\)](#). The owner/lessor is required to file an affidavit with the assessor (ADOR Form [82009-RS](#)) stating that the lessee veterans’ organization is the sole beneficiary of the change in property classification and that the lease rate is consistent with lease rates charged to other tenants or with a fair market rate. A.R.S. [42-12009\(A\)\(6\)](#).

#### **25. Affordable Housing Projects**

Property used exclusively for affordable rental housing is exempt from property taxation if the requirements set forth in A.R.S. [42-11133](#), described briefly below, are met.

1. **Type.** The property qualifies as affordable rental housing under I.R.C. 42 or another recorded restrictive covenant.
2. **Ownership.** The property is owned by a specified nonprofit entity.

3. **Rent.** The rent does not exceed the prescribed amount.
4. **Financing/Tax Credit.** Either the property is financed via one of three specified methods or the owner receives tax credits under I.R.C. 42.
5. **Certifications.** The owner certifies that the property use and rents are restricted pursuant to an agreement, recorded deed, or other legal document and that the money that would have been necessary to pay property taxes is used to maintain affordability or reduce rents of the qualified units.

### **Individual Exemptions**

The property of Arizona residents who are widows, widowers, persons with a total and permanent disability, or honorably discharged veterans with a service or nonservice connected disability is exempt from property taxation up to certain dollar amounts (see [table](#) below). Ariz. Const. art. IX, sec. [2\(E\) \(4\) to \(6\)](#). A.R.S. [42-11111](#). These individual exemptions are subject to certain limitations, such as assessed property value maximums and household income limits (see [table](#) below). In addition, individual exemptions generally result in only a partial property tax exemption.

#### ***Application For Individual Exemption***

Pursuant to A.R.S. [42-11111\(H\)](#), an initial affidavit (ADOR Form 82514 or 82514V) is required to establish eligibility for the exemption of the property of a widow, widower, person with a total and permanent disability, or veteran with a disability. Thereafter, the claimant whose property is exempted is not required to submit an affidavit for subsequent years, but is required to verify household income qualification each year and to inform the assessor of any event that disqualifies the individual property tax exemption. A.R.S. [42-11111\(H\)](#). Disqualifying events include the individual's death, the remarriage of a widow or widower, the individual's income from all sources exceeding prescribed limits, and the conveyance of title to the property to another owner. A.R.S. [42-11111\(H\) \(1\) through \(4\)](#).

In general, assessors have authority to verify qualification for any exemption, and therefore may require annual reapplication for an individual exemption. See A.R.S. [42-11152](#). Additionally, requiring annual reapplication for individual exemptions is a primary method by which assessors inform property owners of annual changes in the limitations on assessed value, household income, and exemption amounts (see [table](#) below).

### ***Establishing Disability***

**Person With a Total and Permanent Disability.** To qualify for individual property tax exemption, a person with a disability must be certified as totally and permanently disabled by a licensed professional. Arizona Administrative Code (A.A.C.) [R15-4-116\(B\)](#).<sup>14</sup> This is initially accomplished by filing with the assessor a certification (ADOR Form [82514B](#)), along with the initial affidavit of eligibility (ADOR Form 82514). The total and permanent disability may be physical or mental, must result in an inability to engage in substantial gainful activity, and must be expected to last for a continuous period of 12 or more months or result in death within 12 months. A.A.C. [R15-4-116\(A\)](#). Because of the 12-month duration requirement, the disability certification must be filed and approved every year, whether or not the assessor requires an annual affidavit of eligibility.

**Veteran with a Disability.** A veteran with a service or nonservice connected disability establishes the disability by filing with the assessor the initial affidavit of exemption eligibility (ADOR Form 82514V). The assessor may require that a Veterans Administration (VA) [VA Benefit Summary Letter](#) accompany the initial affidavit. A disabled veteran is eligible for a portion of the maximum exemption amount (see [table](#) below) that is equal to the percentage of their disability, as set forth in the *VA Benefit Summary Letter*. See A.R.S. [42-11111\(B\)\(1\)](#). After being awarded an exemption, if there is a change in the veteran's disability rating, as determined by the VA, the veteran or

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<sup>14</sup> Chiropractor, physician (including allopathic, homeopathic, osteopathic, and naturopathic), or psychologist.

veteran’s representative should file an updated affidavit, including a copy of the updated *VA Benefit Summary Letter*. As set forth above, the assessor may require that the affidavit of eligibility and *VA Benefit Summary Letter* be refiled annually, regardless of language to the contrary found in A.R.S. [42-11111\(H\)](#). See A.R.S. [42-11152](#).

### ***Annual Adjustment of Assessment, Income, and Exemption Limitations***

Individual exemptions are subject to certain limitations regarding assessed value, household income, and exemption amounts, which are listed in the table below. These limitations must be adjusted annually by the Department on or before December 31 in order to account for inflation. A.R.S. [42-11111\(C\)](#). The Department communicates the limitation amounts to the county assessors via memorandum, which is typically published on assessor websites for the benefit of the public.

<b>Individual Exemption Limitations for 2023</b>	
<b>Limitation Category</b>	<b>Maximum Allowed</b>
Total Assessed Value	\$ 29,418
Total Household Income – no minor children	\$ 36,077
Total Household Income – minor children/children with disability	\$ 43,733
Total Maximum Exemption Amount	\$ 4,375

With respect to the household income limitation, income includes “income from all sources” of the claimant and the claimant’s spouse and children who reside with the claimant. A.R.S. [42-11111\(E\)](#). “Income from all sources” is defined by inclusion and exclusion in A.R.S. [42-11111 \(F\) and \(G\)](#).

### ***Administration of the Individual Exemption***

To implement an individual exemption, the assessed value of the subject property is reduced by the amount of the exemption, which reduces the corresponding property tax liability. The exemption is applied, in order, to the assessed value of real property first, then to the assessed value of manufactured housing, and finally to the assessed value

of an automobile. The exemption is applied up to the maximum allowable amount (\$4,375 for 2023), but cannot exceed the total assessed value.

The following examples demonstrate the procedure for administering an individual exemption. Taxes in the examples are calculated using tax rates of \$7.00 and \$2.00 per \$100.00 of assessed value for the primary and secondary taxes, respectively. Taxes for the automobile are calculated using \$4.00 per \$100.00 of assessed value.

<b>Example 1: Residential Real Property Only</b>		
<b>Real Property Full Cash Value: \$300,000</b>	<b>Primary Taxes</b>	<b>Secondary Taxes</b>
Limited Property Value	\$ 249,000	\$ 249,000
Assessed Value (\$249,000 x 10% assessment ratio)	\$ 24,900	\$ 24,900
Exemption Amount (\$4,375 for 2023)	\$ 4,375	\$ 4,375
Net Assessed Value (\$24,900 - \$4,375)	\$ 20,525	\$ 20,525
Tax without Exemption (\$24,900/100) x (\$7 or \$2)	\$ 1,743	\$ 498
Tax with Exemption (\$20,525/100) x (\$7 or \$2)	\$ 1,437	\$ 411

<b>Example 2: Manufactured Housing (MH) and Vehicle</b>		
<b>MH Full Cash Value: \$9,000</b>	<b>Primary Taxes</b>	<b>Secondary Taxes</b>
MH Limited Property Value	\$ 7,000	\$ 7,000
MH Assessed Value (\$7,000 x 10% assessment ratio)	\$ 700	\$ 700
MH Exemption Amount (\$4,375 for 2023) <sup>15</sup>	\$ 700	\$ 700
MH Net Assessed Value (\$700 - \$700)	\$ 0	\$ 0
Vehicle Assessed Value <sup>16</sup>	\$ 1,000	\$ 0
Remaining Exemption Amount Applied to Vehicle <sup>17</sup>	\$ 1,000	\$ 0
Vehicle Net Assessed Value	\$ 0	\$ 0
MH Tax without Exemption (\$700/100) x (\$7 or \$2)	\$ 49	\$ 14
MH Tax with Exemption	\$ 0	\$ 0
Vehicle Tax without Exemption (\$1,000/\$100) x \$4	\$ 40	\$ NA
Vehicle Tax with Exemption	\$ 0	\$ NA

## Partial Exemption

Many of the exemptions set forth herein will result in total exemption from property taxation. However, when a portion of a property is used for a for-profit purpose, (e.g., an on-site bookstore, gift shop, or food dispensing facility), or a significant portion of a property is vacant and unused, those portions may not qualify for exemption. These situations would result in a partial exemption.

The extent of a partial exemption should be based on the amount of **space** and **time** of the nonqualifying use relative to the total space and time the property is utilized for a qualifying use. This is similar in concept to calculating a mixed-use assessment ratio.

<sup>15</sup> The exemption is applied up to the maximum allowable amount (\$4,375 for 2023), but cannot exceed the assessed value of the manufactured housing (\$700 in this example).

<sup>16</sup> The vehicle value is **not** included in determining whether the total assessed value of a subject property is equal to or less than the maximum allowable assessed value (\$29,418 for 2023). A.R.S. [42-1111\(D\)](#). However, after applying the exemption against the assessed value of the real property and/or the manufactured housing, if a positive balance remains, it can be applied to offset the in-lieu taxable value of a vehicle.

<sup>17</sup> The remaining exemption amount is \$3,675 (\$4,375 - \$700), but cannot exceed the assessed value of the vehicle (\$1,000 in this example).

For example, a portion of an exempt facility may be leased to a for-profit entity which uses that portion of the facility for a non-exempt purpose, such as daycare located in a church, or a medical practice located in a non-profit hospital. Such nonqualified use would result in a partial exemption of the charitable institution's property. See A.R.S. [42-11155](#), which states, "exemptions...relating to charitable institutions do not apply to property owned by charitable institutions but primarily held or used by others whose use is not exempt from taxation".

Another example is an instance in which two persons own a residence (e.g., a husband and wife), but only one of them is qualified for an individual exemption under A.R.S. [42-11111](#). In this situation, the applicable exemption amount should be applied against the full cash value of **only** the one-half interest of the qualified spouse. The one-half interest of the applicant's nonqualified spouse would not qualify for exemption from property tax.<sup>18</sup>

## Exemption Applications and Affidavits

### Procedure and Forms

To initially claim a property tax exemption, or to claim the exemption in subsequent years, a person or organization must "file an affidavit with the county assessor, signed under penalty of perjury, as to the person's eligibility [and] [f]ully answer all questions on the eligibility form or otherwise required by the assessor for that purpose." A.R.S. [42-11152\(A\) \(1\) and \(2\)](#). The assessor may accept the required affidavits electronically, but if so, must provide an electronic acknowledgment of receipt to the person or organization that submitted the affidavit. A.R.S. [42-11152\(C\)](#).

The affidavit and eligibility form necessary to file an application for exemption can be obtained from the assessor. The applicant may also be required to provide any other information the assessor deems necessary to determine eligibility for exemption. A.R.S.

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<sup>18</sup> See Ariz. Att'y Gen. Op. No. 62-19 (April 24, 1962) (citing [Oglesby v. Poage](#), 45 Ariz. 23, 33, 40 P.2d 90, 93 (1935)) and Ariz. Att'y Gen. Op. No. 70-11 (May 6, 1970).



[42-11152\(B\)](#). Any false statement made in the affidavit constitutes perjury. A.R.S. [42-11152\(D\)](#).

Generally, to claim an exemption in subsequent years, the applicant is not required to submit a new affidavit and eligibility form. See A.R.S. [42-11111\(H\)](#) and [42-11152\(A\)\(1\)](#). However, some assessors still require the filing of an annual affidavit in order to monitor continued exemption eligibility. The Department recommends contacting the assessor of the county in which a subject property is located for detailed information regarding the procedures in that jurisdiction.

Even if an annual reapplication is not required, there may still be actions that the applicant must take each year. For example, as set forth above, claimants of an individual exemption must annually calculate their income for the preceding year to ensure continued qualification for exemption. A.R.S. [42-11111\(H\)](#). In addition, persons with a total and permanent disability are required to annually submit a certification of their disability (ADOR Form [82514B](#)). A.A.C. [R15-4-116\(B\)](#). This form is available from either the assessor or the Department.

### **Application Due Date**

Exemption applications must be filed between the first Monday in January and March 1. Failure to submit an application between these dates constitutes a waiver of the exemption. A.R.S. [42-11153\(A\)](#). Nevertheless, a waiver of exemption may be redeemed for certain taxpayers that fail to timely file an exemption application. Pursuant to A.R.S. [42-11153\(B\)](#), a widow, widower, person with a disability, or organization qualified under I.R.C. 501(c) may request redemption of a waived exemption “at any regular meeting” before the county board of supervisors. However, even if the redemption is granted, taxes that were due and payable before the untimely application was submitted cannot be abated or refunded.

**Note:** The phrase “at any regular meeting” is interpreted to mean a regularly scheduled meeting of the board of supervisors. Therefore, requests for redemption of a waived

exemption may **not** be made by filing an administrative appeal or error correction notice, or during an administrative appeal hearing or error correction hearing. Such hearings are not “regular” (i.e., monthly) meetings of the board of supervisors, but are held only during designated time frames when the board of supervisors is sitting as a board of equalization.

## Property Tax Relief Programs

There are several constitutional and statutory programs that appear similar to property tax exemptions, but which are more properly categorized as property tax relief programs.

### 1. Additional State Aid for Education Program

Under the Additional State Aid for Education program, a percentage of school district taxes levied on owner-occupied residential property is rebated to the property owner. A.R.S. [15-972\(D\)](#). This rebate is automatic and is reflected on the property tax bill as a separate line item. The amount of the rebate is limited, with exceptions, to a maximum amount of \$600 for each qualifying residential property. A.R.S. [15-972\(D\)](#). Subject to certain limitations, the total of all rebates provided to property owners is reimbursed to affected school districts by the state as additional state aid. See A.R.S. [15-972\(E\)](#).

The Additional State Aid for Education program is also used to comply with the constitutional limitation that caps property taxation of owner-occupied residential property. This limitation states that “[t]he maximum amount of ad valorem taxes that may be collected from residential property in any tax year shall not exceed one per cent of the property’s full cash value....”<sup>19</sup> Ariz. Const. art. IX, sec. [18\(1\)](#). See A.R.S. [42-17152\(A\)](#). Accordingly, subject to the constraints in A.R.S. [15-972\(K\)](#), if the sum of the primary property taxes for an owner-occupied residential property exceeds the

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<sup>19</sup> A constitutional amendment that became effective in tax year 2015 provided that property taxes would be calculated based only upon limited property value, rather than upon both limited property value and full cash value, as was the case previously. Ariz. Const. art. IX, sec. [18\(3\)\(b\)](#) and A.R.S. [42-11001\(7\)\(b\)](#).

constitutional limit, the state pays an additional portion of the property owner's school district taxes so that the total tax bill does not exceed the one percent cap.

## 2. Elderly Assistance Fund

A.R.S. [42-17401](#) requires the establishment of an Elderly Assistance Fund in any county with a population of over two million residents (currently, only Maricopa County). The intent of the fund is to reduce primary school district taxes for a qualified individual, defined as any "individual who lives in an organized school district and who is approved for the [Senior Freeze program]". A.R.S. [42-17401\(E\)](#). No action on the part of a qualified individual is necessary to obtain the benefit of the Elderly Assistance Fund, other than applying and being approved for the Senior Freeze program.

The Elderly Assistance Fund is administered by the county treasurer. Each June 30, the treasurer determines the balance of the fund and the total number of qualified individuals in the county. In the following tax year, the funds are used to "proportionately reduce the primary school district taxes that are levied against the property of all qualified individuals". A.R.S. [42-17401\(C\)](#).

## 3. Homestead Exemption

The Homestead Exemption, described in A.R.S. [33-1101 through 33-1105](#), is not a true property tax exemption. More information on the Homestead Exemption may be found in the Department publication entitled [Overview of the Arizona Property Tax System](#).

## 4. Residential Property Tax Deferral Program

The Residential Property Tax Deferral program is described in A.R.S. [42-17301 through 42-17313](#). This program allows qualified taxpayers to defer payment of their property taxes for one taxable year. This deferral does not constitute a property tax exemption, but only delays the payment of property taxes. Because of its numerous requirements and limitations, and its one-year maximum applicability, this program is rarely utilized by taxpayers.

Both the individual applicant and the subject property must meet certain criteria to qualify for this program, as set forth below.

### ***Individual Qualifications***

Pursuant to A.R.S. [42-17302](#), at the time the applicant files for a residential property tax deferral, the applicant must:

1. Be at least 70 years of age.
2. Own or be purchasing the residence.
3. Have lived in the residence for at least 6 years or have been a resident of Arizona for at least 10 years.
4. Not own or have an interest in any other real property, except indirectly, such as through a mutual fund.
5. Not have a total taxable income for the preceding year that exceeds \$10,000 (this figure includes the income of all persons who reside in the residence).

### ***Residential Qualifications***

Pursuant to A.R.S. [42-17303](#), to qualify for residential property tax deferral, the residence must:

1. Be the applicant's primary residence.
2. Not be income producing.
3. Not have a full cash value exceeding \$150,000.
4. Not be subject to any real property lien of record less than five years old.
5. Not be subject to unpaid property taxes "for years preceding the year for which the initial election is made."

**Note:** The last statement is interpreted to mean that property taxes for all tax years prior to the **calendar year** of application must be paid before the residence can qualify for the **tax year** of application. This effectively limits utilization of the program to one-year time periods only, as property taxes cannot accrue unpaid from one year to another.

***Marital Qualifications***

In the case of a married couple, A.R.S. [42-17302\(C\)](#) requires that all of the individual and residential requirements set forth above must be met, and that both spouses must consent to the deferral, whether or not both have an ownership interest in the subject residence. Though not addressed in the statute, the Department has determined that these requirements also apply to unmarried couples or other co-owners.

**5. “Senior Freeze” Program**

The Senior Freeze program, officially known as the Property Valuation Protection Option, is described in the Arizona Constitution. See Ariz. Const. art. IX, sec. [18 \(7\) through \(9\)](#). Thus far, no statutory provisions have been enacted to assist in administering the Senior Freeze program. Application for the program may be accomplished using ADOR Form [82104](#).

The Senior Freeze program allows taxpayers qualified by age and income to have the valuation of their property Class Three primary residence fixed (i.e., “frozen”) for a renewable period of three years. While the valuation of the primary residence remains fixed as long as the taxpayer is eligible, property taxes do not, but continue to be levied at the same rate that is applicable to all other properties in the taxing district. Certain taxpayers may be able to qualify simultaneously for both the Senior Freeze program and a property tax exemption, such as an exemption for widows, widowers, or persons with a disability.

# **Addendum November 2023**

## Introduction

The purpose of this Addendum is to review new legislation that was passed during the 2023 legislative session (the 56th Legislature, 1st Regular Session) and that may be relevant to this publication. Although every effort has been made to include all relevant legislative changes, this Addendum may not be all inclusive. The Department recommends relying on your own research and discretion. The information in this Addendum will be incorporated into the main text of this publication as part of a future comprehensive update.

## Legislative Changes

### **2023 – Fifty-sixth Legislature – First Regular Session**

#### **House Bill [2064](#): Amended A.R.S. 42-11111**

Limited individual property tax exemptions to a single category; added definitions for “competent medical authority” and “person with a total and permanent disability.”

#### **Senate Bill [1230](#): Amended (among others) A.R.S. 42-11104, 42-11109, 42-11110, 42-11111, 42-11131, 42-11132, 42-11132.01, 42-11132.02, 42-11152, and 42-11153**

Restated and relocated requirements regarding eligibility and application for property tax exemption; limited individual property tax exemptions to a single category.

## Application of Legislative Changes

The legislative changes implemented during 2023 had only minor effects on assessment practice regarding property tax exemptions, as briefly summarized below.

### ***General Requirements***

The 2023 legislation restated or relocated two of several already-existing requirements for property tax exemption, which are to file an initial affidavit as prescribed by A.R.S. [42-11152](#), and to report to the assessor any circumstance that disqualifies the person or property from exemption. The legislation also removed references to the filing of subsequent affidavits.

Because these legislative changes relate to core exemption requirements, numerous citations and references in this publication were affected. Even so, the net effect of the legislative changes on current exemption procedures appears to be minimal, as both the general requirements and the effective treatment of subsequent affidavits remain in place.

Following is a list, organized by statute, of the textual references and/or citations in this publication that were affected by the changes described in this section.

- A.R.S. [42-11104\(E\)](#): [Page 20](#) under Specialized Property.
- A.R.S. [42-11109\(C\)](#): [Page 23](#) under 6. *Religious Property*.
- A.R.S. [42-11110\(B\)](#): [Page 24](#) under 7. *Cemeteries*.
- A.R.S. [42-11111\(H\)](#):
  - [Page 34](#) (second citation) under *Application For Individual Exemption*.
  - [Page 36](#) under Veteran With a Disability.
  - [Page 40](#) (first citation) under Procedure and Forms.
- A.R.S. [42-11131\(C\)](#): [Page 30](#) under 21. *Low-Income Native American Housing*.
- A.R.S. [42-11132\(C\)](#): [Page 31](#) under 22. *Property Leased to Educational Institutions*.
- A.R.S. [42-11132.01\(C\)](#): [Page 32](#) under 23. *Property Leased to a Church, Religious Assembly, or Religious Institution*.
- A.R.S. [42-11132.02\(C\)](#): [Page 33](#) under 24. *Property Leased to a Veterans' Organization*.
- A.R.S. [42-11152](#):
  - [\(A\) \(1\) and \(2\)](#): [Page 39](#) under Procedure and Forms.
  - [\(A\)\(1\)](#): [Page 40](#) under Procedure and Forms.

### **Definitions**

The 2023 legislation codified the definitions of “competent medical authority” and “person with a total and permanent disability.” A.R.S. [42-11111\(K\) \(1\) and \(3\)](#). These



definitions were previously found only in the Arizona Administrative Rules. A.A.C. [R15-4-116](#).<sup>20</sup> The 2023 legislation also expanded the definition of “competent medical authority” to include a physician assistant, registered nurse practitioner, and the U.S. Department of Veterans Affairs. A.R.S. [42-11111\(K\)\(1\) \(a\) to \(c\)](#).<sup>21</sup>

Following is a list of the citations in this publication that were affected by the changes described in this section.

- A.A.C. [R15-4-116\(A\)](#): [Page 35](#) under the *Establishing Disability*.
- A.A.C. [R15-4-116\(B\)](#) (and footnote): [Page 35](#) under the *Establishing Disability*.
- A.A.C. [R15-4-116\(B\)](#): [Page 40](#) under Procedure and Forms.

### ***Individual Exemption Limitations***

The 2023 legislation limited individual property tax exemptions to a single category, eliminating the need for the monetary-aggregate limitation that was prescribed formerly, as follows:

An individual is not entitled to property tax exemptions ~~in the aggregate that exceed the maximum allowed to under more than one category~~ as a widow or widower, a person with a total and permanent disability or a veteran with a disability even if the individual is eligible for an exemption in more than one category.”

A.R.S. [42-11111\(J\)](#). (changes in red).

The reference in this publication that is affected by this legislative change is the second-to-last sentence under the Individual Exemptions heading on [page 34](#).

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<sup>20</sup> Although A.A.C. [R15-4-116](#) remains in place, it is preempted by A.R.S. [42-11111\(K\) \(1\) and \(3\)](#).

<sup>21</sup> The complete list of competent medical authorities now includes a chiropractor, physician (allopathic, homeopathic, osteopathic, and naturopathic), physician assistant, psychologist, registered nurse practitioner, and the U.S. Department of Veterans Affairs.

**Minor Textual Corrections**

The 2023 legislation implemented several minor textual corrections that affected statutory quotations in this publication, as indicated in red below.

**A.R.S. 42-11132.01.** The quotation of A.R.S. [42-11132.01\(A\)](#) on [page 32](#) under 23. *Property Leased to a Church, Religious Assembly, or Religious Institution* should be updated to read: “[p]roperty, buildings and fixtures that are leased to a nonprofit church, religious assembly or religious institution and that are primarily used **or held** for religious worship”.

The quotation of A.R.S. [42-11132.01\(B\)](#) on [page 32](#) under 23. *Property Leased to a Church, Religious Assembly, or Religious Institution* should be updated to read: “[p]roperty, buildings and fixtures that are owned by an educational, religious or charitable organization, institution or association, that are leased to a nonprofit church, religious assembly or religious institution and that are primarily used **or held** for religious worship are exempt from taxation.”

**A.R.S. 42-11132.02.** The quotation of A.R.S. [42-11132.02\(B\)](#) on [page 33](#) under 24. *Property Leased to a Veterans’ Organization* should be updated to read: “[p]roperty, buildings and fixtures that are owned by a veterans’ organization, that are leased to a veterans’ organization and that are primarily used for **the operations of the** veterans’ organization **operations** are exempt from taxation.”

**Non-Legislative Changes**

Several hyperlinks in this publication have been updated, as set forth in the following:

Updated hyperlink for *Property Tax Exemptions* on page [2](#):

[https://azdor.gov/sites/default/files/2023-05/PROPERTY\\_PropertyTaxExemptions.pdf](https://azdor.gov/sites/default/files/2023-05/PROPERTY_PropertyTaxExemptions.pdf).

Updated hyperlink for ADOR Form 82132 on page [32](#):

<https://azdor.gov/forms/property-tax-forms/annual-affidavit-church-religious-assembly-or-institution-using-or-holding>.

Updated hyperlink for ADOR Form 82514B on pages [35](#) and [40](#):

<https://azdor.gov/forms/property-tax-forms/certification-disability-property-tax-exemption>.

Updated hyperlink for *Overview of the Arizona Property Tax System* on page [42](#):

[https://azdor.gov/sites/default/files/2023-03/PROPERTY\\_OverviewAZPTSystem.pdf](https://azdor.gov/sites/default/files/2023-03/PROPERTY_OverviewAZPTSystem.pdf).