



ARIZONA STATE SENATE
Fiftieth Legislature, Second Regular Session

FACT SHEET FOR H.B. 2774

property tax exemption; religious property

Purpose

Eliminates requirements that buildings and property be used primarily for religious worship in order to qualify for property tax exemption. Includes churches that are tax exempt but have not filed for recognition by the United States Internal Revenue Service in property tax exemptions.

Background

Statute allows for property including land, improvements, furniture, equipment and buildings to be exempted from property tax when used or held primarily for religious worship by a tax exempt organization. A nonprofit organization must file an affidavit of eligibility with the county assessor demonstrating tax exempt status under United States Internal Revenue Code 501(c)(3) or under ARS 43-1201. Letters of determination may be issued by the United States Internal Revenue Service (IRS) or the Arizona Department of Revenue (DOR) to satisfy this requirement.

The fiscal impact of this legislation cannot be definitively determined due to a lack of uniform assessment practices among counties. The JLBC fiscal note for this legislation states that an expanded scope of exemptions has the potential to reduce net assessed valuation, but that the state's truth in taxation provisions for offsetting property value reduction are likely to minimize this impact.

Provisions

1. Exempts property or buildings held by a religious association or institution from taxation so long as they are not held or used for profit.
2. Eliminates requirements that property be primarily used for religious worship in order to be exempt from taxation.
3. Requires religious associations or institutions to annually certify to the county assessor their intent to use tax exempt property in furtherance of their religious mission.
4. Stipulates that churches that are considered tax exempt and have not filed for determination with the IRS:
 - a) are included in religious property tax exemptions and
 - b) are not required to present a letter of determination in order to establish nonprofit status.

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5. Becomes effective on the general effective date.

House Action

WM	1/12/12	DPA	6-1-1-1
3 rd Read	3/1/12		43-13-3-0-1

Prepared by Senate Research

March 6, 2012

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