

# Arizona's Property Tax Assessment Process: Structure, History and Future

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## Learning Objectives

- Understand the structure and methodology of Arizona's property tax assessment system.
- Analyze the historical development and impact of Proposition 117.
- Evaluate the implications of Rule A and Rule B valuation methods.
- Compare Arizona's system with those of other states including California, Illinois, and Colorado.
- Assess the legal and fiscal consequences of recent case law and statutory amendments.

## Agenda

- Overview of Arizona Property Tax Law
- Proposition 117: History and Impact
- Rule A and Rule B Valuation Methods
- Case Law: Qasimyar v. Maricopa County
- Comparative Systems in Other States
- Legal and Fiscal Implications

## Topic Summaries

Arizona uses Full Cash Value (FCV) and Limited Property Value (LPV) to assess property taxes. Rule A applies a 5% cap on LPV increases for unchanged properties, while Rule B recalculates LPV based on FCV/LPV ratios for properties with changes in use, omissions, or new construction.

Proposition 117, passed in 2012 and effective from 2015, aimed to simplify the assessment process, stabilize property tax growth, and protect taxpayers from market volatility. It limits LPV increases to 5% annually unless Rule B applies.

Rule B is triggered by changes in use, omissions, or new construction. LPV is then determined by comparable FCV/LPV ratios within the same classification. This method allows strategic appeals and can significantly impact tax liability.

In *Qasimyar v. Maricopa County* (2021), the court clarified that a change in property classification due to occupancy constitutes a change in use, triggering Rule B. The ruling led to statutory amendments and an estimated \$150M in tax refunds.

California's Proposition 13 caps property tax at 1% of FCV and resets values upon sale.

Proposition 19 modified inheritance rules. Illinois uses PTELL to cap tax extensions.

Colorado reassesses biennially and limits revenue increases to 5.5%.

## References

- A.R.S. § 42-13301 – Limitation on Valuation Increases
- A.R.S. § 42-13302 – Determining Limited Value in Cases of Modifications, Omissions and Changes
- *Qasimyar v. Maricopa County*, 250 Ariz. 580, 483 P.3d 202 (App. 2021)
- Arizona Proposition 117 (2012)
- California Proposition 13 (1978) and Proposition 19 (2020)
- Illinois Property Tax Extension Limitation Law (PTELL)
- Colorado Revised Statutes on Property Tax Assessment