



Dear Gov. Napolitano,

The undersigned organizations strongly encourage you to sign House Bill 2220 that repeals the scheduled return of the state equalization tax in 2009.

In 2006, you joined the state Legislature in responding to historic increases in residential and commercial property valuation by suspending the state equalization rate as well as preempting local governments from increasing primary property taxes. In addition, the Legislature referred, and the voters approved Proposition 101 at the general election ballot in November of 2006. Proposition 101 ensured that the primary property taxes of counties, community college districts, and cities be limited to 2 percent plus new construction.

All of these measures were an attempt by state policymakers to address the threat of skyrocketing property taxes. As you are aware, the widespread concern among property taxpayers across Arizona resulted in three property tax initiatives that are currently in circulation. Those initiatives would have dramatic impacts on Arizona's public finance system. The level of taxpayer concern regarding rising property taxes continues as was evident in the failure of most school tax questions last November.

Regrettably, the temporary nature of the state property tax reduction in 2006 sent a mixed message to property taxpayers that the Legislature and governor were committed to showing sustained leadership on this important issue. It is also important that while the three-year suspension of the state rate was the result of a negotiated agreement between yourself and legislative leaders at the time, it was inconsistent with our efforts to offset skyrocketing property valuations with permanent rate relief.

Lastly, it is important to remember that notwithstanding the rate relief and reforms passed in 2006, property taxpayers are still seeing increases in their taxes as a result of valuation growth. Allowing the state equalization rate to return next year will not only load higher taxes onto struggling homeowners and businesses, it will erode confidence that state policymakers can adequately manage the state's property tax system.

Arizona Tax Research Association
NAIOP Arizona
Arizona Chamber of Commerce and Industry
Phoenix Chamber of Commerce
NFIB
Southern Arizona Chamber of Commerce Alliance

Arizona Free Enterprise Club
Arizona BOMA
Arizona Retailers Association
East Valley Chambers of Commerce Alliance
West Valley Chambers of Commerce Alliance
Arizona Multihousing Association