



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

REVISED
FACT SHEET FOR S.B. 1496

property tax exemptions; inflation adjustment

Purpose

Modifies the method used to annually increase the property assessment limit under which a person qualifies for certain statutory property tax exemptions.

Background

The property of Arizona residents who are widows, widowers, persons with total and permanent disabilities or veterans with service or nonservice connected disabilities are exempt from property tax subject to the conditions and limitations prescribed by statute. The exemption amount is: 1) \$4,188, if the person's total property assessment does not exceed \$28,459; or 2) no exemption if the person's total property assessment exceeds \$28,459. To qualify for a property tax exemption, a claimant's total income is subject to a statutory cap. The Arizona Department of Revenue (ADOR) annually increases the exemption amount, income cap and property assessment limit based on the average annual percentage increase, if any, in the GDP price deflator in the two most recent complete state fiscal years ([A.R.S. § 42-11111](#)).

The Federal Housing Finance Agency House Price Index (FHFA HPI) is a broad economic measure of the movement of single-family house prices in the United States. The FHFA HPI measures average price changes in sales or refinancings by reviewing transactions on single-family properties with mortgages purchased or securitized by Fannie Mae or Freddie Mac. The FHFA constructs several indexes for different market geographies and periods ([FHFA](#)).

If changing the method used to increase the property assessment limit results in a tax shift that affects the obligations of the state, there may be a fiscal impact to the state General Fund.

Provisions

1. Requires ADOR, beginning in TY 2025, to increase the property assessment limit based on the average annual percentage increase in the FHFA HPI for Arizona, rather than the GDP price deflator, for the two most recent complete state fiscal years.
2. Defines *federal house price index* as the average measure of movement of single-family house prices in the United States published by the FHFA for Arizona.
3. Makes conforming changes.
4. Becomes effective on the general effective date.

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Revisions

- Corrects the fiscal impact statement.

Prepared by Senate Research

February 2, 2024

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