

Limited Property Value



Introduction

Article IX, Section 18 of the Arizona Constitution contains provisions for establishing property taxes and property tax valuation limits on residential properties and other properties from year to year. In implementing certain of these constitutional provisions, the Arizona legislature adopted A.R.S. [42-13301](#) through [42-13304](#), which provide for two categories of property taxation values for certain real property and for manufactured homes / mobile homes: full cash value (FCV) and limited property value (LPV).

Per A.R.S. [42-11001\(6\)](#): “Full cash value for property tax purposes means the value determined as prescribed by statute. If no statutory method is prescribed, full cash value is synonymous with market value which means the estimate of value that is derived annually by using standard appraisal methods and techniques. Full cash value is the basis for assessing, fixing, determining and levying primary and secondary property taxes on property described in A.R.S. [42-13304](#). Properties in A.R.S. [42-13304](#) include personal property, other than mobile homes, and property included in property class one under A.R.S. [42-12001\(1\)-\(7\) and \(11\)](#). Full cash value shall not be greater than market value regardless of the method prescribed to determine value for property tax purposes.”

Per A.R.S. [42-11001\(15\)](#): Secondary property taxes are (1) ad valorem taxes or special property assessments used to pay the principal of and the interest and redemption charges on bonded indebtedness or other lawful long-term obligations issued or incurred for a specific capital purpose by a municipality, county or taxing district; or (2) ad valorem taxes or assessments levied by or for special taxing districts and assessment districts other than school districts and community college districts; or (3) amounts levied pursuant to an election to exceed a budget, expenditure or tax limitation. Primary property taxes are all ad valorem taxes except for secondary property taxes [[A.R.S. 42-11001\(11\)](#)].

A.R.S. [42-11001\(7\)](#) defines limited property value (LPV) as the value determined pursuant to A.R.S. [42-13301](#). Under A.R.S. [42-13301](#) the LPV is the limited property value of the property in the preceding valuation year plus five percent of that value. The current LPV of a parcel of property shall not exceed its current full cash value. Per A.R.S. [42-11001\(7\)](#), the LPV is used to calculate the levy limitations for counties, cities, towns and community college districts, and for assessing, fixing, determining and levying primary and secondary property taxes on all property except property described in A.R.S. [42-13304](#), which again, include personal property, other than mobile homes, and property included in property class one under A.R.S. [42-12001\(1\)-\(7\) and \(11\)](#).

In the 2012 general election Arizona voters approved Proposition 117 which modified Arizona's dual valuation tax system with a single taxable limited property value (LPV). While most characteristics of the property tax system were not affected by Proposition 117, e.g., the county assessor continues to determine a locally assessed property's FCV at its statutory or market value, which is the value appealable by the property owner, Proposition 117 imposed a limitation of the LPV's annual growth to 5% beginning in tax year 2015.

Limited Property Value Calculation Method

There are two methods by which the LPV can be increased from one valuation year to the next valuation year. These methods are identified as "Rule A" and "Rule B".

"Rule A." This method is applicable to:

1. Properties in which there has been no physical change in either the land or improvement(s);
2. Properties for which there has been no change in use;
3. Properties which were not totally omitted from the tax roll in the preceding valuation year.

Through tax year 2014, the Rule A methodology for determining a property's current valuation year LPV required a comparison of a two-part calculation involving the property's LPV for the preceding valuation year and its current year FCV. The new LPV could not exceed the property's current FCV. **See Appendix A.**

Commencing with tax year 2015, the Rule A methodology for determining a property's current year LPV is a single calculation of the preceding valuation year LPV of the property plus five percent of that value [A.R.S. [42-13301\(A\)](#)]. As in the old methodology, in the new Rule A, the LPV cannot exceed the property's current FCV [A.R.S. [42-13301\(B\)](#)].

Example 2015 Rule A – New LPV Equal to or Less than FCV

Current Valuation Year FCV	\$100,000
Prior Valuation Year LPV	\$95,000
Five Percent of Prior Year LPV	\$4,750
Current Valuation Year LPV	\$99,750

Example 2015 Rule A – New LPV Restricted by FCV

Current Valuation Year FCV	\$98,000
Prior Valuation Year LPV	\$95,000
Five Percent of Prior Year LPV	\$4,750
Current Valuation Year LPV Calculation	\$99,750
Current Valuation Year LPV Statutory Maximum	\$98,000

Rule B: Determining LPV in Cases of Omissions and Changes (A.R.S. [42-13302](#))

The following properties' LPVs are established at a level or percentage of FCV that is comparable to that of other properties of the same or similar use or classification (A.R.S. [42-13302A](#)):

1. Properties for which the land or improvement(s) were erroneously omitted from the property tax roll for the preceding tax year;
2. Properties that have had a change in use since the preceding tax year;
3. Properties that were modified by new construction, or were subject to the destruction or demolition of existing improvements since the preceding valuation year;
4. Properties that have been split (i.e., divided) or consolidated (i.e., "combined") **from January 1 through September 30 of the current valuation year** excluding parcel splits or consolidations that were "initiated by a government entity"

For properties that are split, subdivided or consolidated **after September 30 through December 31 of the valuation year**, except for cases that result from an action initiated by a governmental entity:

1. The total LPV of the resulting parcel or parcels must be the same as the total LPV of the original parcel or parcels
2. The new parcel or parcels must retain the same value-adding characteristics that applied to the original parcel or parcels before being split or consolidated unless there has been new construction, destruction or demolition of improvements that has occurred since the preceding valuation year.

3. For the following valuation year, the LPV is to be established at a level or a percentage of FCV that is comparable to that of other properties of the same use or legal classification.
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For properties that are split, subdivided or consolidated **from January 1 through September 30** of the valuation year as a result of *an action initiated by a government entity*, the LPV is the lower of either:

1. The level or percentage of FCV that is comparable to that of other properties of the same or similar use or legal classification, or
2. The total LPV of the original parcel or parcels as determined under A.R.S. [42-13301](#).

In the following valuation year, the LPV shall be established pursuant to A.R.S. [42-13301](#).

In the case of property that has been split, subdivided or consolidated **after September 30 through December 31** of the valuation year as a result of *an action initiated by a government entity*:

1. The total LPV of the resulting parcel or parcels is the same as the total LPV of the original parcel or parcels as determined under A.R.S. [42-13301](#)
2. In the following valuation year, the LPV is to be established as the lower of either:
3. The level or percentage of FCV that is comparable to that of other properties of the same or similar use or legal classification (Rule B), or
4. The LPV established using a Rule A calculation pursuant to A.R.S. [42-13301](#).

The following tables summarize the special provisions of A.R.S. [42-13302](#).

Property Splits and Consolidations from January 1 through September 30

Initiating Entity	Action in <i>Current</i> Year	Action in <i>Following</i> Year
Nongovernment	Rule B: LPV is at level or % of FCV that is comparable to that of other properties of the same or similar use or classification	Rule A: LPV is determined pursuant to A.R.S. 42-13301
Government	Rule B: LPV is lower of either the level or % of FCV that is comparable to that of other properties of the same or similar use or classification, or total LPV of original parcel(s) as determined pursuant to A.R.S. 42-13301	Rule A: LPV is determined pursuant to A.R.S. 42-13301

Property Splits and Consolidations from October 1 through December 31

Initiating Entity	Action in <i>Current</i> Year	Action in <i>Following</i> Year
Nongovernment	Rule B: Total of LPV of new parcel(s) is same as total LPV of original parcel(s)	Rule B: LPV of new parcel(s) equals level or % of FCV that is comparable to that of other properties of the same or similar use or classification
Government	Rule B: Total of LPV of new parcel(s) same as total LPV of original parcel(s) as determined under A.R.S. 42-13301	Use Rule B or Rule A: LPV is lower of level or % of FCV that is comparable to that of properties of the same or similar use or classification, or the LPV as determined pursuant to A.R.S. 42-13301

Allocation of Limited Property Values

The following illustrate how to “allocate” an existing single LPV to two or more new parcels for a current valuation year. Allocation is simply a method of developing a ratio of LPV to FCV, and applying that ratio to the appropriate parcel’s FCVs.

Parcel 001 current year FCV and LPV **before split**:

Current Year FCV before split	\$312,000
Current Year LPV	\$271,440
Current Year LPV Ratio	$\$271,440 \div \$312,000 = 0.87$

Current year FCVs and LPVs **after split** (new parcels 001A, 001B and 001C). Each newly split-off parcel's LPV equals eighty-seven percent of its new FCV.

New Parcel 001A FCV	\$ 31,200	x 0.87 =	\$ 27,144 (LPV)
New Parcel 001B FCV	\$124,800	x 0.87 =	\$108,576 (LPV)
New Parcel 001C FCV	<u>\$156,000</u>	x 0.87 =	<u>\$135,720 (LPV)</u>
	\$312,000		\$271,440 (Total LPV)

When two or more parcels are consolidated into a new, single parcel, simply add the LPVs from the existing parcels being consolidated in order to derive the current valuation year's LPV for the new, single parcel.

Parcels 012A, 016B, 027G and 014 current year FCVs and LPVs **before consolidation**

Parcel 012A	FCV = \$ 12,800	LPV = \$ 11,360
Parcel 016B	FCV = \$ 24,000	LPV = \$ 24,000
Parcel 027G	FCV = \$ 60,000	LPV = \$ 51,260
Parcel 014	FCV = <u>\$ 21,500</u>	<u>LPV = \$ 21,500</u>
	Total FCV = \$118,300	Total LPV = \$108,120

Current Year FCV and LPV **after consolidation**

New Parcel 051	FCV = \$118,300	Total LPV = \$108,120
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For the valuation year following a split or consolidation, the LPV for the new parcel(s) will be determined pursuant to A.R.S. [42-13301](#) or A.R.S. [42-13302](#) depending upon if the change occurred before or after September 30 and if a government entity initiated the change.

While the statutes provide for the application of Rule B in a number of situations, its direct application can sometimes have a disproportionate impact on the LPV. For example, a legal class three property with a FCV of \$150,000 and an LPV of \$80,000 recently had a \$10,000 room addition. The strict application of Rule B (A.R.S. [42-13302](#)) would increase the LPV to \$142,400 using a hypothetical Rule B factor of eighty-nine percent ($\$160,000 \times 0.89$).

Conversely, applying the statutory Rule A factor (A.R.S. [42-13301](#)) to the preceding example would result in a LPV of \$84,000 ($\$80,000 \text{ LPV plus } 5\% \text{ plus} = \$84,000$).

Although Rule B must be used when any new construction equals ten percent or more of the prior valuation year's FCV, an assessor should use discretion in determining whether Rule A or Rule B will be applied in the following situations:

- The assessor has updated the listing of a property's characteristics which results in an increase in the FCV.
- The interior of a property has been completely renovated/modified which changes the property's effective age.
- Partial omissions, wherein the portion of a property that was omitted from the tax roll is less than ten percent of the prior valuation year's FCV.
- Changes in classification, including "qualified" agricultural classification, wherein the increase in FCV is less than ten percent of the prior valuation year's FCV.
- New construction, wherein the new construction adds less than ten percent to the prior valuation year's FCV. The demolition, destruction or removal of existing improvements, wherein the FCV remaining is equal to, or exceeds, ninety percent of the prior valuation year's FCV, the elimination of the improvements also results in a change of legal classification (e.g., if the parcel is changed from improved to vacant land).

As noted in the following examples, Rule A or Rule B must be applied to the total property value (land and improvements). It is incorrect to apply Rule A to one part of the

property and Rule B to other parts of the same property. However, more than one Rule B factor can be applied to the same property in mixed-use (mixed legal class) assessment ratio situations.

The LPV to FCV ratio is determined by using the ratio for properties in the same legal classification or within the same property use code grouping. Whether the legal class or the property use code grouping is used, a geographic area should be used that has a sufficient number of comparables to provide a reliable ratio.

Locally assessed real property values are used in developing the Rule B factor. Rule B factors or ratios are developed based upon the relationship between the full cash and limited values of existing properties that are subject to Rule A limited value calculation (Please see the discussion that begins on page 3 of this document.)

Hypothetical Rule B factors have been developed below for legal classes one, two and three properties in a *hypothetical* county. In each case the FCV and LPV for the legal classification for the entire county has been used.

The *hypothetical* results are as follows:

Legal Class One Properties

FCV countywide	\$143,641,952
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LPV countywide	\$106,570,402
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(LPV) $\$106,570,402 \div$ (FCV) $\$143,641,952 = 0.7419$

The Rule B factor for Legal Class One properties is: 74 percent

Legal Class Two Properties

FCV countywide	\$36,940,120
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LPV countywide	\$22,802,874
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(LPV) $\$22,802,874 \div$ (FCV) $\$36,940,120 = 0.6173$

The Rule B factor for Legal Class Two properties is: 62 percent

Legal Class Three Properties

FCV countywide	\$462,910,010
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LPV countywide	\$410,864,200
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(LPV) $\$410,864,200 \div$ (FCV) $\$462,910,010 = 0.8876$

The Rule B factor for Legal Class Three properties is: 89 percent

With these Rule B factors having been computed, the following examples illustrate the application of Rule B under various circumstances.

Example 1: Total omission of the entire property.

A legal class three property, consisting of both land and improvements, was omitted (i.e., had “escaped” being valued and assessed) from the prior tax year’s roll.

Prior Year’s FCV	\$0
Current Years’ FCV	\$100,400
Legal Class Three factor	.89
Current Tax Year’s LPV ($\$100,400 \times 0.89$)	\$89,356

Example 2: Omission of the improvements only.

An improved legal class one property was on the prior tax year’s roll as land only. The structure was omitted (i.e., it is an “escaped” improvement).

Prior Tax Year’s FCV Land	\$40,000
Prior Tax Year’s Improvement	<u>Omitted</u>
Total FCV	\$40,000
Current Tax Year’s FCV Land	\$45,000
Current Year’s FCV Improvement	<u>\$100,000</u>
Total FCV	\$145,000
Prior Tax Year’s FCV LPV	\$30,000
Current Tax Year’s LPV ($\$145,000 \times 0.74$)	\$107,300

Example 3: Partial omission (one improvement only, less than ten percent of the prior valuation year's FCV, had "escaped").

A legal class one property was assessed in the prior year for both the land and improvements, but one structure with a FCV of \$15,000 was omitted.

	<u>Property w/Omission</u>	<u>Omitted Property</u>	<u>Total</u>
Prior Valuation Year FCV Land	\$120,000		\$120,000
Prior Valuation Year FCV Improvements	<u>\$160,000</u>		<u>\$160,000</u>
Total FCV	\$280,000		\$280,000
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Current Valuation Year's FCV Land	\$130,000		\$130,000
Current Valuation Year's FCV Improvements	\$165,000	\$15,000	<u>\$180,000</u>
Total FCV			\$310,000
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Prior Valuation Year's LPV	\$210,000		\$210,000
Current Year's Rule A LPV ¹	(\$210,000 x 1.05)		\$220,500
Current Year's Rule B LPV	(\$310,000 x 0.74)		\$229,400

¹ Since the partial escape (\$15,000) is less than ten percent of the prior year's FCV (\$ 280,000), the Assessor may use their discretion to apply Rule A.

Example 4: Partial omission (an improvement amounting to ten percent or more of the prior valuation year’s FCV had “escaped”).

A legal class one property was assessed in the prior valuation year for both the land and improvements, but a major improvement had been omitted.

	<u>Property w/Omission</u>	<u>Omitted Property</u>	<u>Total</u>
Prior Valuation Year FCV Land	\$120,000		\$120,000
Prior Valuation Year FCV Improvements	<u>\$160,000</u>		<u>\$160,000</u>
Total FCV	\$280,000		\$280,000

Current Valuation Year’s FCV Land	\$130,000		\$130,000
Prior Valuation Year’s FCV Improvements	<u>\$165,000</u>	\$180,000	<u>\$345,000</u>
Total FCV			\$475,000

Prior Valuation Year’s LPV	\$210,000		\$210,000
Current Year’s Rule B	(\$475,000 x 0.74)		\$351,500

Example 5: Change in Use.

A legal class three residence has been converted into an office (legal class one).

Prior Valuation Year’s FCV	\$130,000
Current Valuation Year’s FCV	\$150,000
Prior Valuation Year’s LPV	\$100,000
Current Year’s LPV (\$150,000 x 0.74)	\$111,000

Example 6: New construction (ten percent or more of the prior valuation year's FCV).

A legal class two building site has been improved with a new single-family residence (i.e., a change to legal class three).

	<u>Original</u>	<u>Addition</u>	<u>Total</u>
Prior Valuation Year FCV Land	\$35,000		\$35,000
Total FCV	\$35,000		\$35,000
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Current Valuation Year's FCV Land	\$35,000		\$35,000
Current Valuation Year's FCV Improvements		\$110,000	<u>\$110,000</u>
Current Year's Total FCV			\$145,000
Prior Valuation Year's LPV			\$25,000
Current Valuation Year's LPV		(\$145,000 x 0.89)	\$129,050

Example 7: New construction (less than ten percent of the prior valuation year's FCV).

A legal class three residence has a new \$10,000 room addition.

	<u>Original</u>	<u>Addition</u>	<u>Total</u>
Prior Valuation Year's FCV Land	\$40,000		\$40,000
Prior Valuation Year's FCV Improvements	<u>\$100,000</u>		<u>\$100,000</u>
Total FCV	\$140,000		\$140,000
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Current Valuation Year's FCV Land	\$45,000		\$45,000
Current Valuation Year's FCV Improvements	\$105,000	\$10,000	<u>\$115,000</u>
Total FCV			\$160,000
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Prior Valuation Year's LPV	\$85,000		\$85,000
Current Valuation Year's Total LPV Rule A ²		(\$85,000 x 1.05)	\$89,250

² Since the new construction (\$10,000) is under ten percent of the prior year's FCV (\$140,000), the Assessor may use their discretion to apply Rule A.

Example 8: New construction - a partially complete structure.

A legal class one property's new improvements will be under construction for a period of two years.

<u>Year 1</u>	<u>Original</u>	<u>Addition</u>	<u>Total</u>
Prior Valuation Year FCV Land	\$400,000		\$400,000
Current Valuation Year's FCV Land	\$400,000		\$400,000
Current Valuation Year's FCV Improvements		\$500,000	<u>\$500,000</u>
Total FCV			\$900,000
Prior Valuation Year's LPV			\$200,000
Current Valuation Year's LPV ³ (\$900,000 x .70)			\$630,000

<u>Year 2</u>			
Prior Valuation Year's FCV Land	\$400,000		\$400,000
Prior Valuation Year's FCV Improvements	<u>\$500,000</u>		<u>\$500,000</u>
Total FCV	\$900,000		\$900,000

Current Valuation Year's FCV Land	\$400,000		\$400,000
Current Valuation Year's FCV Improvements	\$500,000	\$900,000	<u>\$1,400,000</u>
Total FCV			\$1,800,000

Prior Valuation Year's LPV			\$630,000
Current Valuation Year's LPV	(\$1,800,000 x 0.74)		\$1,332,000

³ In this example, the hypothetical Rule B factor of 0.70 represents the factor for Year 1.

Example 9: Mixed-ratio / new construction. A property consists of land, a legal class one structure and a legal class three structure. A new legal class one structure is being added.

	Legal Class 1 Parcel	Legal Class 1 Addition	Legal Class 3 Parcel	Total
Prior Valuation Year's Land	\$30,000		\$10,000	\$40,000
Prior Valuation Year's Improvement	<u>\$100,000</u>		<u>\$40,000</u>	<u>\$140,000</u>
Total FCV	\$130,000		\$50,000	\$180,000
Legal Class One Parcel				
Current Valuation Year's FCV Land	\$32,000			\$32,000
Current Valuation Year's FCV Improvement	<u>\$100,000</u>	<u>\$100,000</u>		<u>\$200,000</u>
Total Current Valuation Year's FCV	\$132,000	\$100,000		\$232,000
Legal Class Three Parcel				
Current Valuation Year's FCV Land			\$11,000	\$11,000
Current Valuation Year's FCV Improvement			\$41,000	\$41,000
Total Current Valuation Year's FCV			\$52,000	\$52,000
Total Combined Parcel FCV	\$132,000	\$100,000	\$52,000	\$284,000
Prior Valuation Year's Combined Parcel LPV	\$78,000		\$30,000	\$108,000
Current Valuation Year's LPV Legal Class One		$\$232,000 \times 0.74 =$		\$171,680
Current Valuation Year's LPV Legal Class Three		$\$52,000 \times 0.89 =$		\$46,280
Total Combined Parcel Current Year's LPV				\$217,960

Refer to "Assessment Procedures Manual, Part 3, Chapter 2, Determining Mixed-Use Percentages and Assessment Ratios" regarding mixed-use LPV assessment ratios.

Example 10: Demolition, destruction or removal. A legal class one property, consisting of land and improvements, had one structure with an improvement value of \$30,000 removed since the prior valuation year.

	<u>Total Property</u>	<u>Structure Removed</u>	<u>Total</u>
Prior Valuation Year FCV Land	\$40,000		\$40,000
Prior Valuation Year FCV Improvements	<u>\$150,000</u>		<u>\$150,000</u>
Total FCV	\$190,000		\$190,000
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Current Valuation Year's FCV Land	\$40,000		\$40,000
Current Valuation Year's FCV Improvements	<u>\$150,000</u>	<u>(\$30,000)</u>	<u>\$120,000</u>
Total FCV	\$190,000	(\$30,000)	\$160,000
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Prior Valuation Year's LPV			\$140,000
Current Valuation Year's LPV		(\$160,000 x 0.74)	\$118,400

Example 11: Parcel split less than ten percent of the prior valuation year's FCV. A legal class two property, consisting of forty acres, had one acre split off from it. The new one-acre parcel is valued at \$5,000.

	<u>Total Property</u>	<u>Split</u>	<u>Remaining</u>
Prior Valuation Year FCV Land	\$100,000		
Current Valuation Year's FCV Land	\$103,000	\$5,000	\$98,000
Prior Valuation Year's LPV	\$85,000		
Current Valuation Year's LPV (\$98,000 x 0.62)			\$60,760
Current Valuation Year's LPV (\$5,000 x 0.62)		\$3,100	

Example 12: Parcel split - ten percent or more of the prior valuation year's FCV.

A legal class two property, consisting of forty acres, had a ten-acre portion split off.

	<u>Total Property</u>	<u>Split</u>	<u>Remaining</u>
Prior Valuation Year FCV Land	\$100,000		
Current Valuation Year's FCV Land	\$100,000	\$25,000	\$75,000
Prior Valuation Year's LPV	\$90,000		
Current Valuation Year's LPV (\$25,000 x 0.62)		\$15,500	
Current Valuation Year's LPV (\$75,000 x 0.62)			\$46,500

Example 13: Newly created subdivision. A legal class two property, consisting of twenty acres, is subdivided into forty one-half acre parcels, each of equal value.

Prior Valuation Year's FCV (20 acres)	\$50,000
Current valuation year's FCV per parcel	\$5,000
Prior valuation year's LPV (20 acres)	\$40,000
Current valuation year's LPV per parcel (\$5,000 x 0.62)	\$3,100

Example 14: Newly combined parcels. Two legal class two vacant land parcels are combined into one new parcel.

	<u>Lot One</u>	<u>Lot Two</u>	<u>Combined Parcel</u>
Prior Valuation Year's FCV	\$20,000	\$10,000	
Current Valuation Year's FCV	\$23,000	\$12,000	\$35,000
Prior Valuation Year's LPV	\$15,000	\$9,000	
Current Valuation Year's LPV (\$35,000 x 0.62)			\$21,700

Property Status Codes

When a Rule A is applied to a property, the appropriate property status code (PSC) should be activated as follows:

- “A1” Physically unchanged – Vacant.
- “A2” Physically unchanged – Improved.
- “A3” Previous partial escape.

When a property experiences a change that would have required the application of Rule B, caused by a partial or total omission, but the FCV change was less than ten percent, it may be appropriate to apply Rule A instead. The change should be documented in the parcel's history record. To avoid the application of Rule B, enter property status code A1 or A2, as appropriate, in the PSC field.

Using Rule B requires selecting one from among a different set of PSC codes, as follow:

- “B1” New or previously escaped parcel – vacant.
- “B2” New or previously escaped parcel – improved.
- “B3” Completed new improvement(s).

- “B4” Removed, destroyed or damaged improvement(s).
- “B5” Partial completion(s).
- “B6” Completed (i.e., previously partial-complete) improvement(s).
- “B7” Replaced improvement(s).
- “B8” Physical change to existing improvement(s).
- “B9” Change in use (change in legal classification, or a change to or from agricultural use).

At the start of each valuation year, all Rule B PSC's, except “B5,” are reset as “A1” or “A2”. For a “B5” (i.e., a “partial complete”), the PSC designation should remain until it is removed by the county assessor.

Appendix A

Limited Property Value “Rule A” Calculation Prior to Tax Year 2015

The “**Rule A**” method was applicable to properties: (1) for which there had been no physical change in either the land or improvement(s); (2) for which there had been no change in use; and (3) which were not totally omitted from the tax roll in the preceding valuation year.

Pursuant to A.R.S. [42-13301\(A\)](#), the LPV for Rule A properties was the LPV for the preceding valuation year plus the greater of either:

1. Ten percent of the prior valuation year’s LPV.
2. Twenty-five percent of the difference between the FCV for the current valuation year and the LPV for the preceding valuation year.

Pursuant to A.R.S. [42-13301\(B\)](#), the current LPV was not to exceed the FCV.

Example 1: Used when ten percent application was greater:

Current valuation year’s FCV	\$100,000
Prior valuation year’s LPV	- <u>90,000</u>
Difference:	\$ 10,000

$$\mathbf{\$90,000 \times \text{ten percent} = \$9,000}$$

$$\$10,000 \times \text{twenty-five percent} = \$2,500$$

$$\text{Current valuation year’s LPV } (\$90,000 + \$9,000) = \$99,000$$

Appendix A

Example 2: Used when twenty-five percent application was greater:

Current valuation year's FCV	\$100,000
Prior valuation year's LPV	- <u>60,000</u>
Difference:	\$ 40,000

$$\$60,000 \times \text{ten percent} = \$6,000$$

$$\mathbf{\$40,000 \times \text{twenty-five percent} = \$10,000}$$

$$\text{Current valuation year's LPV } (\$60,000 + \$10,000) = \$70,000$$

Example 3: LPV cannot exceed the current year's FCV:

Current valuation year's FCV	\$100,000
Prior valuation year's LPV	- <u>95,000</u>
Difference:	\$ 5,000

$$\$95,000 \times \text{ten percent} = \$9,500$$

$$\$ 5,000 \times \text{twenty-five percent} = \$1,250$$

$$\text{Current valuation year's LPV } (\$95,000 + \$9,500) = \$104,500$$

While the ten percent provision produces the larger difference, the LPV that is calculated can equal, but cannot exceed, the current valuation year's FCV, so the current valuation year's LPV must be set at \$100,000, equal to the current valuation year's FCV.