

Property Tax Exemptions



Background

All property in Arizona is taxable unless exempted under the laws of the United States or under the provisions of the Arizona Constitution and the related Arizona Revised Statutes (A.R.S.). A.R.S. [42-11002](#). See Ariz. Const. art. IX, secs. [2](#), [2.1](#), [2.2](#), and [2.3](#); A.R.S. [42-11101 through 42-11133](#). The information in this chapter is based upon these constitutional and statutory provisions, which are subject to modification at any time by the courts and periodically by the legislature. Any changes in property tax law made by the courts or the legislature will be reflected in subsequent versions of [this chapter](#) of the [Assessment Procedures Manual](#).

Assessor Responsibility

The county assessor is responsible for locating, identifying, classifying, valuing, and listing on the tax roll all locally assessed property that is subject to property taxation. The assessor is also responsible for processing and approving or disapproving property tax exemption applications, monitoring previously-approved exemptions, and discontinuing exemptions that are no longer warranted. The Department exercises no responsibility with respect to administering exemptions, other than prescribing various application forms that are required by statute. See [Exemption Applications and Affidavits](#), below.

Exemption of Government Property

Exemption from property taxation is automatically granted for property owned by government entities, which do not impose property taxes on one another. A.R.S. [42-11102\(A\)](#) and [42-11103\(A\)](#). Accordingly, government-owned property is not subject to any application provisions in order to obtain or maintain exempt status. A.R.S. [42-11102\(B\)](#) and [42-11103\(B\)](#).

Exemption of Private Property

The county assessor may grant property tax exemption for property owned by certain private individuals and nonprofit organizations, institutions, and associations that use the property for qualifying purposes. See A.R.S. [42-11101 through 42-11133](#). Exemption of privately-owned property may be granted **only** upon formal application. See A.R.S. [42-11151 through 42-11155](#).

Exempt Property Included on the Tax Roll

Property exempted from property taxation must nevertheless be included on the tax roll. Pursuant to A.R.S. [42-15152](#), “all real property that is subject to the jurisdiction of this state, ... regardless of whether it is exempt from taxation by law or by the Constitution of Arizona, shall be listed on the roll.... The roll shall also include the total personal property tax roll”.

The specific amount of each property tax exemption should also be included on the tax roll. Because exempt property is not revalued on a regular basis in many instances, the property value listed on the tax roll should consist of at least an estimated land value and the value of any improvements according to the cost approach.

Exempt property values and exempted property tax amounts are listed on the tax roll to provide budget-setting and budget-approving entities with estimates of the total value and tax that have been purposely omitted from the tax roll. Having the omitted figures allows these entities to more accurately determine appropriate tax rates, which are imposed on all taxable property to derive the funding necessary for the operational purposes of each taxing jurisdiction.

Exemption Requirements

Exemption Application

The exemption application process for individuals and organizations is described in A.R.S. [42-11152](#). In almost every case, the taxpayer must appear before, and/or file an

application with, the county assessor and provide information required by the assessor to make an exemption determination. In certain cases, only an initial exemption application is required, while in other cases, an annual application is required. See [Exemption Applications and Affidavits](#), below.

Property Ownership and Use

To qualify for most property tax exemptions, there are both ownership and use requirements that must be satisfied. However, some exemption statutes contain only a property use requirement (e.g., property must be “used for”, “used in”, “used as”). In these instances, there is no property ownership requirement to qualify for exemption. Many properties in this category are leased to be used for a qualifying exempt use.

Nonprofit Status

Many property tax exemption statutes require that the property is “not used or held for profit” in order to qualify for exemption. Both the term “nonprofit” and the phrase “not for profit” are also utilized in various property tax exemption statutes. For the purposes of administering property tax exemptions, “nonprofit” and “not for profit” are considered to be synonymous.

If the use of a property creates a potential for realizing a profit, or if a property is held for future profit (i.e., speculation), the use is considered for-profit, and the property does not qualify for property tax exemption.

Confirming Nonprofit Status. An entity may confirm its nonprofit status with the assessor according to A.R.S. [42-11154\(1\)](#), which states, “Nonprofit organization status may be established by a letter of determination issued in the organization’s name by the United States internal revenue service recognizing the organization’s tax-exempt status under section 501 of the internal revenue code”. This requirement does not apply to churches, synagogues, temples, mosques, or similar organizations. A.R.S. [42-11154\(1\)\(a\)](#).

Internal Revenue Code. Section 501(c) of the Internal Revenue Code (I.R.C.) includes many numbered paragraphs that list the organizations recognized by the Internal Revenue Service (IRS) as exempt from federal income tax. These same numbered paragraphs are often referenced in sections of the A.R.S. that address property tax exemptions. Usually, it is paragraph (3) that is specified (i.e., 501(c)(3)). The full text of the I.R.C. can be found in Title 26 of the U.S. Code.

Examples of the types of nonprofit organizations listed in the I.R.C. include charitable, religious, educational, scientific, and literary. Under the I.R.C., a qualifying charitable purpose can encompass a long list of activities, such as relief for the poor and distressed, elimination of prejudice and discrimination, or operation of labor or political societies. See IRS, Charities and Nonprofits, [Exempt Organization Types](#).

It is important to note that IRS recognition of a property owner as a charitable or nonprofit organization for income tax purposes does not alone qualify the organization for exemption from property taxation.

Nonprofit Ownership and Use of Property. The following table summarizes key Arizona court decisions regarding nonprofit ownership and use of property and property tax exemption.

Key Court Decisions Regarding Nonprofit Ownership and Use of Property
<p>Both the use and the ownership of the property of nonprofit organizations must be considered to determine eligibility for property tax exemption. “The fact that the constitution excludes from the exempt category any property of charitable organizations ‘used or held for profit’ creates a use requirement in addition to the ownership requirement”.</p>
<p>Kunes v. Samaritan Health Service, 121 Ariz. 413, 416, 590 P.2d 1359, 1362 (1979)</p>
<p>A nonprofit owner of property may lease a portion of its property to a nonprofit tenant without forfeiting the tax-exempt status of the property. The nonprofit status of, and the use of the property by, both the owner and tenant must be considered. “[A.R.S.] 42-11154 and 42-11155 specifically require us to consider the status of both owners and users of property in evaluating whether the property is ‘being used or held for profit.’ Those statutes are inconsistent with the...contention that we must ignore [the</p>

tenant's] charitable use of the property in determining the tax status of the portion [the tenant] leases.”

[Volunteer Center of Southern Arizona v. Staples](#), 214 Ariz. 36, 39, 147 P.3d 1052, 1055 (2006)

The requirement that property is “not used or held for profit” is not absolute. As long as the property owner primarily uses the property for a designated exempt purpose, the property is entitled to exemption despite occasional or incidental use of the property for other purposes. “In interpreting and applying tax exemption statutes, our supreme court and this court have consistently recognized the taxpayer may claim the exemption despite some non-exempt use as long as the taxpayer is primarily using the property in the manner specified by the Legislature.”

[Tucson Botanical Gardens Inc. v. Pima County](#), 218 Ariz. 523, 526, 189 P.3d 1096, 1099 (2008)

Held vs. Owned

The terms “held” and “owned” (or variants thereof, such as “owned by”) are often considered to be synonymous. However, this is not always the case as the terms are used in the A.R.S. For example, the language of A.R.S. [42-11155](#) indicates that the terms can have different meanings with regard to charitable institutions. In that particular statute, “held” appears to mean something other than “owned.” Because the term “held” may be used differently in various property tax statutes, the assessor must always discern the meaning of “held” from the specific context of the statutory language within which it is found.

Arizona Property Tax Exemptions

Property tax exemptions currently established in Arizona are discussed below, along with the constitutional and statutory authority for the exemptions. Where necessary, additional discussion addresses issues or ambiguities created by the statutory text (or lack thereof) or other circumstances.

The Department recognizes three categories of property tax exemption: General, Restricted, and Individual.

General Exemptions

Property in the General category is totally exempted from property taxation.

1. Federal, State, County and Municipal Property

Generally. This category includes all land, improvements, and personal property owned and used by a government entity. Ariz. Const. art. IX, sec. [2\(1\)](#); A.R.S. [42-11102\(A\)](#). It also includes property used by the state or a political subdivision thereof for a governmental purpose during an entire tax year, if the property is owned by a nonprofit organization or is being purchased by the government entity under a lease-purchase agreement. A.R.S. [42-11102\(A\) \(1\) and \(2\)](#). Also included in this category are improvements on public lands held under grazing permits, if title to the improvements passes to the federal government. A.R.S. [42-11102\(A\)\(3\)](#).

Application. Government-owned property is not subject to any exemption application requirements. A.R.S. [42-11102\(B\)](#).

Purchase, Foreclosure, or Taking. Property purchased by a government entity is exempted during the tax year of the purchase, but only if purchased prior to the date on which tax rates are set and the overall tax levy is imposed, which must occur by the third Monday in August.

Real property obtained by a government entity through foreclosure (e.g., the FHA or VA) or by other means (e.g., eminent domain) is not exempt from property tax as government-owned property. Personal property so acquired is exempt from property tax.

Government Property Lease Excise Tax (GPLET). Property owned by a government entity that is used by a nongovernmental entity may be subject to GPLET. A.R.S. [42-](#)

[6201 through 42-6210](#). The activity being taxed by GPLET is the use of government-owned, improved property by a private entity. Any commercial, residential rental, or industrial use of the property by the nongovernmental entity is permitted under GPLET. A.R.S. [42-6201\(2\)](#).

2. Public Debts

Public debts are bonds issued by the state of Arizona, or by one of its counties, municipalities, or other subdivisions (e.g., special taxing districts). Ariz. Const. art. IX, sec. [2\(3\)](#); A.R.S. [42-11103\(A\)](#). Because public debt is government property, there is no exemption application requirement. A.R.S. [42-11103\(B\)](#).

3. Property Held to Preserve or Protect Scientific Resources

Property held by a 501(c)(3) charitable organization “to preserve and protect scientific, biological, geological, paleontological, natural or archaeological resources” is exempt from property taxation. A.R.S. [42-11115](#). See Ariz. Const. art. IX, sec. [2\(2\)](#). This exemption requires an annual application.

4. Trading Commodities

Commodities, as they are defined in 7 U.S. Code Section 2, that are warehoused in this state, consigned for resale, and deliverable on contract in the future according to commodities regulations, are exempt from property taxation. A.R.S. [42-11122](#).

Pursuant to A.R.S. [42-11128\(E\)](#), the warehouse owner or operator must file an annual affidavit with the assessor stating that the commodities are futures contract property. The assessor may require additional evidence of the facts set forth in the affidavit.

5. Animal and Poultry Feed

“Animal and poultry feed, including salts, vitamins and other additives, for animal or poultry consumption is exempt from taxation.” A.R.S. [42-11123](#). This exemption does not apply to feed for animals used for a nonqualified agricultural use (i.e.,

“nonproduction”) or to feed for domestic animals. See Ariz. Const. art. IX, secs. [2\(5\)](#) and [13\(2\)](#). An exemption application is not required for this exemption.

6. Inventory, Materials, and Products

This category includes raw or unfinished materials, unassembled parts, work in progress, and finished products that constitute the inventory of a retailer, wholesaler, or manufacturer located in Arizona and principally engaged in reselling or manufacturing the inventory. Ariz. Const. art. IX, secs. [2\(5\)](#) and [13\(1\)](#); A.R.S. [42-11125](#). This category does not include the operating supplies of a business, which are taxable. An exemption application is not required for this exemption.

7. Production Livestock and Animals

Livestock, poultry, aquatic animals, and bees owned by a person principally engaged in agricultural production are exempt from property taxation. Ariz. Const. art. IX, sec. [13\(2\)](#); A.R.S. [42-11126](#). An exemption application is not required for this exemption.

8. Personal Property in Transit

Personal property that is only moving through the state, including personal property consigned from outside the state to a warehouse for storage or assembly inside the state prior to shipment back outside the state, is considered “in transit” and is exempted from property taxation. A.R.S. [42-11128](#).

Note: Subsection (D) of the statute requires an exemption application accompanied by a warehouse certificate, if applicable. However, an exemption application has not been considered necessary by county assessors, and an application form and procedure has not been prescribed by the Department.

9. Household Goods

Household goods are the various household items used in a property class Three, owner-occupied, primary residence (e.g., furnishings, decorations, kitchenware).

Household goods cannot be utilized for any commercial purpose. No application is required to receive this exemption. Ariz. Const. art. IX, sec. [2\(4\)](#).

Household goods in a property class Four, subclass (2) residential rental property are excluded from this exemption because they are used for a commercial purpose, even though the household goods are not used in conjunction with a property class One commercial property.

10. Vehicles

Vehicles (cars, light trucks, motorcycles, most trailers, etc.) that are registered for operation in Arizona, other than vehicles owned and operated for any commercial purpose, are exempt from property taxation. Ariz. Const. art. IX, sec. [11](#). Such noncommercial-use vehicles are subject to an in lieu license tax.

11. Aircraft

Aircraft (airplanes, helicopters, etc.) that are registered for operation in Arizona are exempt from property taxation. Ariz. Const. art. IX, sec. [15](#). Such noncommercial-use aircraft are subject to an in lieu license tax.

This exemption does not apply to:

1. Commercial aircraft.
2. Aircraft owned and held by a dealer solely for sale.
3. Aircraft owned by nonresidents who operate aircraft for 90 days or less per year, as long as such aircraft are not used in intrastate commercial activity.
4. Aircraft owned and operated exclusively in the public service by the state, political subdivision of the state, or civil air patrol.

12. Watercraft

Watercraft (boats, jet skis, etc.) that are registered for operation in Arizona, other than watercraft owned and operated for any commercial purpose, are exempt from property

taxation. Ariz. Const. art. IX, sec. [16](#). Such noncommercial-use watercraft are subject to an in lieu license tax.

13. Personal Property of Servicemembers

The Servicemembers Civil Relief Act of 2003 (SCRA) establishes federal policy regarding taxation of military personnel on active duty in locations other than their state of domicile. 50 U.S.C. [3901](#) et seq. In most cases, the host state (Arizona) cannot impose personal property taxes on property owned by a servicemember if the servicemember is domiciled in another state, but is stationed in Arizona solely due to military orders. 50 U.S.C. [4001 \(a\)\(1\) and \(d\)](#). This is also true with respect to a nonmilitary spouse of a servicemember, as long as the spouse is in Arizona solely to be with the servicemember and maintains the same state of domicile as the servicemember. 50 U.S.C. [4001 \(a\)\(2\) and \(d\)](#). However, there are three specific cases in which personal property owned by a servicemember is subject to taxation in Arizona:

1. Personal property owned by a servicemember and used in a trade or business is subject to taxation by the presiding jurisdiction. 50 U.S.C. [4001\(d\)\(3\)](#). States and their political subdivisions are **not** prohibited from taxing business personal property owned by a servicemember residing in the state solely in compliance with military orders.
2. Personal property owned by a servicemember is subject to property taxation if the servicemember is domiciled in Arizona upon entering military service, unless the servicemember later changes their domicile to another state within the meaning of the SCRA. 50 U.S.C. [4001 \(a\)\(1\) and \(d\)\(2\)](#).
3. An affixed mobile home, which is assessed as real property, is subject to taxation even if it is owned by a servicemember that is present in Arizona solely in compliance with military orders. An affixed mobile home is a mobile home for which an Affidavit of Affixture has been recorded, which changes the assessment of that mobile home from personal property to real property. A.R.S. [42-15204](#).

If a servicemember is present in Arizona solely due to military orders, and later transfers to another post outside of Arizona, but elects to maintain their family and personal property in Arizona, the personal property is still exempt from property taxation.

The joint interest of a nonmilitary owner (except a spouse) who has part-ownership in personal property with a servicemember present in Arizona by reason of military orders, is taxable to the extent of the joint interest of the nonmilitary owner.

Restricted Exemptions

Property in the Restricted category is exempt from property taxation, provided it is not used or held for profit.

1. Educational and Library Property

Educational and library property is exempt from property taxation under certain circumstances. Ariz. Const. art. IX, sec. [2\(2\)](#); A.R.S. [42-11104](#). There are three main categories of educational property described in the statute.

General Property. A.R.S. [42-11104\(A\)](#) authorizes exemption of the land, improvements, and personal property of libraries, colleges, school buildings, and other buildings, as long as such property is used for education and not used or held for profit.

Leased Property. A.R.S. [42-11104\(B\)](#) authorizes exemption of “property and buildings” leased from a public school district or a community college district.

If the owner of the property types in subsections A (general) and B (leased) of the statute is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

Specialized Property. A.R.S. [42-11104\(C\)](#) authorizes exemption of land, improvements, and personal property owned by 501(c)(3) nonprofit charter schools, trap

and skeet shooting clubs, and residential treatment facilities, as long as such property is used for education and not used or held for profit. Pursuant to A.R.S. [42-11104\(E\)](#), the nonprofit organization under subsection (C) is required to file only an initial exemption application, which does not need to be refiled annually unless all or part of the property is conveyed to a new owner or is no longer used for education.

2. Health Care Property

The health care property exemption is found in A.R.S. [42-11105](#), and applies to four specified subcategories. In all cases, as restricted exemptions, the property to be exempted cannot be used or held for profit.

A. Hospitals. Land, improvements, and personal property of hospitals used for the relief of the “indigent or afflicted” (defined in A.R.S. [42-11101](#)).

B. Disability and Elderly Health Care Institutions. Property used to operate a health care institution that provides medical, nursing, or health-related services to persons with a disability or who are 62 years of age or older (generally considered to mean a nonprofit nursing home).

C. Community Health Centers. Land, improvements, and personal property of qualifying community health centers, which are defined in A.R.S. [36-2907.06\(I\)](#).

If the owner of the property types above (A through C) is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

D. Health Care Providers. Land, improvements, and personal property owned by a nonprofit health care provider, recognized under I.R.C. 501(c)(3), and used to provide health care services.

In this subsection of the statute, “health care provider” means “a health care institution as defined in title 36 or an entity that provides health care services directly to patients through health care providers who are licensed pursuant to title 32.” A.R.S. [42-11105\(D\)](#).

3. Apartments for Residents with Disabilities or Elderly Residents

Pursuant to A.R.S. [42-11106](#), property used to operate a nonprofit residential apartment housing facility that is structured for residents with disabilities or who are 62 years of age or older is exempted from property taxation **if either** of the following two circumstances are applicable:

(1) Located Adjacent to Disability/Elderly Health Care Institution. The apartment housing facility is located adjacent to property described and exempted by A.R.S. [42-11105\(B\)](#) (see Restricted Exemption 2(B) above) and is also “owned and operated by the same person or association that owns that adjacent property,” **or**

(2) Supported by Government or Nonprofit Organization Subsidy. The apartment housing facility is supported by a subsidy paid by a government entity **or** a nonprofit organization **and**:

- (a) The subsidy is a “substantial amount” relative to either “the amount given or to the total annual operating expenses” **and**
- (b) “The nonprofit organization is not created or operated for the primary purpose of providing the subsidy or payment.”

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

4. Institutions for Relief of Indigent or Afflicted

The land, improvements, and personal property of a charitable institution used for the relief of the “indigent or afflicted” (defined in A.R.S. [42-11101](#)) are exempted from property tax if both the institution and property are not used or held for profit. A.R.S. [42-11107](#).

The assessor should make certain that the charitable institution applying for this exemption restricts its activities specifically to caring for the indigent or afflicted, as those terms are defined. Other uses of the institution (e.g., general for-profit health care services, surgery facilities, laboratories, etc.) would provide cause for a partial or a complete denial of the exemption.

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

5. Grounds and Buildings Owned by Agricultural Societies

Grounds and buildings owned by “agricultural societies” and “used only for those purposes” (not defined, but presumed to mean “agricultural”) and that are not used or held for profit are exempted from property taxation. A.R.S. [42-11108](#).

Because the “use” provision is not specific, property leased from an agricultural society to a nonprofit entity that uses the property for qualifying purposes may also be exempted.

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

6. Religious Property

“Property or buildings that are used or held primarily for religious worship, including land, improvements, furniture and equipment, are exempt from taxation if the property is not used or held for profit.” A.R.S. [42-11109\(A\)](#). See Ariz. Const. art. IX, sec. [2\(2\)](#).

The statute further provides that a religious organization may file evidence with the assessor of its 501(c)(3) tax exempt status and that doing so will eliminate the need for subsequent (i.e., annual) exemption applications until all or part of the property is conveyed to a new owner or is no longer used for religious worship. A.R.S. [42-11109\(C\)](#). However, religious organizations are no longer required to file (but still may) for recognition under I.R.C. 501(c)(3), but are recognized automatically as long as they meet the requirements of that section. A.R.S. [42-11154\(1\) \(a\) and \(c\)](#).

If a portion of a religious organization’s property is not used or held primarily for religious worship, or otherwise does not qualify for property tax exemption, it should be excluded from exemption in a proportional manner. Any disallowance of the exemption should be based on the amount of space and time of the nonqualifying use relative to the total space and time the property is utilized for religious worship.

7. Cemeteries

Cemeteries, as they are defined in A.R.S. [32-2101\(11\)](#), and historic burial sites and historic private cemeteries, as they are defined in A.R.S. [41-511.04\(F\)](#), are exempted from property taxation. A.R.S. [42-11110](#). See Ariz. Const. art. IX, sec. [2\(7\)](#). Any cemetery or burial site that is not included in the definitions prescribed in this statute would be excluded from this exemption, but could be exempt under a different statute (e.g., a cemetery owned by a religious organization may be exempt under A.R.S. [42-11109](#)). In any case, undeveloped land held for future development would not be exempt.

Pursuant to A.R.S. [42-11110\(B\)](#), the owner of cemetery or burial site property is required to file only an initial exemption application, which does not need to be refiled annually unless all or part of the property is conveyed to a new owner; is no longer, or will not be, used as a cemetery; or has been rezoned.

The statute does not require ownership of the cemetery or burial site by a nonprofit organization. Therefore, for-profit use of a cemetery or burial site is not prohibited, making this the only exemption under the restricted category to have such an exception.

8. Observatories

“Observatories that are maintained for astronomical research and education for the public welfare and property that is used in the work or maintenance of observatories, including property held in trust, are exempt from taxation, if the observatories and other property are used only for those purposes and are not used or held for profit.” A.R.S. [42-11112](#). Ownership of the observatory and other property is not addressed in the statute.

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must be proven to the assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

9. Animal Control and Humane Society Property

Land and buildings owned by societies formed to care for, control, shelter, and prevent cruelty to animals and that are used only for those purposes are exempt from property taxation as long as such property is not used or held for profit. A.R.S. [42-11113](#).

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must be proven to the

assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

10. Property Held for Conveyance as Parkland

Property held for conveyance as parkland is exempt, pursuant to A.R.S. [42-11114](#), as follows:

A. Property that is held by a charitable organization, recognized under section 501(c)(3) of the internal revenue code, for transfer to this state or to a political subdivision of this state to be used as parkland is exempt from taxation if the charitable organization does not receive rent or valuable consideration.

B. If property that is exempt under this section is transferred to an entity other than this state or a political subdivision of this state or if the property is used or occupied by or for the benefit of any other person, the charitable organization is liable for all tax, interest and penalties that would be due if the property were not exempt from taxation.

11. Property of Arts and Science Organizations

“Property of musical, dramatic, dance and community arts groups, botanical gardens, museums and zoos that are qualified as nonprofit charitable organizations” under I.R.C. 501(c)(3) is exempt from property taxation if the property is used for those purposes and is not used or held for profit. A.R.S. [42-11116](#).

12. Property of Volunteer Fire Departments

Property of a nonprofit volunteer fire department, recognized under I.R.C. 501, is exempt from property taxation if the property is “used exclusively for fire suppression and prevention activities and is neither used nor occupied by or for the benefit of any person.” A.R.S. [42-11117](#).

13. Property of Social Welfare and Quasi-Governmental Volunteer Service Organizations

Property owned by a volunteer nonprofit organization recognized under I.R.C. 501(c)(4) that is “operated exclusively to promote social welfare and provide community quasi-governmental services in an unincorporated area of a county” is exempt from property taxation if the organization provides at least six of the nine specified quasi-governmental services. A.R.S. [42-11118](#).

The specified services are listed in A.R.S. [42-11118\(B\)](#), as follows:

1. Public information and complaint office.
2. Voter registration.
3. Property tax assessment information.
4. Building permit distribution.
5. Resident assistance with deed restrictions and violations.
6. County planning and zoning review.
7. Water resources planning and management.
8. Public safety planning, oversight and maintenance.
9. Government liaison for regional planning activities.

14. Property of Volunteer Roadway Cleanup and Beautification Organizations

Property owned by a volunteer nonprofit organization and “used exclusively for the purpose of performing roadway cleanup and beautification on a gratuitous basis” is exempt from property taxation as long as the property is not used or held for profit or used or occupied by or for the benefit of any person. A.R.S. [42-11119](#).

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must be proven to the

assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

15. Property of Organizations for Veterans

Property owned by a U.S. veterans charitable organization recognized under I.R.C. 501(c)(3) or 501(c)(19) is exempt from property taxation “if the property is used predominantly for those purposes and is not used or held for profit.” A.R.S. [42-11120](#).

16. Property of Charitable Community Service Organizations

Property owned by a charitable community service organization recognized under I.R.C. 501(c)(3) that has the mission of serving “a population that includes persons who are indigent or afflicted, as defined in section [42-11101](#)” is exempt from property taxation if the property is not used or held for profit and the organization is primarily engaged in delivering specified services on the property. A.R.S. [42-11121](#).

The specified services are as follows:

1. Fitness programs.
2. Camping programs.
3. Health and recreation services.
4. Youth programs.
5. Child care.
6. Senior citizen programs.
7. Individual and family counseling.
8. Employment and training programs.
9. Services for individuals with disabilities.
10. Meals.
11. Feeding programs.
12. Disaster relief

17. Possessory Interests for Educational or Charitable Activities

A possessory interest consisting of property or improvements leased from the state or a political subdivision of the state is exempt from property taxation if the property is used by a nonprofit association or institution recognized under I.R.C. 501(c)(3) that has the specific purpose of educational or charitable activities and that realizes annual gross revenues not exceeding \$50,000. A.R.S. [42-11124](#).

Note: A possessory interest that qualifies for this exemption is not subject to a GPLET, pursuant to A.R.S. [42-6208\(13\)](#).

18. Agricultural and Business Personal Property

Certain personal property used for agricultural and commercial purposes is exempt from property taxation. Ariz. Const. art. IX, sec. [2\(6\)](#). The exemption is codified in A.R.S. [42-11127](#), which provides a personal property tax exemption for property in class One, subclasses (8), (9), (10), (11), and (13); and class Two, subclass (P).

The exemption is applied against the full cash value of qualifying personal property up to a maximum amount that increases annually. The original maximum exemption amount was \$50,000. For 2020, the exemption amount is \$185,811. On or before December 31 each year, the Department is required to adjust the maximum amount of the exemption for the following tax year to account for inflation. A.R.S. [42-11127\(B\)](#).

19. Property of Fraternal Societies

Property of fraternal societies may be exempt from property taxation, pursuant to A.R.S. [42-11129](#), as follows:

Property that is owned by a fraternal society or organization that is recognized under section 501(c)(8) of the internal revenue code, if the net earnings of the fraternal society or organization are devoted exclusively to religious, charitable, scientific, literary, educational or fraternal purposes, or section 501(c)(10) of the internal revenue code is exempt from taxation if the property is used predominantly for educational, charitable or religious purposes and for the purposes authorized under section 501(c)(8) or 501(c)(10) of the internal revenue

code and no portion of the property is used for the sale of food or beverage to the general public or the consumption of alcoholic beverages by nonmembers of the fraternal society or organization or is used or held for profit.

20. Property of a Public Library Support Organization

Property that is not used or held for profit and is owned by a charitable organization recognized under I.R.C. 501(c)(3), the mission of which is “to provide supplemental financial support to public libraries”, is exempt from property taxation if the property is used predominantly for those purposes. A.R.S. [42-11130](#).

21. Low-Income Native American Housing

Pursuant to A.R.S. [42-11131](#), property that is owned and operated by a federally recognized Native American tribe, or its “tribally designated housing authority”, is exempt from property taxation, subject to all of the following requirements:

1. The property is used exclusively to provide low-income rental housing and related facilities for the use of Native Americans.
2. The property is not used, held, or operated for profit.
3. Any net earnings of the housing authority do not benefit any private shareholder or individual.
4. The housing was designed and constructed using either federal financial assistance granted under the Native American Housing Assistance and SelfDetermination Act or using tribal government funds.

The statute further provides that filing the documentation required under A.R.S. [42-11131\(B\)](#) will eliminate the need for subsequent (i.e., annual) exemption applications until all or part of the property is conveyed to a new owner or is no longer used for the qualifying purposes. A.R.S. [42-11131\(C\)](#).

If the property owner is not an organization recognized as exempt from income tax under I.R.C. 501(c), then the nonprofit status of the owner must be proven to the

assessor in a manner other than by presentation of a letter of determination from the IRS. See A.R.S. [42-11154\(1\)](#).

22. Property Leased to Educational Institutions

Property that is leased to educational institutions may be exempt from property taxation, pursuant to A.R.S. [42-11132\(B\)](#), as follows:

Property, buildings and fixtures that are owned by an educational, a religious or a charitable organization, institution or association and leased to a nonprofit educational organization, institution or association are exempt from taxation if the property is used for educational instruction in any grade or program through grade twelve.

The statute further provides that if the owner/lessor organization files with the assessor evidence of its 501(c)(3) tax exempt status and an affidavit from the lessee organization confirming a qualified educational use of the property, then the owner/lessor organization will not need to file subsequent (i.e., annual) exemption applications until all or part of the property is conveyed to a new owner or is no longer used for educational purposes. A.R.S. [42-11132\(C\)](#).

Note: Religious organizations are no longer required to file for recognition (but still may) under I.R.C. 501(c)(3), but are recognized automatically as long as they meet the requirements of that section. However, this automatic recognition does not apply to educational or charitable organizations.

Note: A.R.S. [42-11132\(A\)](#) does **not** provide for an exemption, but categorizes as class Nine property the “[p]roperty, buildings and fixtures that are leased to a nonprofit charter school or a residential treatment and education facility and that are used for educational instruction in any grade or program through grade twelve”. The owner/lessor is required to file an affidavit with the assessor (DOR Form [82009-RS](#)) stating that the lessee charter school or residential treatment and education facility is the sole beneficiary of

the change in property classification and that the lease rate is consistent with lease rates charged to other tenants or with a fair market rate. A.R.S. [42-12009\(A\)\(5\)](#).

23. Property Leased to a Church, Religious Assembly, or Religious Institution

Pursuant to A.R.S. [42-11132.01\(B\)](#), “[p]roperty, buildings and fixtures that are owned by an educational, religious or charitable organization, institution or association, that are leased to a nonprofit church, religious assembly or religious institution and that are primarily used for religious worship are exempt from taxation.”

The statute further provides that if the owner/lessor organization files with the assessor evidence of its 501(c)(3) tax exempt status and an affidavit from the lessee organization confirming the property is used primarily for religious worship, then the owner/lessor organization will not need to file subsequent (i.e., annual) exemption applications until all or part of the property is conveyed to a new owner or is no longer primarily used or held by the church, assembly, or institution. A.R.S. [42-11132.01\(C\)](#).

Note: Religious organizations are no longer required to file for recognition (but still may) under I.R.C. 501(c)(3), but are recognized automatically as long as they meet the requirements of that section. However, this automatic recognition does not apply to educational or charitable organizations.

Note: A.R.S. [42-11132.01\(A\)](#) does **not** provide for an exemption, but categorizes as class Nine property the “[p]roperty, buildings and fixtures that are leased to a nonprofit church, religious assembly or religious institution and that are primarily used for religious worship”. The lessee organization must annually file an affidavit with the assessor (DOR Form [82132](#)) affirming that the property is used primarily for religious worship and that the lessee is the sole economic beneficiary of the change in property classification. A.R.S. [42-11132.01\(A\)](#). The owner/lessor is required to file an affidavit with the assessor (DOR Form [82009-RS](#)) stating that the lessee religious organization is the sole beneficiary of the change in property classification and that the lease rate is

consistent with lease rates charged to other tenants or with a fair market rate. A.R.S. [42-12009\(A\)\(5\)](#).

24. Affordable Housing Projects

Property used exclusively for affordable rental housing is exempt from property taxation if the requirements set forth in A.R.S. [42-11133](#), described briefly below, are met.

1. **Type.** The property qualifies as affordable rental housing under I.R.C. 42 or another recorded restrictive covenant.
2. **Ownership.** The property is owned by a specified nonprofit entity.
3. **Rent.** The rent does not exceed the prescribed amount.
4. **Financing/Tax Credit.** Either the property is financed via one of three specified methods or the owner receives tax credits under I.R.C. 42.
5. **Size.** The property does not exceed 200 units.
6. **Certifications.** The owner certifies that the property use and rents are restricted pursuant to an agreement, recorded deed, or other legal document and that the money that would have been necessary to pay property taxes is used to maintain affordability or reduce rents of the qualified units.

Individual Exemptions

1. Property of Veterans

The Arizona Constitution provides several property tax exemptions for the property of veterans. Ariz. Const. art. IX, sec. [2 \(8\) through \(10\)](#). However, the Arizona Court of Appeals held that the exemptions were unconstitutional because the residency requirements violate the Equal Protection Clause of the Fourteenth Amendment. [Benjamin v. Ariz. Dept. of Rev.](#), 163 Ariz. 182, 786 P.2d 1033 (1989). While a specific exemption for the property of veterans no longer exists, the property of veterans with a disability may otherwise qualify for exemption under A.R.S. [42-11111](#).

2. Property of Widows, Widowers, and Persons with a Disability

The property of Arizona residents who are widows, widowers, or persons with a disability is exempt from property taxation up to certain dollar amounts. Ariz. Const. art. IX, secs. [2\(11\)](#), [2.1](#), [2.2](#), and [2.3](#). A.R.S. [42-11111](#). These exemptions are subject to certain limitations, such as assessed property value maximums and household income limits. In addition, these exemptions generally result in only a partial property tax exemption.

Disability Certification. The exemption for persons with a disability requires certification of the disability by a competent medical authority, which is accomplished by submitting DOR Form [82514B](#). A.R.S. [42-11111\(E\)\(2\)\(b\)](#). Arizona Administrative Code (A.A.C.) [R15-4-116\(B\)](#). The disability may be physical or mental, must result in an inability to engage in substantial gainful activity, and must be expected to last for a continuous period of 12 or more months. A.A.C. [R15-4-116\(A\)](#).

Application Frequency. Pursuant to A.R.S. [42-11111\(H\)](#), only an initial affidavit is required to exempt the property of a widow, widower, or person with a disability. Thereafter, the claimant whose property is exempted is not required to submit an affidavit for subsequent years, but is required to inform the assessor of any event that disqualifies the exemption. For persons with a disability, because the disability must be expected to last for a continuous period of not less than 12 months, DOR Form [82514B](#) must be submitted annually.

In general, assessors have authority to verify qualification for any exemption, and therefore may require annual reapplication from widows, widowers, and persons with a disability. See A.R.S. [42-11152](#). Additionally, requiring annual reapplication for individual exemptions is a primary method by which assessors inform property owners of annual changes in the limitations on assessed value, household income, and exemption.

Annual Adjustment of Value, Income, and Exemption Limitations. These limitations must be adjusted annually by the Department on or before December 31 in order to

account for inflation. A.R.S. [42-1111\(C\)](#). The Department communicates the limitation amounts to the county assessors via memorandum, which is typically published on assessor websites for the benefit of the public.

With respect to the income limitation, income includes “income from all sources” of the claimant and the claimant’s spouse and children who reside with the claimant. A.R.S. [42-1111\(E\)](#). “Income from all sources” is defined by inclusion and exclusion in A.R.S. [42-1111 \(F\) and \(G\)](#).

The following table contains the assessed value, household income, and exemption limitations for 2020.

Individual Exemption Limitations for 2020	
Limitation	Maximum Allowed
Total Assessed Value	\$ 27,498
Total Income – no minor children	\$ 33,722
Total Income – minor children or children with disability	\$ 40,456
Total Exemption	\$ 4,047

Application of the Exemption. To apply the exemption, the assessed value of the subject property is reduced by the amount of the exemption, which reduces the corresponding property tax liability. The exemption is applied in order to the assessed value of real property first, then to the assessed value of manufactured housing or a mobile home, and finally to the assessed value of an automobile. The exemption is applied up to the maximum allowable amount (\$4,047 for 2020), but cannot exceed the total assessed value.

The following examples demonstrate how to apply the exemption. Taxes in the examples are calculated using a tax rate of \$7.00 and \$2.00 per \$100 of assessed

value for the primary and secondary tax rates, respectively. Taxes for the automobile are calculated using \$4.00 per \$100 assessed value.

Example 1: Residential Real Property Only		
Real Property Full Cash Value: \$300,000	Primary Taxes	Secondary Taxes
Limited Property Value	\$ 249,000	\$ 249,000
Assessed Value (\$249,000 x 10% assessment ratio)	\$ 24,900	\$ 24,900
Exemption	\$ 4,047	\$ 4,047
Net Assessed Value	\$ 20,853	\$ 20,853
Tax without Exemption (\$24,900/100) x (\$7 or \$2)	\$ 1,743	\$ 498
Tax with Exemption (\$20,853/100) x (\$7 or \$2)	\$ 1,460	\$ 417

Example 2: Manufactured Housing/Mobile Home (MH) and Vehicle		
MH Full Cash Value: \$9,000	Primary Taxes	Secondary Taxes
MH Limited Property Value	\$ 7,000	\$ 7,000
MH Assessed Value (\$7,000 x 10% assessment ratio)	\$ 700	\$ 700
MH Exemption ¹	\$ 700	\$ 700
MH Net Assessed Value	\$ 0	\$ 0
Vehicle Assessed Value ²	\$ 1,000	\$ 0
Remaining Exemption Amount Applied to Vehicle ³	\$ 1,000	\$ 0
Vehicle Net Assessed Value	\$ 0	\$ 0
MH Tax without Exemption (\$700/100) x (\$7 or \$2)	\$ 49	\$ 14
MH Tax with Exemption	\$ 0	\$ 0
Vehicle Tax without Exemption (\$1,000/\$100) x \$4	\$ 40	\$ NA
Vehicle Tax with Exemption	\$ 0	\$ NA

¹ The exemption is applied up to the maximum allowable amount (\$4,047 for 2020), but cannot exceed the assessed value.

² Vehicle value is not included in determining whether the total assessed value of a subject property is equal to or less than the maximum allowable assessed value (\$27,498 for 2020). However, after applying the exemption against the assessed value of the real property and/or manufactured housing/mobile home, if a positive balance remains, it can be applied to offset the in lieu taxable value of a vehicle.

³ The remaining exemption amount totals \$3,347 (\$4,047 - \$700), but cannot exceed the vehicle assessed value.

Partial Exemption

Many of the exemptions set forth herein will result in total exemption from property taxation. However, when a portion of a property is used for a for-profit purpose, (e.g., an on-site bookstore, gift shop, or food dispensing facility), or a significant portion of a property is vacant and unused, those portions may not qualify for exemption. These situations would result in a partial exemption.

The extent of a partial exemption should be based on the amount of **space** and **time** of the nonqualifying use relative to the total space and time the property is utilized for a qualifying use. This is similar in concept to calculating a mixed-use assessment ratio.

For example, a portion of an exempt facility may be leased to a for-profit entity which uses that portion of the facility for a non-exempt purpose, such as daycare located in a church, or a medical practice located in a non-profit hospital. Such nonqualified use would result in a partial exemption of the charitable institution's property. See A.R.S. [42-11155](#), which states, "exemptions...relating to charitable institutions do not apply to property owned by charitable institutions but primarily held or used by others whose use is not exempt from taxation".

Another example is an instance in which two persons own a residence (e.g., a husband and wife), but only one of them is medically qualified for the disability exemption under A.R.S. [42-11111](#). In this situation, only a partial (one-half) exemption would be applied to the property based on the one-half interest of the qualified applicant. The one-half interest of the applicant's nonqualified spouse would not be exempted from property tax.

Exemption Applications and Affidavits

Procedure and Forms

Pursuant to A.R.S. [42-11152](#), any person or organization claiming an exemption from property taxation must appear before the county assessor the first time an exemption application is filed (although some assessors may be willing to accept mailed or

e-mailed applications). A mutually satisfactory meeting place may be arranged if appearing before the assessor would create a severe hardship for the applicant.

To file an application for exemption, the applicant must submit to the assessor a completed and signed Affidavit of Individual Tax Exemption (DOR Form 82514) or Affidavit for Organizational Tax Exemption (DOR Form 82514A), which may be obtained from the assessor. The applicant must also provide any other information the assessor may require to determine eligibility for exemption. Any false statement made in the affidavit constitutes perjury.

Servicemembers who are out of state or are confined in a hospital “may make the required affidavit in the presence of any officer who is authorized to administer oaths on a form obtained from the county assessor.” A.R.S. [42-11152\(C\)](#).

Generally, to claim the exemption in subsequent years, the applicant must appear again before the assessor or a notary public to make a new affidavit respecting eligibility for the exemption. A.R.S. [42-11152\(A\)\(2\)](#). However, some property owners and property types are exempt from the annual reapplication requirement. See A.R.S. [42-11152\(A\)](#) and [42-11153\(A\)](#).

Even if an annual reapplication is not required, there may still be actions that the applicant must take each year. For example, widows, widowers, and persons with a disability must annually calculate their income for the preceding year to ensure continued qualification for exemption. A.R.S. [42-11111\(H\)](#). In addition, persons with a disability are required to annually submit a Certification of Disability for Property Tax Exemption (DOR Form [82514B](#)), which must be signed by a competent medical authority. A.R.S. [42-11111\(E\)\(2\)\(b\)](#). A.A.C. [R15-4-116\(B\)](#). This form is available from either the assessor or the Department.

Application Due Date

Exemption applications must be filed between the first Monday in January and March 1. Failure to submit an application between these dates constitutes a waiver of the exemption. A.R.S. [42-11153\(A\)](#). Nevertheless, a waiver of exemption may be redeemed for certain taxpayers that fail to timely file an exemption application. Pursuant to A.R.S. [42-11153\(B\)](#), widows, widowers, persons with a disability, and organizations qualified under I.R.C. 501(c) may request redemption of a waived exemption “at any regular meeting” before the county board of supervisors. However, even if the redemption is granted, taxes that were due and payable before the untimely application was submitted cannot be abated or refunded.

Note: The phrase “at any regular meeting” is interpreted to mean a regularly scheduled meeting of the board of supervisors. Therefore, requests for redemption of a waived exemption may **not** be made by filing an administrative appeal or error correction notice, or during an administrative appeal hearing or error correction hearing. Such hearings are not “regular” (i.e., monthly) meetings of the board of supervisors, but are held only during designated timeframes when the board of supervisors is sitting as a board of equalization.

Property Tax Relief Programs

There are several constitutional and statutory programs that appear similar to property tax exemptions, but which are more properly categorized as property tax relief programs.

1. “Senior Freeze” Program

The Senior Freeze program, officially known as the Property Valuation Protection Option, is described in the Arizona Constitution. See Ariz. Const. art. IX, sec. [18 \(7\) through \(9\)](#). Thus far, no statutory provisions have been enacted to assist in

administering the Senior Freeze program. Application for the program may be accomplished using DOR Form [82104](#).

The Senior Freeze program allows taxpayers qualified by age and income to have the valuation of their property class Three primary residence fixed (i.e., “frozen”) for a renewable period of three years. While the valuation of the primary residence remains fixed as long as the taxpayer is eligible, property taxes do not, but continue to be levied at the same rate that is applicable to all other properties in the taxing district. Certain taxpayers may be able to qualify simultaneously for both the Senior Freeze program and a property tax exemption, such as an exemption for widows, widowers, or persons with a disability.

2. Elderly Assistance Fund

A.R.S. [42-17401](#) requires the establishment of an Elderly Assistance Fund in any county with a population of over two million residents (currently, only Maricopa County). The intent of the fund is to reduce primary school district taxes for a qualified individual, defined as any “individual who lives in an organized school district and who is approved for the [Senior Freeze program]”. A.R.S. [42-17401\(E\)](#). No action on the part of a qualified individual is necessary to obtain the benefit of the Elderly Assistance Fund, other than applying and being approved for the Senior Freeze program.

The Elderly Assistance Fund is administered by the county treasurer. Each June 30, the treasurer determines the balance of the fund and the total number of qualified individuals in the county. In the following tax year, the funds are used to “proportionately reduce the primary school district taxes that are levied against the property of all qualified individuals”. A.R.S. [42-17401\(C\)](#).

3. Residential Property Tax Deferral Program

The Residential Property Tax Deferral program is described in A.R.S. [42-17301 through 42-17313](#). This program allows qualified taxpayers to defer payment of their property

taxes for one taxable year. This deferral does not constitute a property tax exemption, but only delays the payment of property taxes. Because of its numerous requirements and limitations, and its one-year maximum applicability, this program is rarely utilized by taxpayers.

Both the individual applicant and the subject property must meet certain criteria to qualify for this program, as set forth below.

Individual Qualifications

Pursuant to A.R.S. [42-17302](#), at the time the applicant files for a residential property tax deferral, the applicant must:

1. Be at least 70 years of age.
2. Own or be purchasing the residence.
3. Have lived in the residence for at least 6 years or have been a resident of Arizona for at least 10 years.
4. Not own or have an interest in any other real property, except indirectly, such as through a mutual fund.
5. Not have a total taxable income for the preceding year that exceeds \$10,000 (this figure includes the income of all persons who reside in the residence).

Residential Qualifications

Pursuant to A.R.S. [42-17303](#), to qualify for residential property tax deferral, the residence must:

1. Be the applicant's primary residence.
2. Not be income producing.
3. Not have a full cash value exceeding \$150,000.
4. Not be subject to any real property lien of record less than five years old.
5. Not be subject to unpaid property taxes "for years preceding the year for which the initial election is made."

Note: The last statement is interpreted to mean that property taxes for all tax years prior to the **calendar year** of application must be paid before the residence can qualify for the **tax year** of application. This effectively limits utilization of the program to one-year time periods only, as property taxes cannot accrue unpaid from one year to another.

Marital Qualifications

In the case of a married couple, A.R.S. [42-17302\(C\)](#) requires that all of the individual and residential requirements set forth above must be met, and that both spouses must consent to the deferral, whether or not both have an ownership interest in the subject residence. Though not addressed in the statute, the Department has determined that these requirements also apply to unmarried couples or other co-owners.

4. Homestead Exemption

The Homestead Exemption, described in A.R.S. [33-1101 through 33-1105](#), is not a true property tax exemption. More information on the Homestead Exemption may be found in the Department's [Assessment Procedures Manual](#), in the chapter entitled Overview of the Arizona Property Tax System.