MEMORANDUM

Date: November 15, 2017

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

Re: **November 13, 2017 Sales Tax Advisory Committee Meeting**

At the November 13, 2017 Sales Tax Advisory Committee (STAC) meeting, an option in addition to the question of a unanimous vote for a half-cent sales tax for road repair was presented. This would combine road repair and property tax reduction. A scenario has been prepared and the attached graphics were provided to the STAC (Attachment 1).

The sales tax, if adopted, would phase-in property tax reduction over time. The first graph shows that a 16-year sales tax would achieve $812 million in road repair funding and $760 million in property tax reduction. It would be phased such that every three years the amount of property tax reduction would increase by 20 percent. Such would lower Pima County's primary property tax rate to approximately $3.01, versus the present County primary property tax rate of $4.46. This is a $1.45 reduction and would bring Pima County below the one-percent Constitutional limit threshold for all property owners.

The second graph shows the property tax savings on a commercial property valued at $500,000, which is typical. Over the analysis period, a commercial property taxpayer would save nearly $12,000 in property tax.

The third graph shows that a typical $165,000 average valued owner-occupied residential property in the Tucson Unified School District (TUSD) would see a savings of $467 over the period. Please note that savings does not begin to accrue for owner-occupied residential properties in TUSD until the one-percent threshold has been achieved. This would be approximately Year-Nine of this analysis.

Finally, the fourth graph shows the savings to all other residential property owners in Pima County valued at $165,000. Over the analysis period, they would save $2,151. Given the average household income, impact of a half-cent sales tax is approximately $91 per year or $1,456 over 16 years, all owner-occupied residential properties outside of TUSD would see a net tax benefit or reduction of approximately $695, in addition to having their roads repaired.

Today there are almost 100,000 owner-occupied residential properties in the TUSD boundaries and approximately 135,000 outside of this boundary.

Attachment 2 is the classification of the Countywide tax base, showing the number of parcels in each of the categories. All property taxpayers except owner-occupied residential properties in TUSD would see an immediate property tax reduction, including commercial, vacant land and all residential rental units.

It is important this option be explored by the STAC.

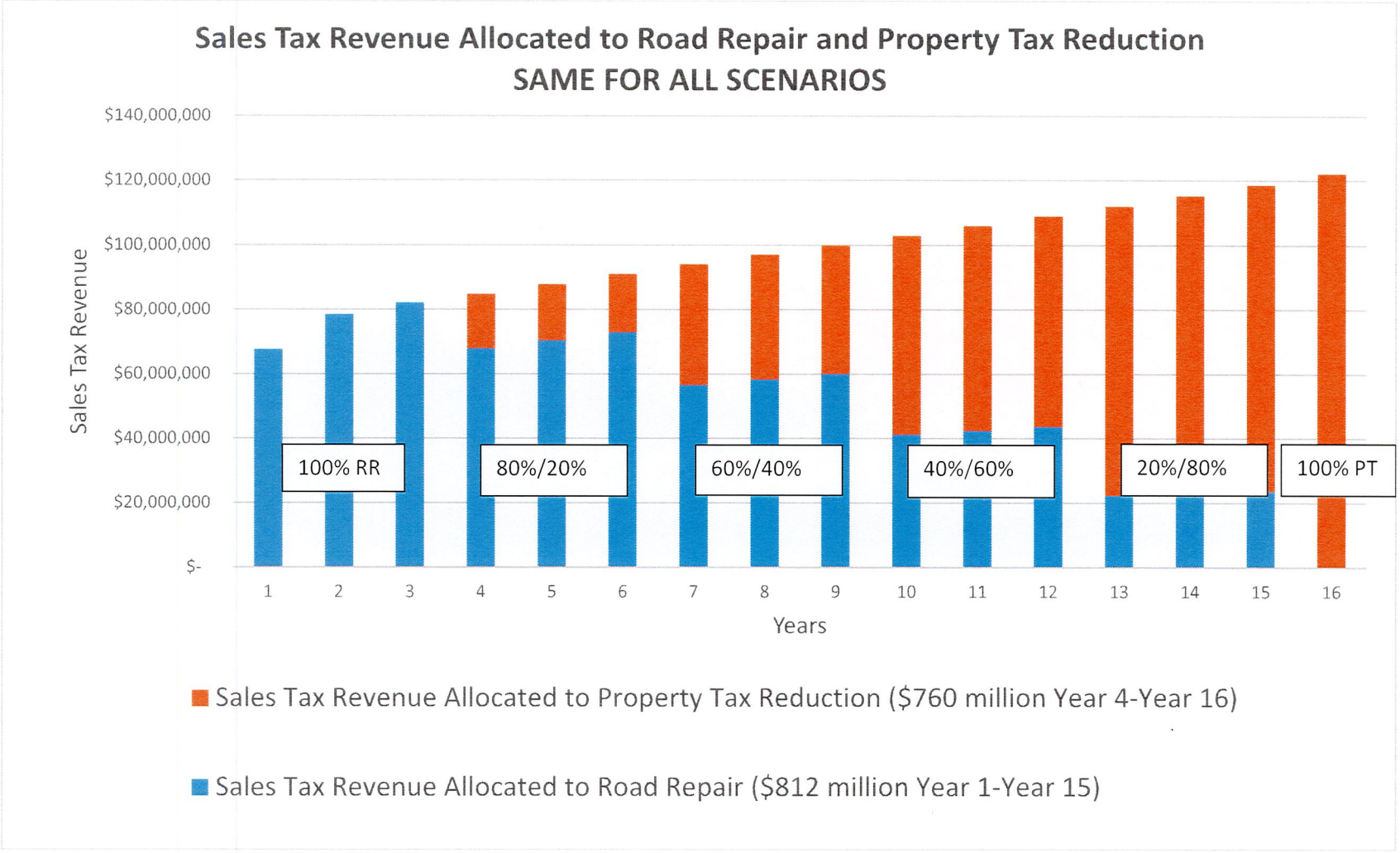
I intend to make a recommendation to the Board of Supervisors in mid-December regarding the Legislative Agenda. It will likely include, as it did last year, any option to impose a half-cent sales tax for road repair, based on a simple majority vote of the Board. It now appears likely such a proposal would receive significant statewide support.

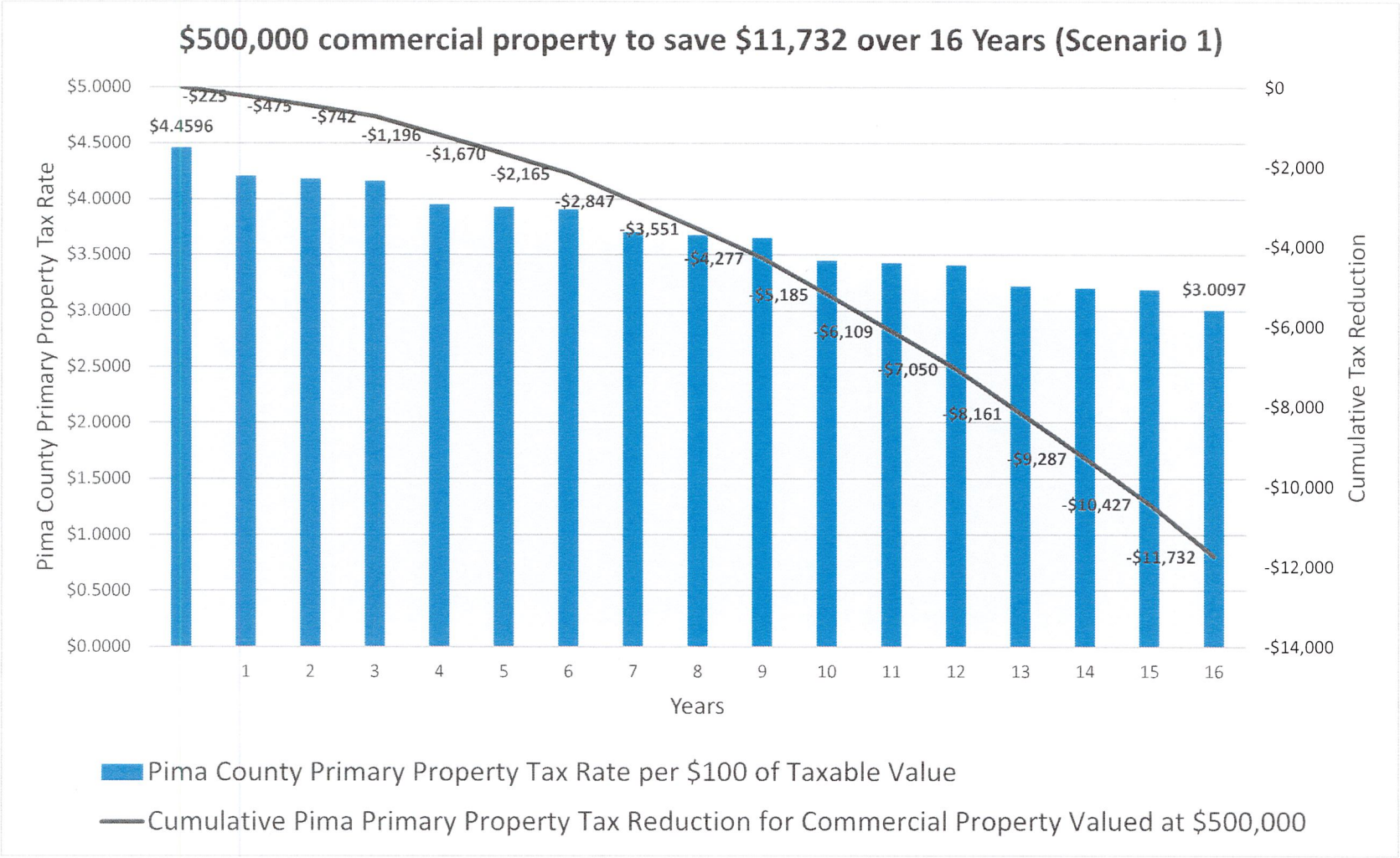
CHH/anc

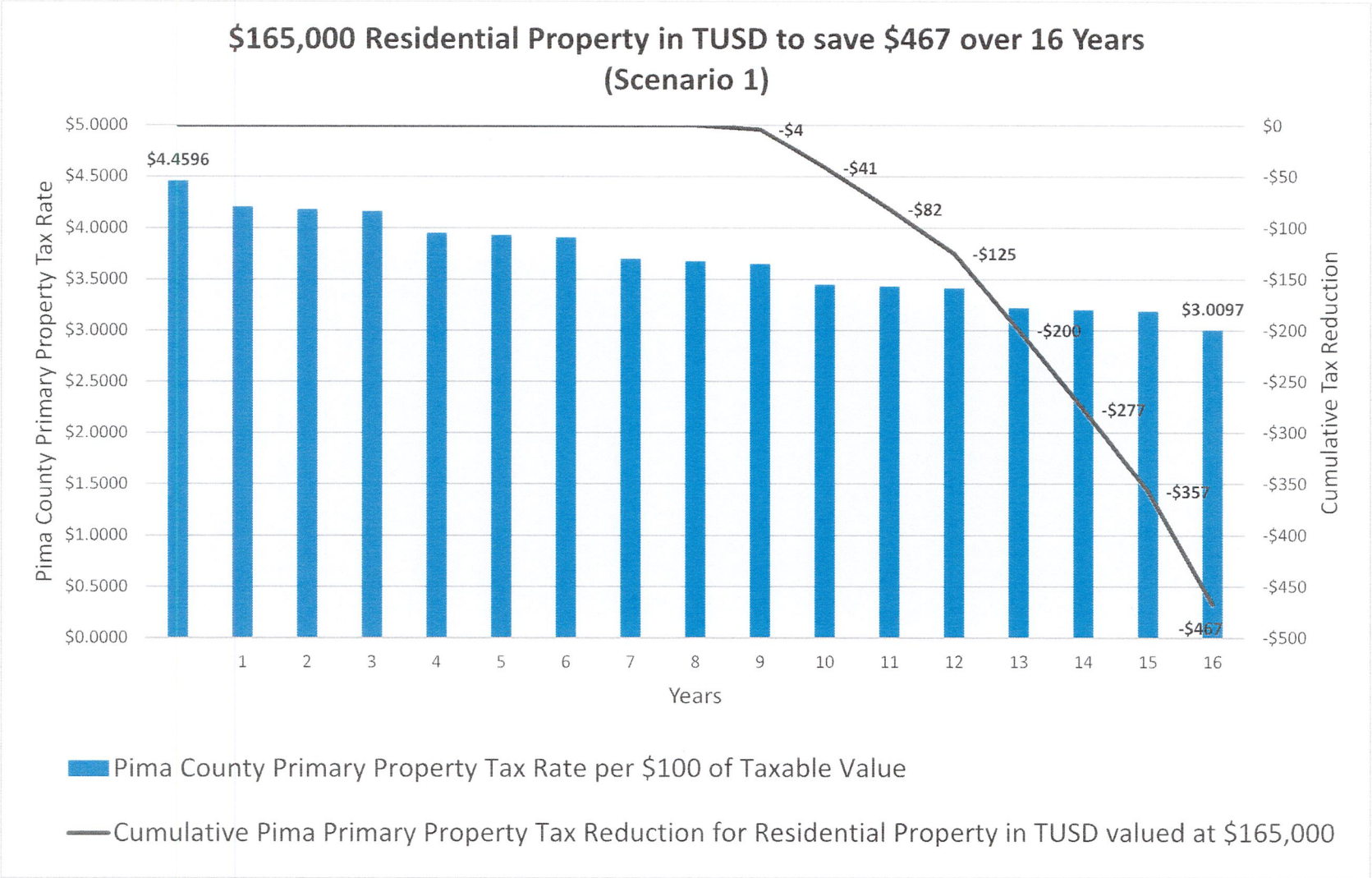
Attachments

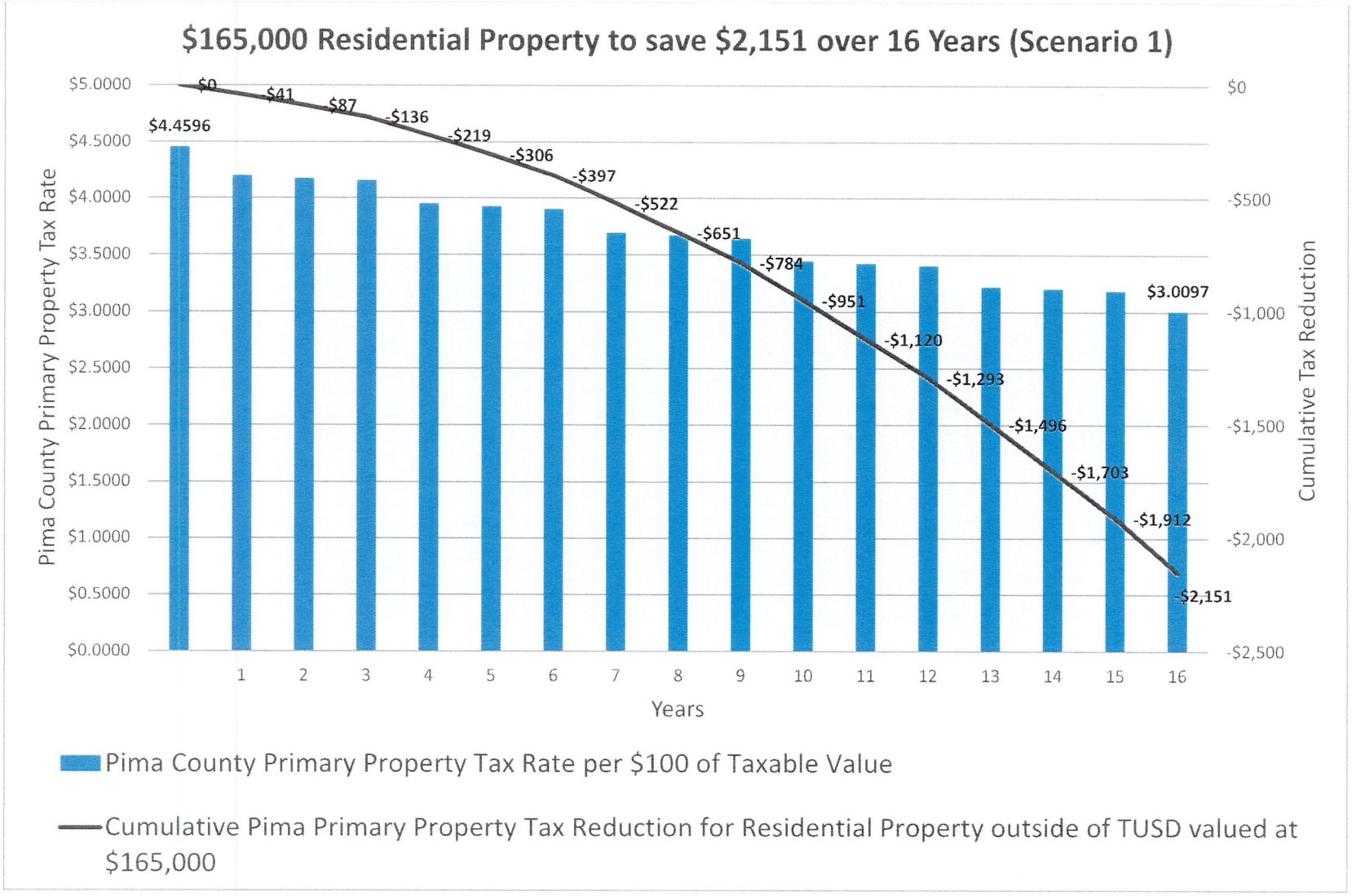
c: Jan Lesher, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Tom Burke, Deputy County Administrator for Administration
Nicole Fyffe, Executive Assistant to the County Administrator
Michael Racy, Racy Associates, Inc.
Chair and Members, Pima County Sales Tax Advisory Committee

ATTACHMENT 1


Sales Tax Revenue Allocated to Road Repair and Property Tax Reduction
SAME FOR ALL SCENARIOS
$140,000,000
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$-
Sales Tax Revenue
100% RR
80%/20%
60%/40%
40%/60%
20%/80%
100% PT
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
Years
Sales Tax Revenue Allocated to Property Tax Reduction ($760 million Year 4-Year 16)
Sales Tax Revenue Allocated to Road Repair ($812 million Year 1-Year 15)


$500,000 commercial property to save $11,732 over 16 Years (Scenario 1)
Pima County Primary Property Tax Rate
Cumulative Tax Reduction
Years
$5.0000
$4.5000
$4.0000
$3.5000
$3.0000
$2.5000
$2.0000
$1.5000
$1.0000
$0.5000
$0.0000
$0
-$2,000
-$4,000
-$6,000
-$8,000
-$10,000
-$12,000
-$14,000
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16
$4.4596
$3.0097
-$225
-$475
-$742
-$1,196
-$1,670
-$2,165
-$2,847
-$3,551
-$4,277
-$5,185
-$6,109
-$7,050
-$8,161
-$9,287
-$10,427
-$11,732
Pima County Primary Property Tax Rate per $100 of Taxable Value
Cumulative Pima Primary Property Tax Reduction for Commercial Property Valued at $500,000


$165,000 Residential Property in TUSD to save $467 over 16 Years
(Scenario 1)
Pima County Primary Property Tax Rate
$5.0000
$4.5000
$4.0000
$3.5000
$3.0000
$2.5000
$2.0000
$1.5000
$1.0000
$0.5000
$0.0000
Cumulative Tax Reduction
$0
-$50
-$100
-$150
-$200
-$250
-$300
-$350
-$400
-$450
-$500
$4.4596
$3.0097
-$4
-$41
-$82
-$125
-$200
-$277
-$357
-$467
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
Years
Pima County Primary Property Tax Rate per $100 of Taxable Value
Cumulative Pima Primary Property Tax Reduction for Residential Property in TUSD valued at $165,000


$165,000 Residential Property to save $2,151 over 16 Years (Scenario 1)
Pima County Primary Property Tax Rate
Cumulative Tax Reduction
Years
$5.0000
$4.5000
$4.0000
$3.5000
$3.0000
$2.5000
$2.0000
$1.5000
$1.0000
$0.5000
$0.0000
$0
-$500
-$1,000
-$1,500
-$2,000
-$2,500
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16
$4.4596
$0
$41
$87
-$136
-$219
-$306
-$397
-$522
-$651
-$784
-$951
-$1,120
-$1,293
-$1,496
-$1,703
-$1,912
-$2,151
$3.0097
Pima County Primary Property Tax Rate per $100 of Taxable Value
Cumulative Pima Primary Property Tax Reduction for Residential Property outside of TUSD valued at $165,000

ATTACHMENT 2

2017 COUNTYWIDE TAX BASE BY PROPERTY USE

PROPERTY USE	2017 COUNTYWIDE ASSESSOR PARCELS
RESIDENTIAL PROPERTIES	
PRIMARY RESIDENCE	232,509
HISTORIC NONCOMMERCIAL	2,909
TOTAL OWNER OCCUPIED RESIDENTIAL	235,418
RESIDENTIAL OTHER	99,476
TOTAL RESIDENTIAL PROPERTIES	334,894
AGRICULTURE/VACANT LAND	69,780
IMPROVEMENTS ON GOV LAND	14
COMMERCIAL	
COMMERCIAL CLASS 1 PROPERTY	19,076
GOLF COURSE	248
RAILROAD	27
FOREIGN TRADE ZONE	22
ENVIRONMENTAL	1
HISTORIC COMMERCIAL	4
TOTAL COMMERCIAL PROPERTIES	19,378
TOTAL	424,066

Notes:

1/ Residential Other includes leased/rental and bank owned residential, care facilities, bed & breakfast, and timeshare properties.

2/ Commercial Class 1 Property includes mines, utilities, pipelines, shopping centers, telecommunications, manufacturing, offices, and commercial properties.

Source: 2017 "As Billed" Property Assessment and Tax Rolls.