



MEMORANDUM

Date: October 30, 2017

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

From: C.H. Huckelberry
County Administrator 

Re: **Reducing Property Taxes and Repairing Roads**

From a series of meetings with the Board of Supervisors-appointed Transportation Advisory Committee as well as the Sales Tax Advisory Committee (STAC), it is clear that:

1. A limited property tax for road repair is inadequate to accomplish complete road repairs in a reasonable timeframe.
2. Property taxes are high and should be decreased, according to comments submitted by the public and Tucson Association of Realtors.
3. Current legislative restrictions imposed on the Board of Supervisors to adopt a sales tax are overly restrictive and allow a minority opinion to overrule the majority.

While Supervisor Steve Christy's "Just Fix the Roads" Plan is admirable and would largely repair all the roads throughout the region within 10 years, it is currently unachievable because of the unanimous vote required to enact a half-cent excise tax.

Recently, a member of STAC asked for an option that would repair roads and reduce property taxes. The attached proposal could achieve both goals within a reasonable timeframe. The plan would be to levy a half-cent transportation excise tax for the purpose of road repair through a majority vote of the Board of Supervisors and use the proceeds to repair roads throughout the region for all jurisdictions. Property taxes would also be reduced for a period of 16 years, in a measured amount beginning in the fourth year after a transportation excise tax has been enacted. Beginning in year four through six of the excise tax, 20 percent of the proceeds would be dedicated to property tax relief; in years seven through nine, 40 percent; years 10 through 12, 60 percent; years 13 through 15, 80 percent; and 100 percent in year 16.

At the same time for budget planning purposes, any future growth in the tax base would be dedicated to property tax reduction on an annual budget adoption basis. Such a plan would provide \$812 million in road repair funding and \$760 million in property tax relief.

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Beginning in the first year of the enactment of the transportation excise tax, the road repair property tax would be repealed. A number of different scenarios are possible to forecast reduction in the property tax rate. In the most aggressive scenario within five years, Pima County's primary property tax rate would be reduced from \$4.46 to \$3.78 per \$100 of taxable value, eliminating the Constitutional one-percent property tax exceedance transfer from the State in five years. After five years, owner occupied property in the Tucson Unified School District (TUSD) would begin to see property tax reductions based on further implementation of this plan during the 16 year period, further reducing the primary property tax to \$2.16. It is important to stress that all other owner occupied properties throughout Pima County would begin to see property tax reductions in year one. Furthermore, businesses throughout the County and including within the TUSD would also see property tax reductions in year one.

This option is one among many but is worthy of further discussion and deliberation. A form of this plan could be included in the County's Legislative Agenda to ask the Legislature, with the assistance of the Arizona Tax Research Association, to enact legislation to provide the County the option through a simple majority vote, to enact this financial proposal to repair our roads and significantly reduce our property taxes.

CHH/anc

Attachment

c: Jan Leshar, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Michael Racy, Racy Associates, Inc.