



Understanding Property Taxes

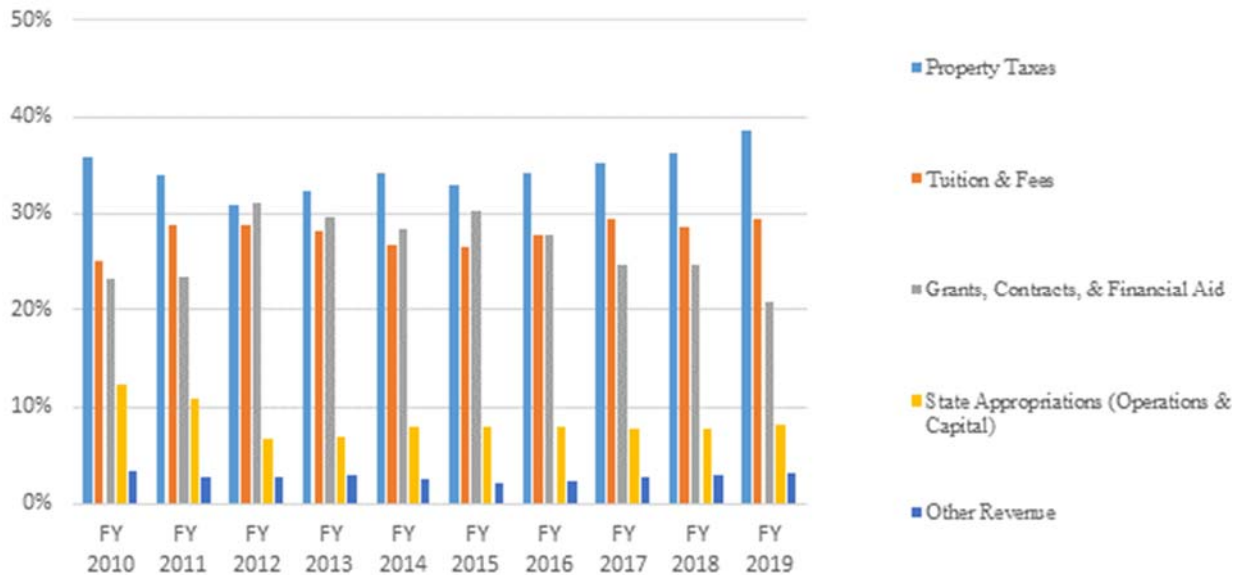
Arizona Revised Statutes §42-17151 provides Coconino Community College District (CCC) with the authority to levy taxes on property in Coconino County. CCC may levy two types of property taxes: primary and secondary. The primary property tax levy supports CCC’s general operations while the secondary property tax levy funds voter-approved general obligation debt service (bonds). Bonds were issued in 1999 and proceeds were used to construct and improve the CCC campuses and instructional sites.

Each year before March 1, the Coconino County Assessor’s Office notifies property owners of their property valuations with a notice that indicates the upcoming year’s property valuation as well as the valuation for the following year. In September of each year the Coconino County Treasurer’s Office mails a tax statement to the name and address that appears on the Assessment and Tax Roll provided by the Assessor’s Office. The tax statement is for the full year and includes the amount of tax due, property assessment, and other useful information.

Coconino Community College Revenue

As the accompanying chart shows, property taxes are a major source of revenue for CCC. For FY 2019 they comprise approximately thirty-nine percent of CCC’s total budgeted revenue.

All Funds Budgeted Revenue Sources as a percent of Total Budgeted Revenue, 10 years, FY 2010-2019



Historically, there have been three major sources of budgeted revenue for CCC’s operations: primary property tax, tuition and fees, and state aid. However, the share of revenue from state aid has been steadily decreasing, and for fiscal year 2019 state aid for CCC is only 8% of budgeted revenues.

Primary Property Tax Rates

Primary Property includes different property types that are assessed at different rates, known as assessment ratios or valuation percentages. The legal classes of property and changing assessment ratios are described in A.R.S. § 42-12001-12009 and § 42-15001-15009. For example, owner-occupied residential property is assessed at 10 percent of the valuation of the property. As described in A.R.S § 42-15001 and § 42-12001, the valuation



percentage for commercial property has been reduced from 25 percent in December 2005 to the current rate of 18 percent. The most common property types with the associated assessment ratio is shown in the table below.

Valuation Percentages/Assessment Ratios

Class	General Property Description	Tax Year											
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 and future years
1	Commercial and Industrial	25.0	24.5	24.0	23.0	22.0	21.0	20.0	20.0	19.5	19.0	18.5	18.0
2	Agricultural, Vacant, Other	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	15.0
3	Residential: Owner-Occupied	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
4	Residential: Rental or Leased	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Please note that the tax year listed on Coconino County property tax statements and CCC’s fiscal year are not the same time periods. The tax year is one year behind CCC’s fiscal year. For example, tax year 2018 is due to be paid during CCC’s fiscal year 2019, which starts July 1, 2018 and ends June 30, 2019.

For tax year 2018, which is CCC’s fiscal year 2019, the primary property tax assessed by CCC on a fictitious residential property, with an assessed property value of \$100,000, may be calculated as follows:

Full Cash Value Tax Year 2018	Residential Property Assessment Ratio	Assessed Value Tax Year 2018	CCC Primary Property Tax Rate Tax Year 2018 (per \$100 Net Assessed	Primary Property Tax Due CCC
\$100,000	X 0.1	= \$10,000	X 0.004741	\$47.41

Setting the CCC Primary Tax Rate

CCC is authorized to levy a total dollar amount, which is based on the maximum levy amount in the prior year plus the amount gained from new property. CCC’s District Governing Board may also authorize an additional 2 percent maximum levy increase each year, following the Truth in Taxation notices and public hearing legal requirements. The subsequent tax rate is then determined based upon the total property valuation by property class in the county as provided by the Coconino County Assessor’s Office. For example, for CCC fiscal year 2019 (tax year 2018), a two percent levy increase was approved and the primary property tax rate calculation was:

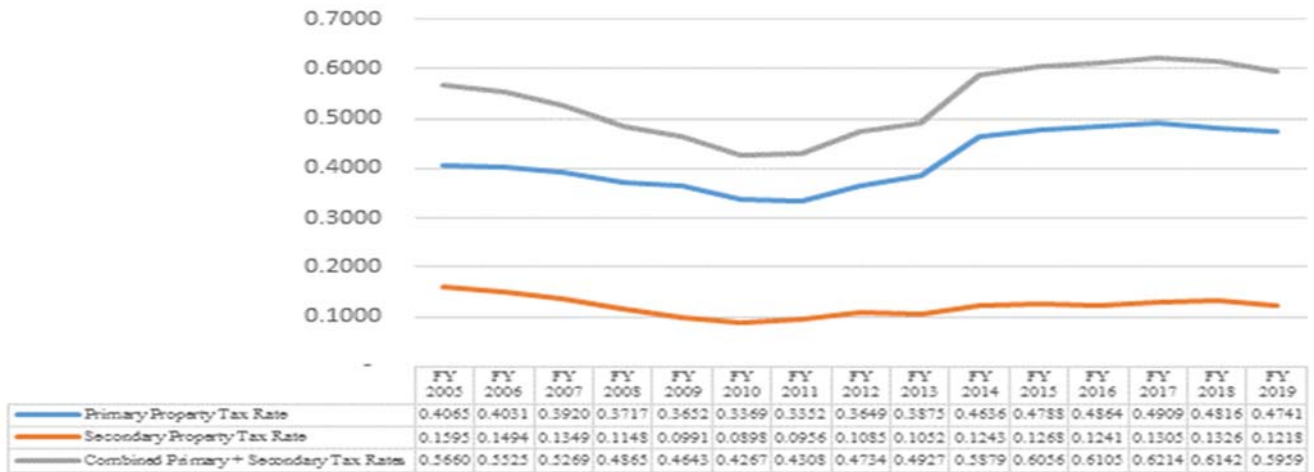
Maximum Allowable Primary Tax Levy for Tax Year 2017	2 percent increase authorized by District Governing Board	Prior Tax Year 2017 Levy with authorized increase (A)	Current Year Net Assessed Property Value subject to taxation in prior year divided by 100 (B)	Prior Tax Year 2016 Levy with increase divided by Current Year Net Assessed Property Value subject to taxation in prior year divided by 100 (A/B)
\$7,939,326	X 1.02	= \$8,098,113	÷ \$17,082,766	\$0.4741

Increases in the amount of property tax that an individual taxpayer pays are driven by a number of factors including the change in the tax rate, the change in the valuation of the property being taxed, and any change in the assessment ratio.



The chart below describes the Coconino Community College District primary and secondary tax rates from fiscal years 2005-2019 and demonstrates how both rates have changed during this time period. The primary tax rate has increased while the secondary tax rate decreased. Over the same time period, if these tax rates were added together, the combined tax rates have increased slightly. This has led to an overall increase of \$2.99 in the amount of taxes paid in support of CCC for a property with an assessed value that has remained constant over this same time period.

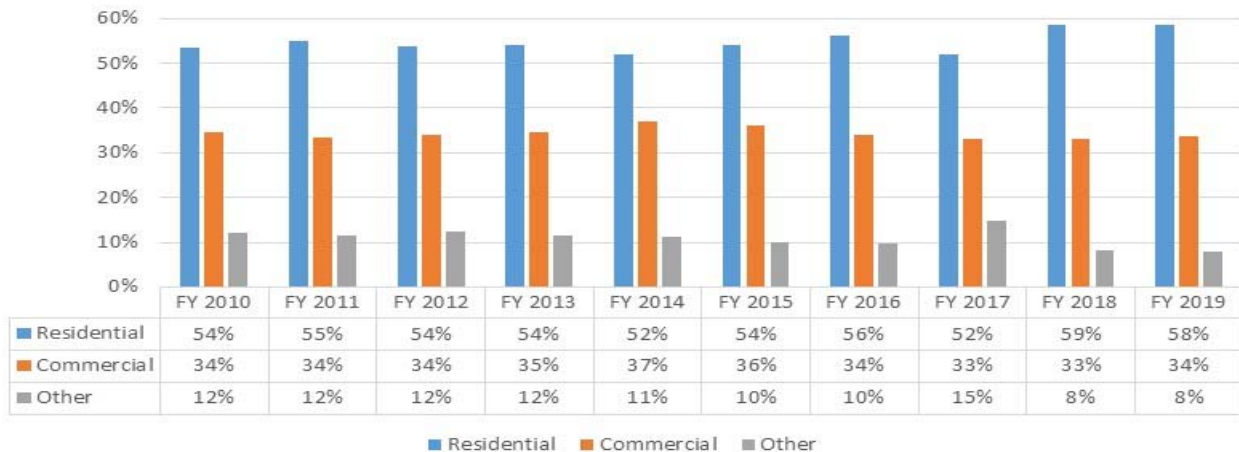
CCC Primary, Secondary, and Combined Property Tax Rates (15 years, FY 2005 – 2019)



Change in Distribution of Taxes

Because changes in assessment ratios and valuations vary from year to year, different property class groups constitute a different percentage of the total primary property tax levy for CCC. As shown in the accompanying chart, the percentage of the CCC primary property tax levy comprised by residential property has been increasing. Approximately 58% of the CCC primary tax levy now comes from residential property compared with approximately 54% in FY 2010.

CCC Primary Tax Levy Share by Property Type 10 years, FY 2010-2019



Secondary Property Tax Rates

As indicated previously, the secondary tax levy is the voter approved general obligation debt service for each fiscal year. The calculation of tax is similar to primary tax. For tax year 2018 (CCC fiscal year 2019), the secondary property tax rate assessed by CCC is \$0.1218. A fictitious residential property with an assessed full cash property value of \$100,000 would be calculated as follows:

Full Cash Value Tax Year 2018	Residential Property Assessment Ratio	Assessed Value Tax Year 2018	CCC Secondary Property Tax Rate Tax Year 201 (per \$100 Net Assessed Value)	Primary Property Tax Due CCC
\$100,000	X 0.10	= \$10,000	X 0.001218	\$12.18

The chart below shows the amount of general obligation debt service by year for CCC since fiscal year 2001. The balance on the bonds was defeased in fiscal year 2009, resulting in significant interest savings for taxpayers.

CCC General Obligation Bonds Debt Service by Fiscal Year



Truth in Taxation

CCC is required to comply with Arizona Revised Statutes § 15-1461.01 in order to increase taxes beyond the “levy neutral” amount. If the levy that CCC plans to assess is greater than the levy neutral amount and is approved by CCC’s District Governing Board, then this statute requires CCC to perform certain tasks including: publish a notice (in a form required by Statute) in a general circulation newspaper, or, mail a notice to registered voters in the district and issue a press release containing the truth in taxation notice to all general circulation newspapers in the district, and mail information regarding this process to the property tax oversight commission.

An example of the truth in taxation notice that the District publishes is shown on the following page. Note that this example has been resized to better fit this document. While this truth in taxation notice states there was an increase in taxes, this notice describes and increase in the District’s primary tax rate compared to keeping the



primary tax levy unchanged (or levy neutral) and does not describe a change in taxes compared to the previous year. Also, the verbiage and other parameters are specified in this Arizona Revised Statute may not be modified.

TRUTH IN TAXATION HEARING

NOTICE OF TAX INCREASE

In compliance with section 15-1461.01, Arizona Revised Statutes, Coconino Community College District is notifying its property taxpayers of Coconino Community College District's intention to raise its primary property taxes over last year's level. The Coconino Community District is proposing an increase in primary property taxes of \$158,870 or 2.0%.

For example, the proposed tax increase will cause Coconino County Community College District's primary property taxes on a \$100,000 home to be \$47.41 (total proposed taxes including the tax increase). Without the proposed tax increase, the total taxes that would be owed on a \$100,000 home would have been \$46.48.

This proposed increase is exclusive of increased primary property taxes received from new construction. The increase is also exclusive of any changes that may occur from property tax levies for voter approved bonded indebtedness or budget and tax overrides.

All interested citizens are invited to attend the public hearing on the tax increase that is scheduled to be held May 21st, 2018 at 5:30 p.m. in the Lone Tree Board Room at Coconino Community College, 2800 S. Lone Tree, Flagstaff, Arizona.



Definitions and additional sources of information:

Tax Levy: The total amount of money a taxing jurisdiction needs to raise through property taxation.

Tax Rate: The tax levy (budget set by each taxing jurisdiction) divided by the total equalized assessed valuation of that taxing jurisdiction.

Tax: A compulsory contribution legally exacted from persons, corporations, and other organizations by a government, for the support of government and the maintenance of public services.

Valuation: The Full Cash Value or Limited Property Value that is determined for Real or Personal Property.

The Coconino County Assessor's Office website: <http://www.coconino.az.gov/assessor> provides additional information including:

- Maps & Property Information
- Jurisdiction Values
- Forms
- Appeal Information
- Property Tax Assistance

The Coconino County Treasurer's Office website: <http://www.coconino.az.gov/treasurer> provides additional information including:

- Forms and Instructions
- Payment Information
- Information on Taxing Jurisdictions
- Tax Rates
- Information on Tax Liens
- Tips & Videos

Arizona Tax Research Association: <http://www.arizonatax.org/>

Arizona Revised Statutes: <http://www.azleg.gov/arstitle/>