



# ARIZONA HOUSE OF REPRESENTATIVES

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Senate: APPROP DP 8-2-0-0 | 3<sup>rd</sup> Read: 17-13-0-0

House: Rules DP/C&P 8-0-0-0

## **SB 1749: 2025-2026; taxation; omnibus**

**Sponsor: Senator Kavanagh (with permission of committee on Rules), LD 3  
House Engrossed**

### **Overview**

Makes changes related to taxation in the transaction privilege tax (TPT) and use tax, property tax and individual income tax statutes.

### **History**

Pipes and valves four inches in diameter or larger are nontaxable if they are used to transport oil, natural gas, artificial gas, water or coal slurry. The deduction also includes compressor units, regulators, machinery and equipment, fittings, seals and any parts used in operating the pipes or valves (A.R.S. §§ [42-5061](#); [42-5159](#)).

Currently, a veteran with a service or nonservice connected disability receives an exemption of \$4,188 if the property tax does not exceed \$28,459 ([A.R.S. § 42-11111](#)). Disability ratings for veterans are done by The United States Department of Veterans Affairs (VA) to determine the veteran's disability compensation rate and other eligibility benefits. The VA bases the rating on evidence the veteran provides (doctors reports or medical tests), results from the VA's claim exam and information the VA receives from other sources such as federal agencies. VA disability ratings do not exceed 100% and will be calculated as a combined disability rating if the veteran has multiple disability ratings ([VA.gov](#)).

Currently personal property that is a class 2 property that is used for agricultural purposes and personal property that is a class 1 property that is used in a trade or business is exempt from taxation up to \$207,366 of full cash value for each taxpayer ([A.R.S. § 42-11127](#)). The Department of Revenue annually adjusts the exemption amount for the following tax year (TY) to account for inflation and for TY 2025, the exemption is \$269,905 ([Ariz. Const. art. 9, § 2](#); [A.R.S. § 42-15002](#)).

Currently, subtractions to Arizona gross income regarding expenses relating to adoption are allowed up to \$3,000. The subtractions can be taken for costs incurred in the years prior to taking the subtraction but the subtraction can only be taken in the year the final adoption order was granted ([A.R.S § 43-1022](#)).

Statute allows for a credit against individual income tax liability for fees paid or cash contributions made to a public school for: 1) standardized testing for college credit or readiness; 2) the career and technical education industry certification assessment; 3) preparation courses and materials for standardized testing; 4) cardiopulmonary resuscitation training; 5) extracurricular activities; and 6) character education programs. [Laws 2019, Chapter 164](#) authorized additional purposes for contributions until June 30, 2022, including:

- Prop 105 (45 votes)     Prop 108 (40 votes)     Emergency (40 votes)     Fiscal Note

1) the acquisition of specified capital items; 2) community school meal programs; 3) student consumable health care supplies; and 4) playground equipment and shade structures for playground equipment. In 2021, the Legislature extended the expiration date for the additional authorized purposes until June 30, 2024 ([Laws 2021, Ch. 412](#)).

### **Provisions**

1. Expands the existing TPT and use tax exemption for pipes and valves that are four inches in diameter or larger used to transport oil, natural gas, artificial gas, water or coal slurry to include pipes or valves used to transport wastewater effective to taxable periods beginning on the first day of the month following the general effective date. (Sec. 1, 2, 7)
2. Creates a property tax exemption for property owned by a veteran with a service-connected disability that is rated at 100% which fully exempts the property from taxation and allows the exemption for the surviving spouse of eligible veterans if the property is the surviving spouse's primary residence and the surviving spouse does not remarry. (Sec. 3)
3. Specifies the property of a veteran with a nonservice connected disability whose disability rating 100% or less or with a service-connected disability of less than 100% are exempt in the amount of:
  - a) \$4,188 for the property of people who are not fully exempt if the individual's total assessment does not exceed \$28,459;
  - b) reduces the \$4,188 limit by multiplying the total exemption by the percentage of the veteran's disability. (Sec. 3)
4. Excludes payments from any veterans' pensions, rather than only veterans disability pensions, from the calculation of income from all sources for the purposes of the exemption income cap. (Sec. 3)
5. Increases, effective January 1, 2026, the business personal property tax exemption to \$500,000. (Sec. 4, 8)
6. Increases the individual income tax subtraction for unreimbursed adoption expenses from \$3,000 for all taxpayers regardless of filing status to \$5,000 for single and head of household filers and \$10,000 for married couples filing jointly effective beginning with the 2026 taxable year. (Sec. 5)
7. Extends, until June 30, 2029, and retroactive to June 29, 2024, the use of the tax credit for the amount of fees paid or cash contributions made by a taxpayer to a public school located in this state for the following authorized purposes: a) the acquisition of outlined capital items; b) community school meal programs; c) student consumable health care supplies; and d) playground equipment and shade structures for playground equipment. (Sec. 6, 9)
8. Makes technical and conforming changes. (Sec. 3, 4, 5)