

AZ bill could wipe out property taxes for some, but not reverse borrowers

While there's a push in AZ to eliminate property taxes for people with paid-off mortgages, reverse customers could end up paying more

January 19, 2023, 1:27 pm By Chris Clow

Rep. Rachel Jones (R), a member of the Arizona legislature, has introduced a bill that, if passed, would eliminate property taxes for homeowners whose mortgages are paid in full. If the bill is successful, though, it may require reverse mortgage borrowers in Arizona to pay more in taxes, according to an interview with the lawmaker and details of the proposed bill [published](#) by Tucson.com.

Jones, who represents the state's 17th district, which includes Tucson and other parts of Maricopa County, introduced HB 2315 by comparing property tax charges on homes without mortgages to paying sales tax on items that have already been purchased.

"It's awful that you're charged taxes on something you own," Jones told Tucson.com.

Jones said there are details that warrant consideration before the bill moves through the legislative process. One is related to wealthy out-of-state homebuyers who have the resources to pay cash for a new home in Arizona. With the current version of the bill, these residents wouldn't need to pay property taxes at all.

At the center of the proposal is the impact the bill would have on seniors who live on fixed incomes, Jones said.

"My main heart issue behind it are those, especially elderly folks who are on a fixed income, who lose their homes," Jones told the outlet. "I just talked with a constituent whose uncle lost his home last year because of this very issue. That's just unacceptable."

However, seniors with reverse mortgages could potentially see an increase in their property tax bills if the proposed law is passed in its current form, according to Tucson.com.

"Some elderly will take out a 'reverse mortgage,' using the equity in their paid-off homes to be able to stay there and pay other bills," the article states. "And as HB 2315

is written, those people would go from paying no property taxes at all to once again having an annual bill.”

Paying tax and insurance obligations is a core requirement for a reverse mortgage to be in good standing. If a borrower lapses on property taxes, homeowner’s insurance or (in some cases) homeowners association fees, the reverse mortgage could accelerate to due-and-payable status, which could result in foreclosure.

Arizona House research staff is currently “crunching the numbers” to contribute to a revision of the bill and to measure the impact to state residents more narrowly, Jones said.