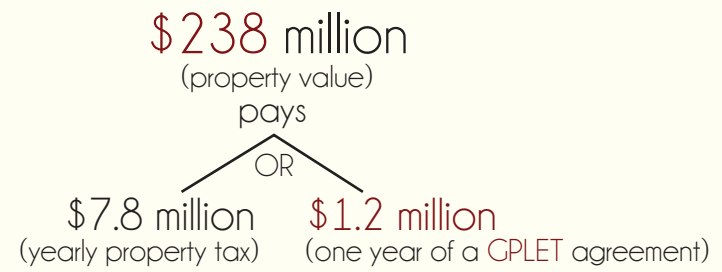


The impact of GPLET

A Government Property Lease Excise Tax (GPLET) is a tax incentive negotiated between a company and local government. With a GPLET, agreement, the developer does not have to pay property tax on a building - instead, they pay an excise tax, which is typically much lower than the property tax rate would be. The first eight years of a GPLET agreement are typically free for the property owner, while the last year typically costs the same amount as property taxes would. GPLET agreements are now standardized at 25 years in Arizona, although longer agreements exist.

What's that mean for a business?



GPLET rates vs property tax rates

The maroon buildings show how much building leasers paid in GPLET agreements in 2010, the gray buildings show how much they would have paid if they had paid regular property tax rates based on their current value.



1985 The Possessory Interest Tax (GPLET predecessor) is created as a way for governments to tax properties on public land.

A history of the GPLET in Arizona

1995 Possessory Interest Tax is repealed - courts rule properties in the same class cannot be treated differently.

1996 GPLET is created. It is an excise tax, not a property tax. Based on property sizes, not values.

2000 50 year Phelps Dodge Tower (now 1 N Central) lease signed

2007 99 year CityScape lease signed

2010 GPLET reforms. Leases capped at 25 years, rates increased, among other changes.

2013 Today 12 GPLET buildings Value: over \$1.1 billion Yearly property taxes that would be paid without GPLET: over \$36 million

What about property values?

In 2009, GPLET properties started being accounted for in calculations that determine how much state aid a school district gets. This inclusion increased school districts' property values, decreasing the amount of aid the schools get from the state. However, because GPLET properties don't pay normal property taxes, the added burden caused by reduced state funding doesn't apply to them, just to all of the other property within the districts.



Sources:
 Maricopa County Assessor's Office
 1 N Central building lease document
 Collier Center building lease document
 Jefferson Street Garage building lease document
 Renaissance Towers building lease document
 Roosevelt Square building lease document
 Maricopa Treasurer's Office
 City of Phoenix
 Randie Stein (Stifel, Nicolaus, & Company, Inc.)