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February 28, 1936.

Mr. Linus R. Fike,
Attorney for ERA of Arizona,
324 Heard Building,
Phoenix, Arizona.

Dear Mr. Fike:

In response to your oral inquiry as to whether property purchased by the Arizona Rural Rehabilitation Corporation, and resold under contract between the Corporation and the purchaser, to be paid for in installments over a long period of years, is subject to taxation by the State of Arizona, I submit herewith my views:

From a copy of the Articles of Incorporation of the Arizona Rural Rehabilitation Corporation submitted, it appears that in general the main object of the Corporation is to assist citizens in becoming self-sustaining by enabling them to secure subsistence and gainful occupation from the soil in accordance with the economic and social standards of good citizenship.

I understand from you that this Corporation was organized at the suggestion of the Federal Emergency Relief Administration for the purpose of creating a legal entity or agency to utilize certain allotments of funds made to the State of Arizona by the Federal Emergency Relief Administration under the provisions of the Federal Emergency Relief Act of 1933.

I note from the Articles of Incorporation that this Corporation is to serve as an agent and instrumentality of the Arizona Board of Public Welfare; that the Corporation shall have an existence of twenty-five years unless dissolved in accordance with law; that in the event its property is sold or disposed of, any funds left on hand revert to the Arizona Board of Public Welfare or its successor engaged in welfare work in the State of Arizona.

It is my opinion that under these conditions this Corporation is a state agency and the property owned by it would have the status of state property.

In determining whether this property shall be exempt from state taxation we have three legal principles to consider:

1. A state has no power to tax the property of a federal agency.

2. Under section 3066 Revised Code of 1928, the property of certain charitable institutions is exempt from taxation.

3. Under the State Constitution the state has no power to tax state property.

Being of the opinion that this is not a federal agency, the first principle would have no bearing upon the problem.

It is my opinion that this property cannot be exempt from taxation under the provisions of section 3066 Revised Code of 1928 for the reason that under a decision of the Supreme Court of the State of Arizona the "charitable institutions" referred to in that section means the physical property or buildings whose principal use is for the relief of the indigent or afflicted, such as hospitals, asylums and poor houses. *Conrad vs. County of Maricopa*, 40 Ariz. 390, 12 Pac. (2d) 613. It is my opinion that this property could not qualify for exemption under this section of the statute as construed by the Supreme Court.

The next and final question is whether it may be exempt as state property. It has been judicially determined that the State of Arizona may tax state land after the same has been sold to a purchaser thereof under certificate of purchase to be paid for in annual installments over a long period of years. In taxing this land the state may tax the full value thereof against the interest of the purchaser. *Kelly vs. Allen*, 49 Fed. (2d) 876. Likewise the Supreme Court of the United States has recognized the principle that one owning a beneficial interest in property purchased from a federal agency may be taxed by the state or its subdivisions including in the taxable valuation both the interest of the purchaser and the interest of the federal agency. *City of New Brunswick vs. United States of America*, 276 U. S. 547, 72 L. Ed. 693.

Section 2 of Article IX, of the Arizona Constitution requires that all property not specifically exempted shall be taxed as provided by law. Section 3066 Revised Code of 1928, supra, provides that all property shall be taxed except such as is expressly exempted.

Mr. Linus R. Pike -3-

In view of these provisions of the constitution and statute, and in view of the foregoing authorities, it is my opinion that when this Corporation sells property to an individual the same would be subject to taxation by the State of Arizona.

I am returning herewith your Articles of Incorporation.

Yours very truly,

DUDLEY W. WINDES,
Special Assistant
Attorney General.