



CHILDREN'S ACTION ALLIANCE

4001 North 3rd Street
Suite 160
Phoenix, Arizona 85012
(602) 266-0707
Fax: (602) 263-8792
<http://www.azchildren.org>

FACT SHEET

Arizona Comes in Low on State and Local Taxes

Whether our state is experiencing a budget surplus or deficit, the question of high or low Arizona's taxes are compared to other states comes up. The answer is: Arizona's tax rate per \$100 of personal income is low. ***Arizona ranks 34th in combined taxes - \$10.28 per \$100 of personal income.***

How do you compare states? The fairest method to compare state tax rates is to combine all local and state taxes together. This is because the responsibilities of state and local governments are divided up differently in different states. For instance, in California it's the counties who operate the Medicaid system, while in Arizona Medicaid is operated at the state level.

Why do you use the rate per \$100 of personal income instead of rate per capita? Making the comparison based on personal income takes into account the ability of the residents in the state to pay the taxes. Making comparisons based on population does not reflect ability to pay – per capita includes children, unemployed and retired people,.

How does Arizona compare to other states on the different types of taxes? Because each state's economy is unique, the decisions about how to raise revenues are also unique. States that have a large tourist industry, such as Arizona, may choose to access higher sales taxes, while states with unique natural resources, such as Texas and Alaska with their oil industries, may choose to collect taxes on the use of those resources. No one state is high in all types of taxes, nor is any one state lowest. Here's how Arizona compares:

- **Individual income taxes** – We rank 40th at \$1.59 per \$100 of personal income. The highest state is New York at \$4.51; four states have no individual income tax.
- **Corporate income taxes** – Arizona ranks 19th at \$0.39 per \$100 of personal income. Alaska is the highest at \$2.50; four states have very little or no corporate income tax.
- **Property taxes** – Arizona ranks 30th at \$2.87 per \$100 of personal income. The highest state is New Hampshire at \$5.37; the lowest is Alabama at \$1.33.
- **General sales taxes** – Arizona ranks 7th at \$3.93 per \$100 of personal income. Louisiana is the highest state at \$5.11; three states have no general sales tax.
- **Selective sales taxes** – Arizona ranks 40th at \$0.96 per \$100 of personal income. The highest is \$2.63 in Nevada and lowest is \$0.73 in Wyoming.

As indicated above, when all state and local taxes are combined, Arizona ranks 34th with \$10.26 per \$100 of personal income. New York is the highest at \$14.39; South Dakota is the lowest at \$8.35.

Aren't Arizona's property taxes high? As the data shows, the answer is "No" – 29 other states have higher property taxes. Another warm weather state, Florida, has property taxes at \$3.37 per \$100 of personal income compared to \$2.89 in Arizona.

ARIZONA STATE AND LOCAL TAXES
PER \$100 OF PERSONAL INCOME
COMPARED TO NATIONAL AVERAGE
2005 DATA

