



**CHILDREN'S  
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**FACT  
SHEET**

**S.B. 1324 – Reducing Arizona’s Corporate Income Tax Rate**

June 15, 2009

S.B. 1324 would reduce the income tax rate for corporations by 35% over a four-year period. The current rate of 6.968% of net income would become 4.540% beginning January 1, 2014. If enacted, Arizona would have the lowest corporate income tax rate except for those states that have none. Once fully enacted, it would cost the state General Fund \$250 million a year in revenues.

**How does this compare with other states?** Arizona is in the middle of the pack. Twenty-four states have rates that are higher than Arizona’s, and 20 have rates that are lower. (Five states have no corporate income tax.) Iowa is at the top of the scale with a rate of 12.00%. Among our neighboring states, two have higher rates and two have lower rates. (Nevada has no corporate income tax due to the unique nature of their economy.)

	<b>Corporate Income Tax Rate<sup>1</sup></b>
Colorado	4.63%
Utah	5.00%
<b>Arizona</b>	<b>6.968%</b>
New Mexico	7.60%
California	8.84%

When considering the state’s total personal income, Arizona’s corporate income tax ranks 19<sup>th</sup> at \$0.39 per \$100 of personal income. In 2007 state-level corporate tax collections (excluding local taxes) were \$158 per capita.

**Arizona Ranks High for Competitiveness.** The American Legislative Exchange Council (ALEC) ranks Arizona eighth for economic performance and third for economic outlook.<sup>2</sup> Previously, ALEC had ranked Arizona’s economic outlook at sixth highest.

**What Corporate Income Taxes Mean to Arizona’s Children and Families.** Although the percent of total state taxes collected that come from corporate income is relatively small (8%), the amount of revenue that would be lost as a result of lowering the rate to 4.54% is not. According to Governor Brewer’s letter to Arizona citizens dated June 1, Arizona’s General Fund would lose \$250 million once the tax cut was fully implemented. \$250 million would fund a year’s worth of CPS staffing and all related programs including foster care, adoption, and family support.

<sup>1</sup> *Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison 2007*, Government of the District of Columbia, 2008.

<sup>2</sup> *Rich States, Poor States, 2<sup>nd</sup> Edition*, Arthur B. Laffer, Stephen Moore and Jonathan Williams, American Legislative Exchange Council, 2009.