



H.B. 2250 – TAX CUTS TO GROW ARIZONA’S DEFICIT

| HB 2250 – Tax Cut Plan | Arizona’s History |
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| Reduce the commercial property tax ratio from 20% to 15%. | Laws passed in 2005 began reducing the commercial property ratio from 25% to 20% over a 10 year period. Laws passed in 2007 accelerated this. When phase-in is completed in 2011, this reduction will cost the state \$140 million per year in additional state funds required for K-12 education funding. This change also reduces the tax base for county and local governments, including school districts. |
| Eliminate the State Equalization Tax. | This tax, which supports K-12 education, was suspended for 3 years (FY 07 – FY 09). It was estimated to cost the General Fund \$240 million in FY 09. This is the only statewide property tax that supports K-12 education. |
| Reduce the corporate income tax rate from 6.968% to 5%. If enacted, only 2 states would have rates lower than Arizona (except for those that do not have a corporate income tax). | Since 1990 the corporate income tax rate has been lowered 4 times – it is now 33% less than it was in 1990. The last reduction occurred in Tax Year 2001, when the rate went from 7.968% to 6.968% In addition, there are 36 tax credits available for corporations. |
| Reduce the individual income tax rate by 10%. Arizona currently ranks 39 th for individual income taxes paid per \$100 of personal income. | Since 1990 the individual income tax rate has been cut 7 times. In Tax Year 1990 the top rate was 7.0%; currently it is 4.54%. There are 32 tax credits available to those filing individual income taxes. |
| Reduce the corporate income taxes paid by multi-state businesses with a majority of their sales out of state (the “single sales factor”). | The formula for corporate income taxes already favors businesses that have significant payrolls and property located in Arizona but most sales out of state. This bill allows corporations to choose an even more favorable formula to reduce their taxes even more. |
| Create an economic development strategy plan | The Department of Commerce and Economic Development Commission are responsible for economic development initiatives in the statewide economic strategic plan. |

ABC includes more than 50 organizations throughout Arizona standing for jobs, education, health and human services.



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| <p>Create an incentive program to encourage business to locate to a distressed regional area.</p> | <p>The Department of Commerce operates several programs to help distressed areas:</p> <ul style="list-style-type: none"> • The Main Street Program which provides rural economic development initiative with matching grants. • The Arizona Commerce and Economic Development Commission Loans and Grants program which supports economic development projects that result in job retention or creation with salaries at or above the average county wage. • The Rural Economic Development Initiative. • Solar Powers America Grants for Renewable Energy. |
| <p>Create a new job training program.</p> <p>Repeal the employer payroll tax that pays for it.</p> | <p>Arizona already has several job training programs.</p> <p>The Job Training Fund, which this bill would repeal, exists at the Department of Commerce to providing training and retraining for employment opportunities with new and expanding businesses or business undergoing economic conversion. 25% of the funds appropriated are set aside for small and rural businesses.</p> <p>The primary source for this fund is a 0.1% employer wage tax. \$22.2 million of this fund was swept into the General Fund in FY 09 and another \$20.1 million in FY 10 as part of the budget-balancing strategies.</p> <p>The Department of Economic Security also houses several job training programs, the largest of which is the Workforce Investment Act programs which fund workforce training for workers at the local level. In FY 10, \$48 million is designated for this local training.</p> <p>A refundable corporation income tax credit exists for providing technological skills training. The credit is 50% of the amount spent on training, not to exceed \$1500 per employee.</p> |

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