



H.B. 2250 - CORPORATE WELFARE PAID FOR BY ARIZONA FAMILIES

April 8, 2010

H.B. 2250 enacts a multiple tax breaks for corporations beginning in FY 12 when Arizona will still be facing multibillion dollar deficits and cuts to education and health care. This will enlarge our structural deficit.

- HB 2250 redistributes taxes away from businesses to homeowners and families.
- HB 2250 threatens K-12 education. It eliminates the only statewide property tax that supports general fund education costs and lowers the tax base for school districts' bond and budget override elections. This will create higher taxes for homeowners and less funding for schools.
- The bill includes tax giveaways in corporate income taxes and business property taxes that have **no accountability for creating jobs**. Only 2% of the tax cuts are tied to creating new jobs – the other 98% - \$2 billion over the next 8 years – will be given away whether or not a single job is created.
- HB 2250 will cost the state treasury millions of dollars beginning in FY 12 and growing to more than \$640 million annually over the next 8 years. Arizona is still struggling to pay our bills and we will have large debts to repay. JLBC projects that by FY 2013, general fund revenues will remain \$1.71 billion – 18% -- below FY 2007 levels.¹
- HB 2250 will create a new “cliff effect” – phasing in corporate welfare at the same time the temporary sales tax expires, and adding to Arizona’s budget deficit.
- Giving more tax breaks to corporations at a time of revenue shortfalls will not spur economic growth. In 2009 and 2010, ALEC already ranks Arizona 3rd best for economic outlook.² An Economic Policy Institute summary of multiple research studies confirmed that the costs of taxes are much less important to business than other location specific costs, such as qualified workers, proximity to customers and quality public services.³
- Arizona already has a long history of tax giveaways. Since 1989, the legislature has passed tax breaks every year except one (2003). These cuts have resulted in a revenue loss of more than \$1.5 billion in FY 12.⁴ Considering inflation and population growth, these cuts have deepened the structural deficit by nearly \$2.6 billion.⁵
- An analysis by the Center on Budget and Policy Priorities found no positive link between large tax breaks made in the 1990s and later economic success. In fact, the big tax-cutting states generally faced larger deficits, more downgrading of their credit ratings, and lower job growth than other states that were more cautious about tax cuts.⁶ An analysis by the Office of the University Economist at Arizona State University found no noticeable effect on Arizona’s economic growth from either state tax increases or tax cuts during the last 30 years.⁷
- Businesses need and value public services – assets like education, health care and infrastructure – which are already in jeopardy because revenues have fallen.⁸

(Footnotes on reverse side)

H.B. 2250 makes Arizona’s budget deficit bigger

*ABC Includes more than 50 organizations throughout Arizona standing for jobs, education, health and human services.
Steering Committee: Arizona Education Association, Children’s Action Alliance,
Protecting Arizona’s Family Coalition, and Service Employees International Union*

¹JLBC Baseline Budget presentation to Joint Appropriations Committees, 1/20/2010.

²American Legislative Exchange Council, *Rich States, Poor States, Laffer State Economic Competitiveness Index*, 2010.

³Economic Policy Institute, *Grading Places: What Do the Business Climate Rankings Really Tell Us*, Peter Fisher, 2005.

⁴Joint Legislative Budget Committee, *Tax Handbook*, various years, www.azleg.gov/jlbc.

⁵W.P. Carey School of Business, Arizona State University, *A Summary of the Arizona State Government Fiscal Situation, A Report from the Office of the University Economist*, Dennis Hoffman and Tom Rex, March 2009.

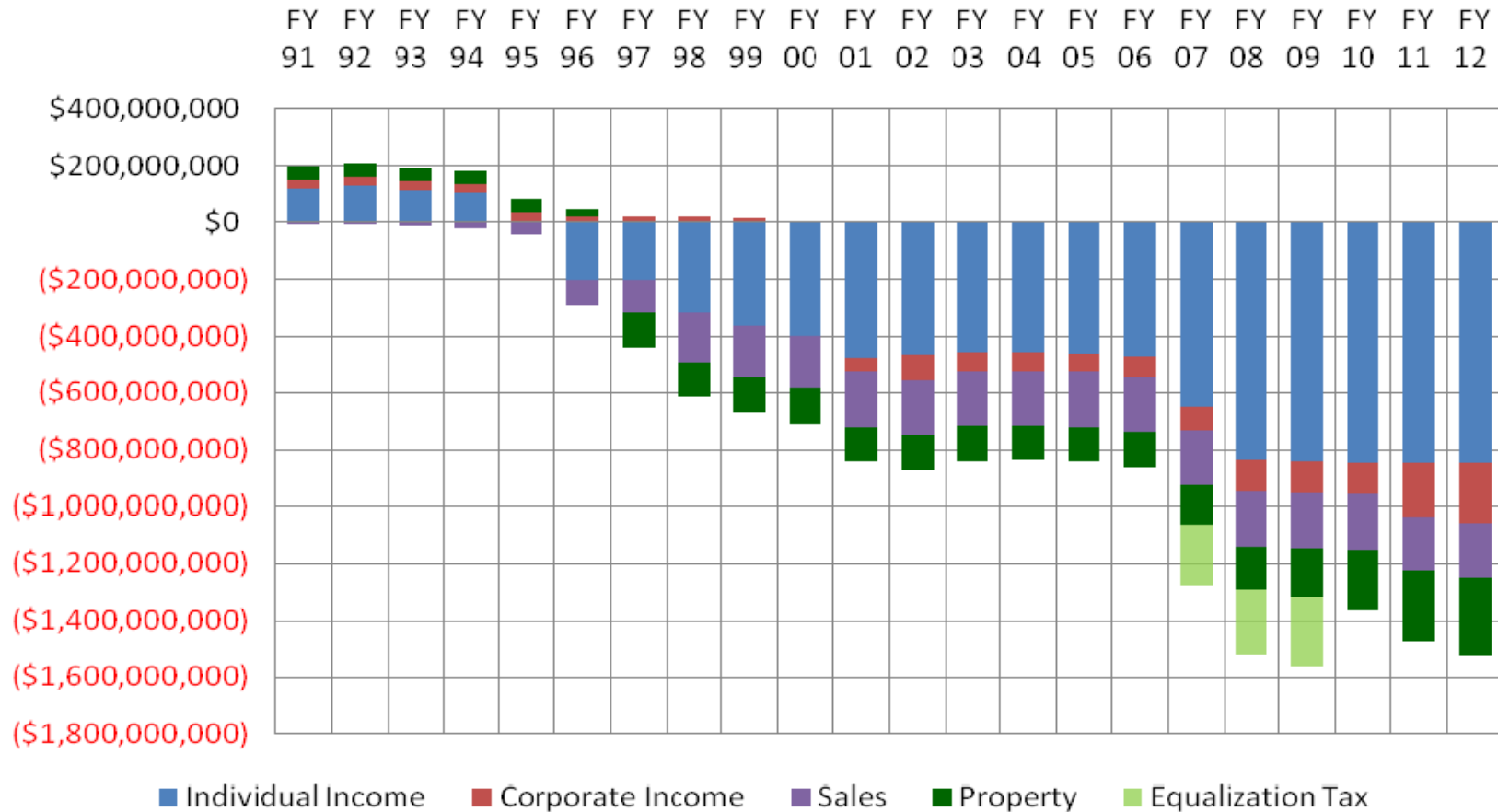
⁶Center on Budget and Policy Priorities, *Tax Cuts and Continued Consequences: States That Cut Taxes Still Lag Behind*, Brian Filipowich and Nicholas Johnson, December 2006.

⁷W.P. Carey School of Business, Arizona State University, *Public Finance in Arizona Volume II: Concepts and Issues, a Report from the Office of the University Economist*, Dennis Hoffman and Tom R. Rex, December 2008.

⁸Whittaker Associates, Inc., *Predicting Corporate Behavior: Why Companies Relocate or Expand*, Dean Whittaker CEcD, President, Whittaker Associates.

Tax Cuts Increase Structural Deficit

Annual Gains and Losses to the State General Fund from Tax Changes



Source: Joint Legislative Budget Committee, Tax Handbook, various years. www.azleg.gov/jlbc