



# Children's Action Alliance

*A Voice for Arizona's Children since 1988*

## **SB 1372**

### **EXPAND THE SALES TAX BASE TO PERSONAL SERVICES**

“Household spending has been shifting from goods to services for decades. The traditional sales tax base, purchases of durable goods plus non-durable goods except groceries (which the majority of states exempt), fell from 39 percent of household consumption in 1970 to 32 percent in 2007. Over the same interval, consumption of services rose from 31 percent to 45 percent of total household purchases. . . . If consumption continues to shift toward services, including services in the tax base will be essential to maintaining sales tax revenues over the long term.”  
*Michael Mazerov, Center for Budget Policy and Priorities, July 2009*

Expansion of the sales tax to services has been recommended by a wide range of organizations and economists:

“...Arizona should expand and modernize its sales tax system to broaden its base.”  
*Arizona Town Hall, November 2009*

“We appreciate that conservatives feel the need to stand up against taxes. However, this budget crisis is not solely the result of a slow national and international economy. It is also about having granted too many sales tax exemptions to special interests. Some of those exemptions no longer make sense.” *Goldwater Institute, Arizona Daily Staff, November 2002*

Diversifying and modernizing Arizona's tax base is essential to addressing the state's fiscal conundrum. *Tom Rex, Economist, Arizona State University, "Five Shoes Waiting to Drop on Arizona's Future," October 2007*

To resolve the long term revenue problem, Arizona must implement a balanced, stable and transparent tax structure. A broader base for taxation, possibly including taxation of services, should be proposed. Most believed a tax increase must be implemented to resolve the short term deficit.

*Consensus Statement, Governing Arizona Forum, November 17, 2009, 100 Arizona Leaders, Co-Chairs: Secretary of State Ken Bennett and Pinal County Supervisor, Pete Rios*