



ARIZONA TAX RESEARCH ASSOCIATION

Texas Taxpayers and Research Association

Annual Meeting

Update on Arizona Tax Policy

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Major Tax Issues in Arizona

- Over last 30 years, Arizona has steadily moved from a high tax/low growth state to a low tax/high growth state
- Series of Legislative efforts have focused primarily on Arizona's economic competitiveness
- Policy Path: Equitable tax treatment as opposed to targeted tax breaks
- Arizona's top historic problem was high business property taxes that resulted from Arizona's classification system



Property Tax Reforms

	Tax Year	A/R	H.O. Rebate
HB2779	2005	25.0%	35.00%
	2006	24.5%	36.00%
HB2784	2007	24.0%	37.00%
	2008	23.0%	38.00%
	2009	22.0%	39.00%
	2010	21.0%	40.00%
HB2001 (SS)	2011	20.0%	40.00%
	2012	20.0%	40.00%
	2013	19.5%	40.00%
	2014	19.0%	43.559%
	2015	18.5%	45.003%
	2016	18.0%	47.190%
	2017	18.0%	47.190%
	2018	18.0%	47.190%
	2019	18.0%	47.190%
	2020	18.0%	47.190%
SB1828	2021	18.0%	47.190%
SB1093	2022	17.5%	50.00%
	2023	17.0%	50.00%
	2024	16.5%	50.00%
	2025	16.0%	50.00%
	2026	15.5%	50.00%
	2027	15.0%	50.00%

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TY 2005 vs. 2023 Effective Tax Rates (ETR)

Class	Property Description	2005 Effective Tax Rate	2023 Effective Tax Rate	% Chg in ETR
1	Commercial, Industrial, Utilities & Mines	2.66%	1.39%	-47.56%
2	Agricultural & Vacant Land	1.53%	0.86%	-43.83%
3	Owner-occupied Residential	0.96%	0.57%	-40.88%
4	Rental Residential	1.13%	0.61%	-45.97%
5	Railroad, Private Car, Airline	2.30%	1.30%	-43.54%
6	Residential Historic, Foreign Trade Zones	0.57%	0.49%	-13.60%
7	Commercial Historic	1.78%	0.88%	-50.84%
8	Rental Residential Historic	0.85%	0.59%	-30.68%
9	Possessory Interests, leased property to nonprofits	0.07%	0.10%	41.91%
Total		1.37%	0.74%	-46.32%

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Personal Property Tax Reforms

- Locally Assessed Personal Property Reductions
 - Accelerated Depreciation

Percent Good


Assessment Year	1994-2007	2008-2011	2012-2021	2022
First Year	35%	30%	25%	2.5%
Second Year	51%	46%	41%	
Third Year	67%	62%	57%	
Fourth Year	83%	78%	73%	
Fifth Year	DOR	94%	89%	
Sixth Year	DOR	DOR	DOR	

- 1996 - \$50,000 Small Business Exemption – now \$207,366
- 2022 Reduced taxable value to 2.5% for new property

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Individual Income Tax Rate Differences (1992-2023)

<u>1992 Tax Rates</u>	<u>2023 Tax Rate</u>	<u>Delta</u>
3.80%	2.5%	-34%
\$760 plus 4.40%		-43%
\$2,080 plus 5.25%		-52%
\$4,705 plus 6.50%		-62%
\$17,705 plus 7.00%		-64%