



Arizona Tax
Research Association



Vote “NO” on HB2723

CFD Sales Tax Authority

- For the first time in state history, enactment of this bill would extend the privilege to levy a government-authorized sales tax to appointed officials of a Community Facilities District (CFD) who do not stand for election and who are not subject to recall.
- The bill is narrowly drafted to apply primarily to one situation in the community of Tusayan near the Grand Canyon. It changes the property ownership standard for establishing a CFD tax from 100% of the property owners to only 51%, an amount which could be controlled by one landowner or special interest.
- The property-ownership standard is in statute to authorize the imposition of a secondary property tax. Land ownership has nothing to do with instituting a sales tax.
- The tax rate proposed in this bill is 5%, the highest local sales tax rate in the state. The small Town of Fredonia has a sales tax rate of 4%, but most other cities and towns have a rate of 2-3%.
- Arizona’s sales tax system is already complex and taxpayer compliance can be challenging. Expanding sales tax authority to special districts will clearly increase compliance costs as both taxpayers and the Department of Revenue attempt to keep track of new jurisdictions.
- There is a proper way to tax for infrastructure construction: a CFD can authorize a secondary property tax, or the community could incorporate as a town and adopt a sales tax by an elected town council. (There are already statutory provisions that allow this community to incorporate with as few as 500 people rather than the usual number of 1,500. A local group is actively working toward holding an incorporation vote.)
- This bill is narrow, special interest legislation at its worst and sets a dangerous precedent. Soon other tiny communities of 350 people could establishing their own sales taxes without a vote of either an elected town council or the people.