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# ARIZONA TAX RESEARCH ASSOCIATION

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## ATRA OPPOSES HB 2702 *Tax Increment Financing For Tucson*

### Summary of HB2702

HB2702, as passed in the Senate Commerce and Economic Development Committee, diverts state transaction privilege tax (TPT) revenues to the Rio Nuevo Multipurposes Facilities District from 10 years to 40 years. The district may use the revenue for the construction, operation, maintenance and repair within and adjacent to the district to serve any project in it.

### Basis for ATRA's Opposition

The Arizona Tax Research Association is opposed to HB2702 for the following reasons:

- 1. Allowing local governments to use the state sales tax base to assist in the funding for local projects is not only dangerous precedent, but poor tax policy.**
- 2. Taxpayers in other communities around the state of Arizona, who are faced with funding their own projects, should not be asked to indirectly participate in the funding of this local project. Diverting state sales tax receipts from the state general fund to finance this project makes all the state's taxpayers participate in the funding of what is typically a local project.**

Attempting to tap state funds for financing local projects became very popular in the late 1990s and ATRA strongly argued against all of those measures. In fact, this form of pork barrel financing became so popular, the Legislature ultimately sunset all of the increment financing laws on the books.

Each of the TIF projects that have been debated over the years had one thing in common: they were extremely important to the communities working on them and each felt they were worthy of state assistance. The question is where do you draw the line? Are you prepared to allow TIF financing for the other cities that will demand similar treatment?

At a minimum, if the state wishes to assist in the funding of this project, or any other local project, it should do so through the appropriations process where the projects compete for funding with all other request for public funding.

(See editorial - Tax increment financing, Pork Barrel Spending, Arizona style.)