

ATRA OPPOSES SB1403

ATRA opposes targeted tax incentives that provide tax breaks that incentivize a particular company or industry to locate in Arizona while ignoring the tax burden on existing businesses. SB1403 also establishes a major impediment to meaningful tax reform and creates a precedent for awarding future tax incentives for other industries.

Providing targeted tax breaks to a particular industry in response to the already high tax burdens placed on businesses is a common strategy for those that want to side-step the fundamental problems in the tax system that are real impediments to economic growth. The proponents of SB1403 argue that these incentives are necessary to attract industry to Arizona due to high corporate income taxes and extraordinarily high business property taxes in this state. The argument that these incentives are necessary to offset the high tax burden placed on businesses should not be the reason to provide targeted tax incentives to a few companies; rather, the focus should be on reducing the tax burden on all future and existing businesses that locate in Arizona.

Proponents of targeted tax breaks often argue that these measures are a win/win situation and that other business are not negatively impacted by these measures. ATRA's experience with tax reform efforts, particularly with property tax, has taught us that these targeted tax breaks become an impediment to broad based tax reform. Providing more targeted tax incentives will only create additional barriers to future tax reform efforts.

Finally, state policymakers should be very cognizant of the significant precedent that these measures establish. These targeted tax breaks, quite predictably, will encourage more businesses to seek similar treatment. Certainly, the current tax code provides ample evidence that many industries can make arguments to support favorable tax treatment.

ATRA strongly encourages lawmakers to oppose SB1403!



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