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# ARIZONA TAX RESEARCH ASSOCIATION

## **ATRA OPPOSES HB2456**

### *Extending Rio Nuevo TIF Sunset*

#### **Summary of HB2456**

HB2456 extends the sunset date of the Rio Nuevo Tax Increment Financing (TIF) District from July 1, 2025 to July 1, 2035 **or whenever all of the debt is paid off**. This TIF district was created in 1999 and extending the sunset would increase the total number of years in which state sales tax revenues are redirected back to Rio Nuevo rather than the state general fund to a total of at least 35 years- if not longer. Through FY 2017, over \$152 million in state revenue has been redirected to Rio Nuevo. In fact, during the Great Recession when the state lost 40% of its revenue, Rio Nuevo still pulled down over \$75 million. **A conservative estimate of how much more will be extracted from the state general fund and shifted to Rio Nuevo shows total revenues through the existing sunset date will reach \$275 million. With a ten-year extension to the existing sunset date, revenues will reach a grand total of \$460 million.**

#### **Basis for ATRA's Opposition**

The Arizona Tax Research Association is opposed to HB2456 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 also bad 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 these local projects. Diverting state sales tax receipts from the state general fund to finance local projects 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 most certainly demand similar treatment? At a minimum, if the state desires to assist in the funding of local projects, it should do so through the appropriations process where the projects compete for funding with all other request for public funding.

**The Rio Nuevo board has made arguments that the entity should be allowed to exist after 2025. That can be accomplished without a continuation of the sales tax TIF. The district would be allowed to continue to use very significant development tools like the Government Property Lease Excise Tax (GPLET).**

**ATRA ASKS LAWMAKERS TO VOTE NO ON HB2456!**