ATRA OPPOSES SB1284

Doubles County Sales Tax Rate

Background
Current statute allows counties with a population of less than 1.5 million (all counties except Maricopa) to levy a 0.5% general fund sales tax to fund countywide services upon either a unanimous vote of the Board or with voter approval. SB1284 doubles that current cap by allowing some counties to increase their sales tax rate to 1% with voter approval.

The sales tax is undoubtedly Arizona’s most important revenue source, accounting for almost 50% of the state’s general fund revenues. It is also an important revenue source for counties and cities. With a combined average sales tax rate of 9.8%, Arizona currently ranks 2nd highest in the nation, with state and local retail sales tax rates ranging anywhere from a low of 8.6% to a high of 11.725% (follow link to sales tax rate chart). Unfortunately, Arizona’s extremely high sales tax rates have incentivized many consumers to purchase goods online in order to evade the tax. In fact, a recent study conducted by the National Conference of State Legislatures reports that Arizona is losing more than $700 million annually in revenues to remote sales.

Counties can use the following statutory options to raise additional revenues for operating expenses or capital projects:

- Property tax override — Upon voter approval, a county can levy a secondary property tax that is in excess of its constitutionally-limited primary property tax. The tax is levied for up to seven years and is used for the purposes designated in the resolution by the county.

- County capital excise tax — Counties with population less than 2 million, upon voter approval, may levy a 0.10% excise tax for capital projects. The tax terminates when the total amount of estimated costs for all projects has been raised.

- General obligation (G.O.) bonds — Counties have the authority to go to its voters for the approval of G.O. bonds, which are secured by local property taxes.

Basis for ATRA’s Opposition
Applying further upward pressure on Arizona’s sales tax rates will ultimately break the back of Arizona’s most important revenue source. In addition, it will elevate the incentive for taxpayers to evade the sales tax by purchasing goods online. ATRA believes that the existing statutory options available to counties as listed above are sufficient alternatives that can be utilized to address the issues voiced by the counties.

ATRA ASKS LAWMAKERS TO VOTE NO ON SB1284!