

Arizona's Tax System

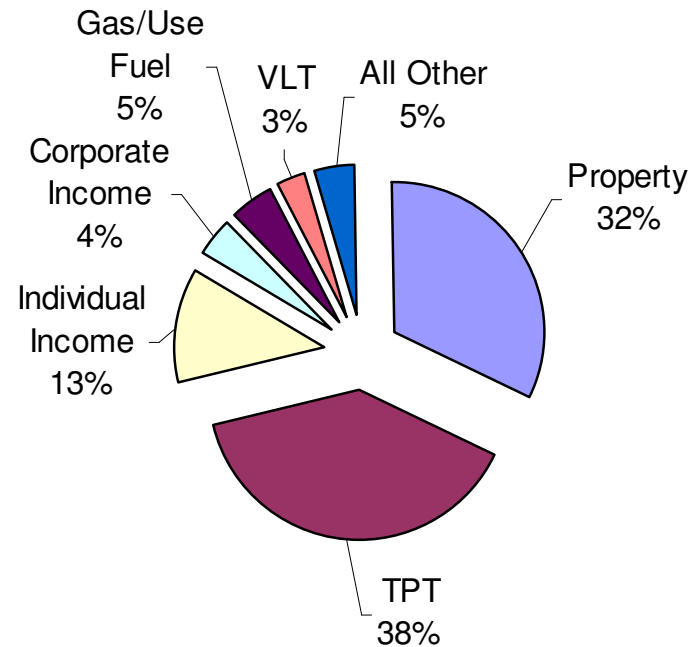
Presentation to Arizona Economic Forum

Kevin McCarthy

June 21, 2002



FY 1980 Tax Collections

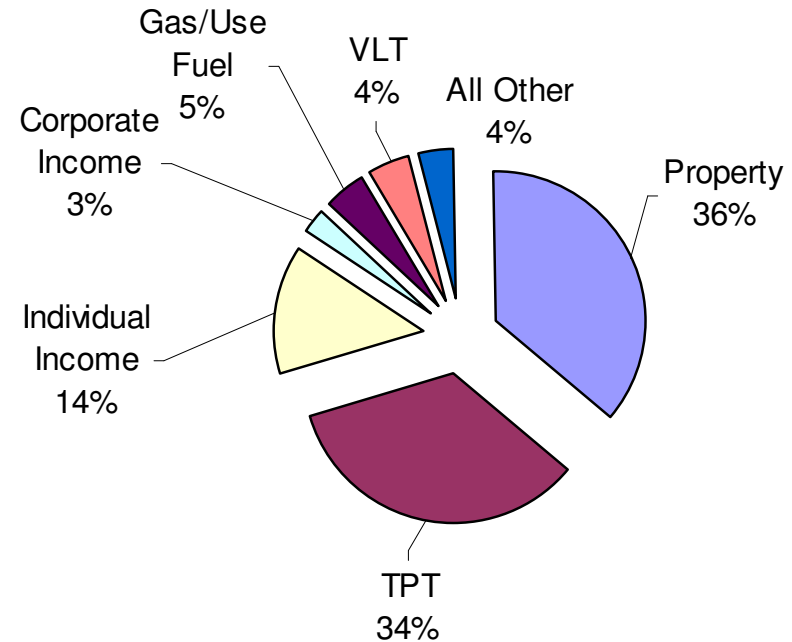


Tax	FY 1980	% of Total	Per Capita
Property	\$821,596,042	32.21%	\$302.28
TPT	\$983,075,114	38.54%	\$361.69
Individual Income	\$319,339,473	12.52%	\$117.49
Corporate Income	\$114,551,166	4.49%	\$42.15
Gas/Use Fuel	\$122,898,401	4.82%	\$45.22
VLT	\$73,800,000	2.89%	\$27.15
Other	\$115,206,241	4.52%	\$42.39
TOTALS	\$2,550,466,437	100.00%	\$938.36

Source: Arizona Department of Revenue; Arizona Tax Research Association



FY 1990 Tax Collections

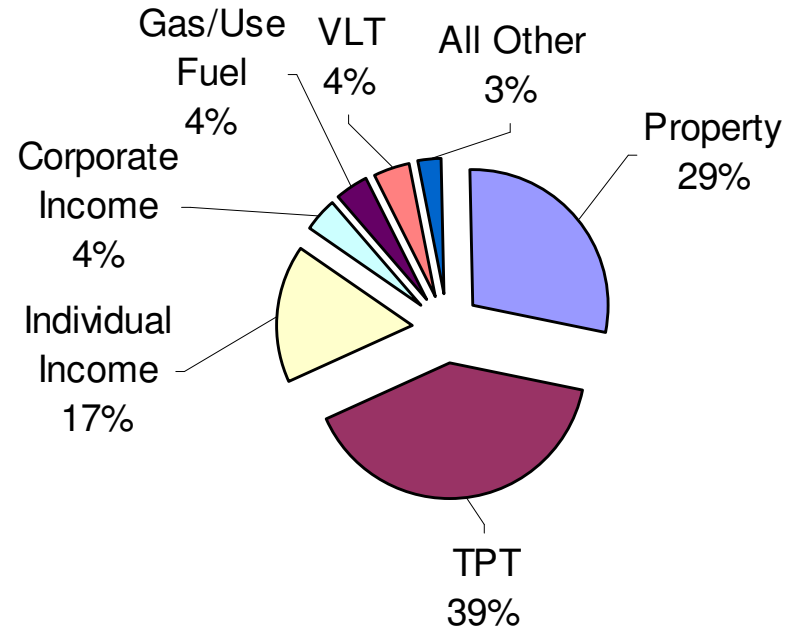


Tax	FY 1990	% of Total	Per Capita
Property	\$2,506,010,794	36.13%	\$680.83
TPT	\$2,341,449,197	33.75%	\$636.13
Individual Income	\$996,405,685	14.36%	\$270.70
Corporate Income	\$178,067,102	2.57%	\$48.38
Gas/Use Fuel	\$339,116,220	4.89%	\$92.13
VLT	\$297,280,096	4.29%	\$80.77
Other	\$278,509,029	4.01%	\$75.67
TOTALS	\$6,936,838,123	100.00%	\$1,884.60

Source: Arizona Department of Revenue; Arizona Tax Research Association



FY 2000 Tax Collections



Tax	FY 2000	% of Total	Per Capita
Property	\$3,874,688,668	28.70%	\$767.68
TPT	\$5,264,576,318	38.99%	\$1,043.05
Individual Income	\$2,291,882,439	16.97%	\$454.08
Corporate Income	\$523,181,687	3.87%	\$103.66
Gas/Use Fuel	\$575,413,791	4.26%	\$114.00
VLT	\$583,199,118	4.32%	\$115.55
Other	\$389,737,063	2.89%	\$77.22
TOTALS	\$13,502,679,084	100.00%	\$2,675.24

Source: Arizona Department of Revenue; Arizona Tax Research Association



Per Capita Tax Burdens 1980-1990-2000

Year	Per Capita	Decade change	%
1980	\$938.36		
1990	\$1,884.60	\$946.24	100.8%
2000	\$2,675.24	\$790.64	42.0%

Inflation adjusted (1980 \$)

Year	Per Capita	Decade change	%
1980	\$938.36		
1990	\$1,229.32	\$290.96	31.0%
2000	\$1,422.69	\$193.37	15.7%

Source: U.S. Census Bureau; Arizona Tax Research Association



Per Capita Property Tax Collections 1980-1990-2000

(inflation adjusted to 1980 \$)

Year	Collections	Per Capita	Decade change	%	Inflation adjusted	Decade change	%
1980	\$821,596,042	\$302.28			\$302.28		
1990	\$2,506,010,794	\$680.83	\$378.55	125.2%	\$444.11	\$141.83	46.9%
2000	\$3,874,688,668	\$767.68	\$86.85	12.8%	\$408.25	-\$35.85	-8.1%

Source: U.S. Census Bureau; Arizona Tax Research Association



Per Capita Sales Tax Collections 1980-1990-2000

(inflation adjusted to 1980 \$)

Year	Collections	Per Capita	Decade change	%	Inflation adjusted	Decade change	%
1980	\$983,075,114	\$361.69			\$361.69		
1990	\$2,341,449,197	\$636.13	\$274.44	75.9%	\$414.95	\$53.26	14.7%
2000	\$5,264,576,318	\$1,043.05	\$406.92	64.0%	\$554.69	\$139.75	33.7%

Source: U.S. Census Bureau; Arizona Tax Research Association



Per Capita Individual Income Tax Collections 1980-1990-2000

(inflation adjusted to 1980 \$)

Year	Collections	Per Capita	Decade change	%	Inflation adjusted	Decade change	%
1980	\$319,339,473	\$117.49			\$117.49		
1990	\$996,405,685	\$270.70	\$153.21	130.4%	\$176.58	\$59.09	50.3%
2000	\$2,291,882,439	\$454.08	\$183.38	67.7%	\$241.48	\$64.90	36.8%

Source: U.S. Census Bureau; Arizona Tax Research Association



Total Tax Collections State & Local Government

FY 1999 Census

Per capita: \$2,662

Ranking: 29

Per \$1,000 of Income: \$112.91

Ranking: 17

Source: U.S. Census Bureau



State & Local Property Taxes

FY 1999 Census

Per capita: \$750

Ranking: 33

Per \$1,000 of Income: \$31.82

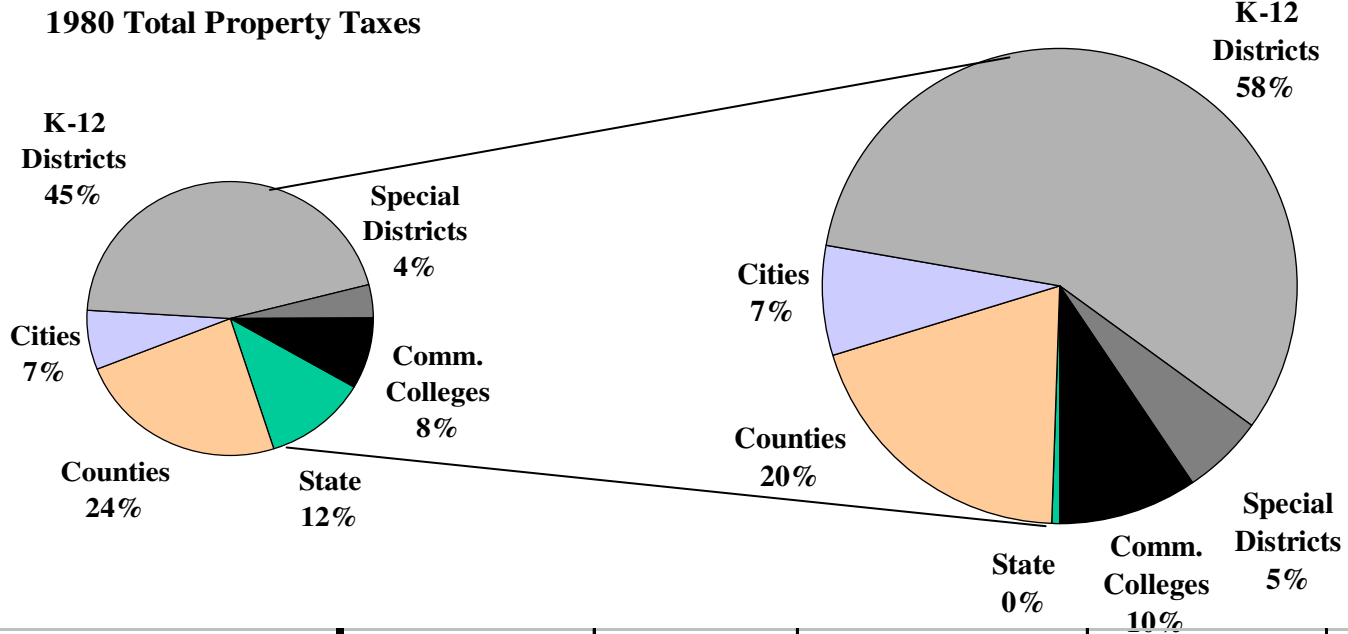
Ranking: 25

Source: U.S. Census Bureau



Total Levies, 1980 to 2001, \$821.6 Million to \$4.2 Billion

2001 Total Property Taxes

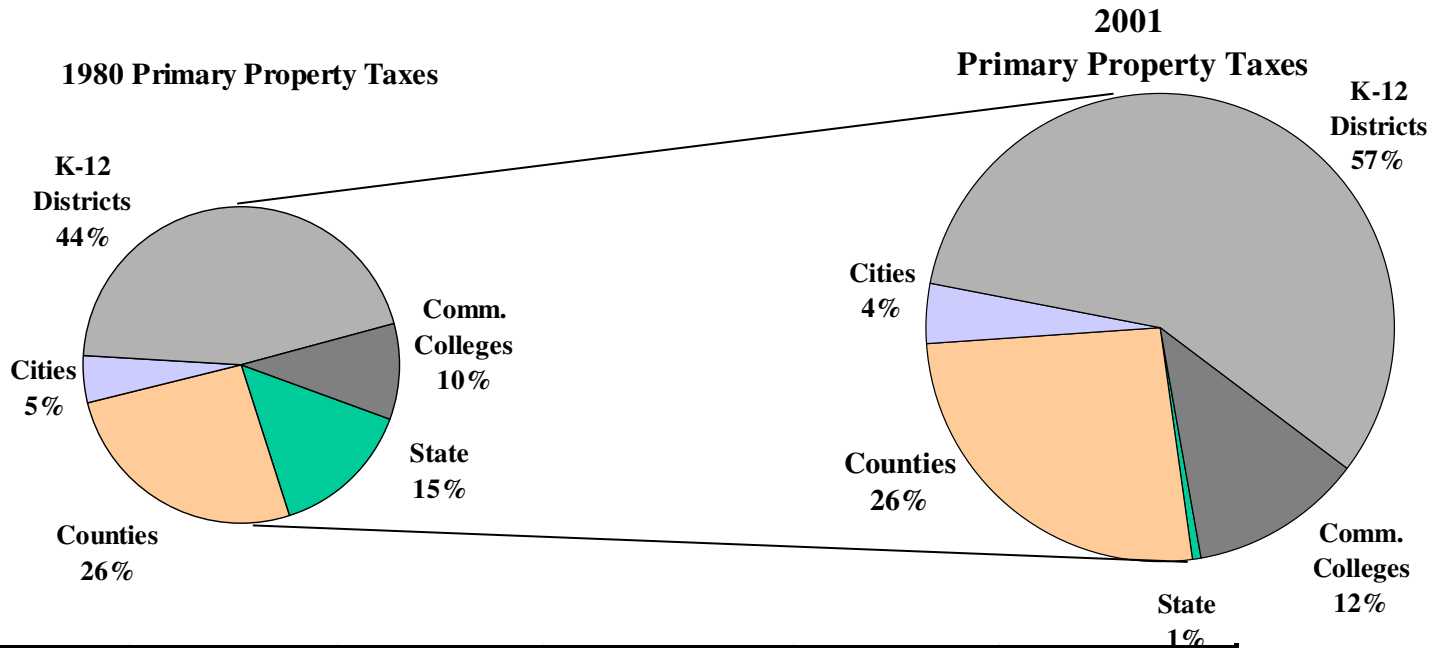


Jurisdiction	1980	Total Taxes	2001	Total Taxes	From 80-01
State	96,260,779	12%	17,905,200	0%	-81.4%
County	196,264,468	24%	829,896,505	20%	322.8%
Cities	56,466,423	7%	310,596,571	7%	450.1%
School Districts	372,198,427	45%	2,380,393,548	57%	539.5%
Special Districts	32,391,567	4%	225,613,790	5%	596.5%
Community Colleges	68,014,378	8%	397,569,955	10%	484.5%
Totals	821,596,042	100%	4,161,975,569	100%	406.6%



Source: Arizona Department of Revenue; Arizona Tax Research Association

Total Primary Levies, 1980 to 2001, \$659.8 Million to \$2.78 Billion

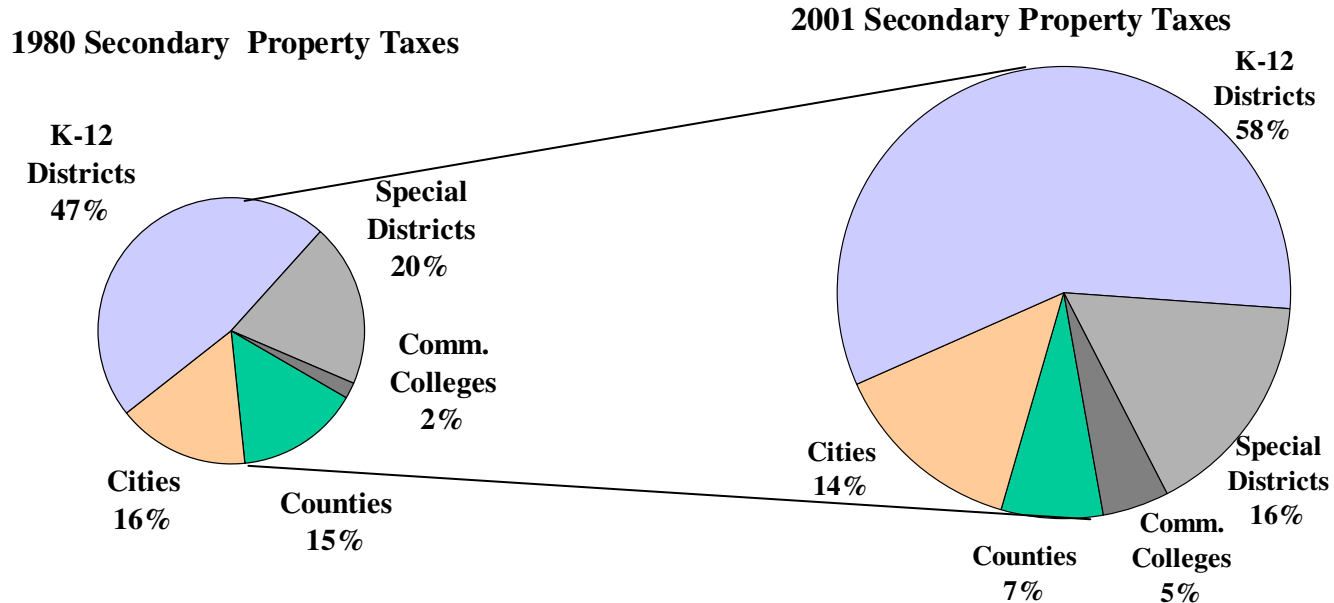


Taxing Jurisdiction	Primary 1980	% of Total Taxes	Primary 2001	% of Total Taxes	% Change
State	96,260,779	15%	17,905,200	1%	-81.4%
County	171,912,244	26%	722,310,800	26%	320.2%
Cities	30,962,718	5%	120,334,471	4%	288.6%
School Districts	295,918,623	45%	1,586,744,192	57%	436.2%
Special Districts	-	-	-	-	-
Community Colleges	64,697,154	10%	331,557,464	12%	412.5%
Totals	659,751,518	100%	2,778,852,127	100%	321.2%

Source: Arizona Department of Revenue; Arizona Tax Research Association



Total Secondary Levies, 1980 to 2001, \$161.8 Million to \$1.38 Billion



Taxing Jurisdiction	Secondary 1980	% of Total Taxes	Secondary 2001	% of Total Taxes	% Change
State	-	-	-	-	-
County	24,352,224	15%	107,585,705	8%	341.8%
Cities	25,503,705	16%	190,262,100	14%	646.0%
School Districts	76,279,804	47%	793,649,356	57%	940.4%
Special Districts	32,391,567	20%	225,613,790	16%	596.5%
Community Colleges	3,317,224	2%	66,012,491	5%	1890.0%
Totals	161,844,524	100%	1,383,123,442	100%	754.6%



Source: Arizona Department of Revenue; Arizona Tax Research Association

Total Levies, 1980 and 2001

Primary and Secondary

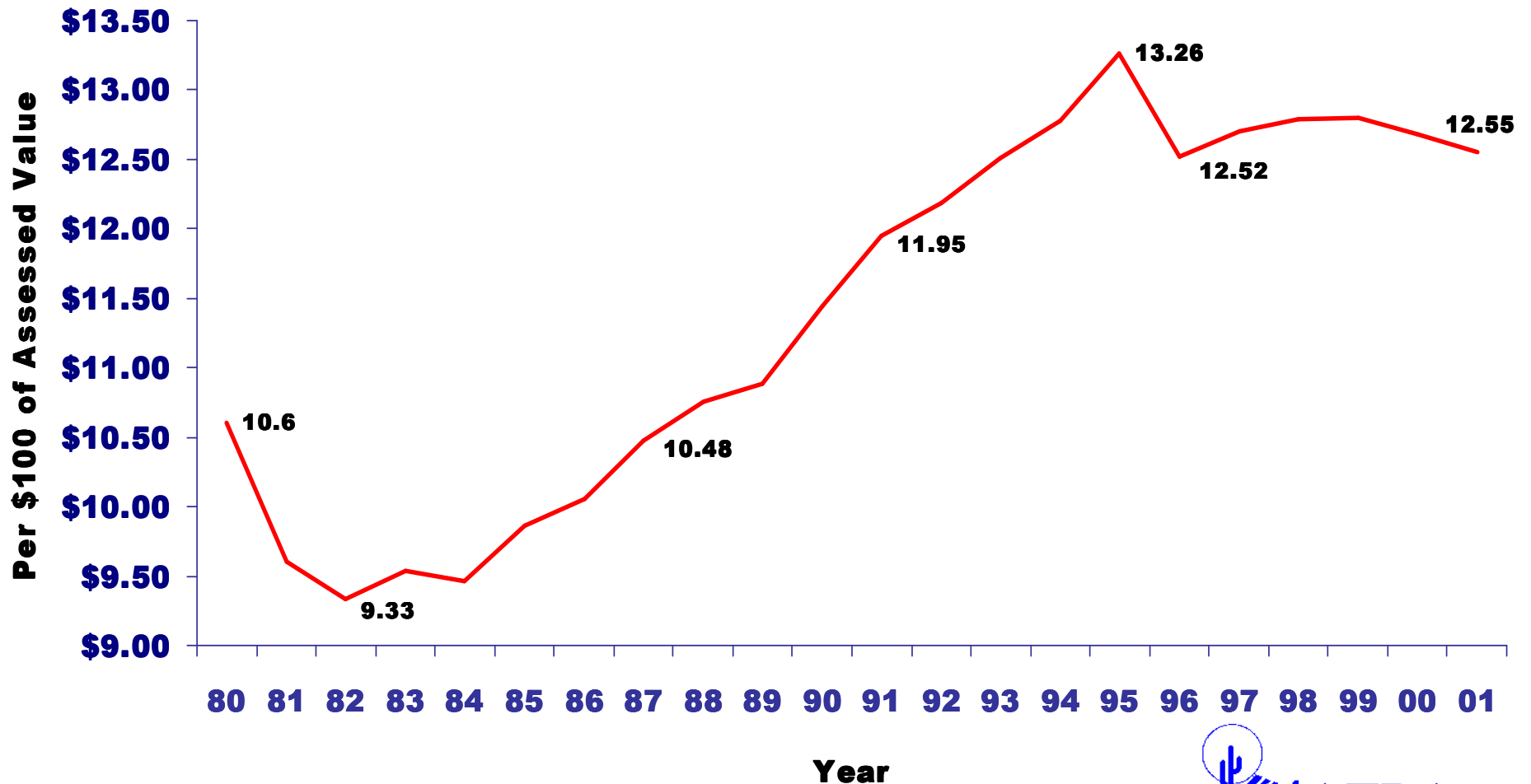
Taxing Jurisdiction	Primary 1980	Primary 2001	% Change	Secondary 1980	Secondary 2001	% Change
State	96,260,779	17,905,200	-81.4%	-	-	-
County	171,912,244	722,310,800	320.2%	24,352,224	107,585,705	341.8%
Cities	30,962,718	120,334,471	288.6%	25,503,705	190,262,100	646.0%
School Districts	295,918,623	1,586,744,192	436.2%	76,279,804	793,649,356	940.4%
Special Districts	-	-	-	32,391,567	225,613,790	596.5%
Community Colleges	64,697,154	331,557,464	412.5%	3,317,224	66,012,491	1890.0%
Totals	659,751,518	2,778,852,127	321.2%	161,844,524	1,383,123,442	754.6%

Taxing Jurisdiction	Totals 1980	Totals 2001	% Change
State	96,260,779	17,905,200	-81.4%
County	196,264,468	829,896,505	322.8%
Cities	56,466,423	310,596,571	450.1%
School Districts	372,198,427	2,380,393,548	539.5%
Special Districts	32,391,567	225,613,790	596.5%
Community Colleges	68,014,378	397,569,955	484.5%
Totals	821,596,042	4,161,975,569	406.6%

Source: Arizona Department of Revenue; Arizona Tax Research Association



Statewide Average Combined Property Tax Rate

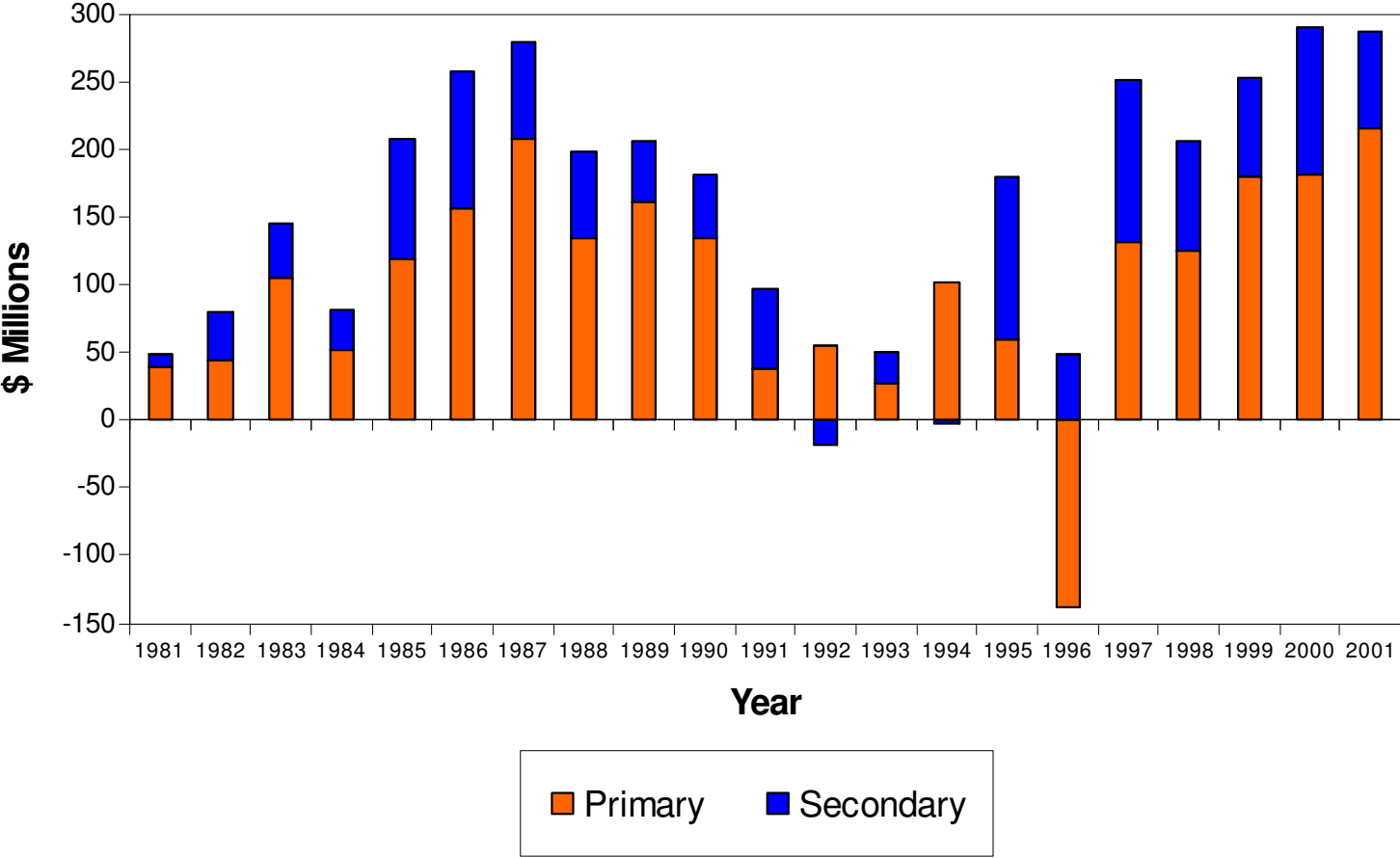


Source: Arizona Department of Revenue; Arizona Tax Research Association



Growth in Levies, 1980 to 2001

Primary and Secondary



Source: Arizona Department of Revenue; Arizona Tax Research Association

Residential Property Tax Rankings

1998

Ranking: 38th

Net Tax \$1,544

ETR 0.772%

U.S. Average \$2,311

ETR 1.155%

Source: Minnesota Taxpayers Association



Industrial Property Tax Rankings

1998

Ranking: 4th

Net Tax \$1,419,923

ETR 2.840%

U.S. Average \$876,408

ETR 1.753%

2000 Effective Property Tax Rates

Class	Description	Total Taxable Full Cash Value	Percent of Total	Total Yield	Percent of Total	Effective Rate
1	Commercial & industrial, mines, utilities	57,937,184,758	24.94%	1,746,608,962	45.34%	3.01%
2	Ag/vacant land, non-profit businesses	17,155,430,642	7.39%	302,075,042	7.84%	1.76%
3	Owner-occupied residential	132,784,321,782	57.16%	1,482,581,156	38.49%	1.12%
4	Rental residential, child care	21,456,820,872	9.24%	281,955,279	7.32%	1.31%
5	Railroads, private car & flight companies	1,061,705,700	0.46%	26,700,253	0.69%	2.51%
6	Noncommercial historic, foreign/military/ent. zones	1,854,852,154	0.80%	11,724,376	0.30%	0.63%
7	Historic base/renovation value (class 1)	13,963,934	0.01%	372,035	0.01%	2.66%
8	Historic base/renovation value (class 4)	6,972,604	0.00%	83,903	0.00%	1.20%
9	Possessory interests	11,709,898	0.01%	4,515	0.00%	0.04%
Total		232,282,962,344	100.00%	3,852,105,521	100.00%	1.66%



State & Local Sales Taxes

FY 1999 Census

Per capita: \$999

Ranking: 6th

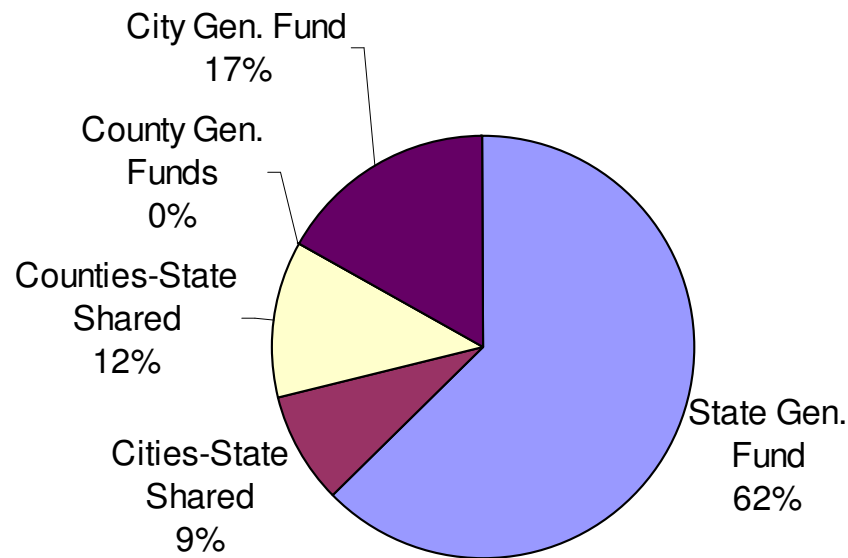
Per \$1,000 of Income: \$42.38

Ranking: 4th

Source: U.S. Census Bureau



FY 1980 State and Local Sales Tax Distributions



State:

State Gen. Fund	\$	613,572,917
Cities-State Shared		86,047,277
Counties-State Shared		115,647,540
State Total	\$	815,267,734

Counties:

County Gen. Funds	\$	-
Counties-Other		0
Counties Total	\$	-

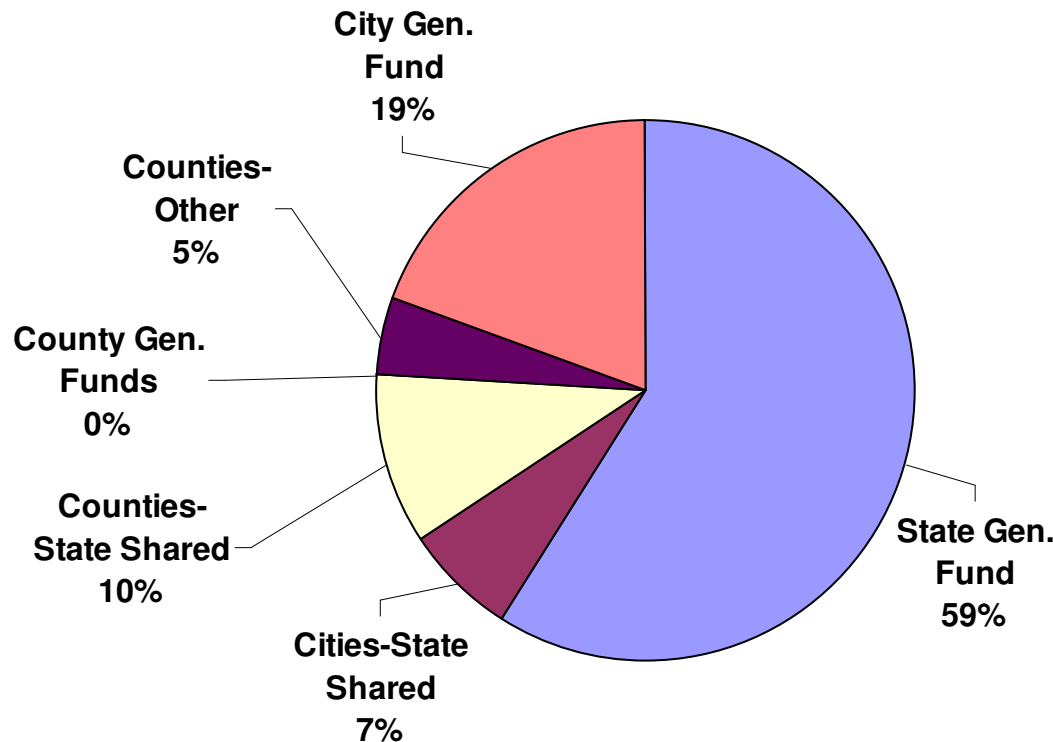
Cities:

City Gen. Fund	\$	167,807,380
Total	\$	983,075,114

Source: Arizona Department of Revenue; Arizona Tax Research Association



FY 1990 State and Local Sales Tax Distributions



State:

State Gen. Fund	\$ 1,393,045,295
Cities-State Shared	159,021,328
Counties-State Shared	242,221,287
State Total	\$ 1,794,287,910

Counties:

County Gen. Funds	\$ -
Counties-Other	115,893,136
Counties Total	\$ 115,893,136

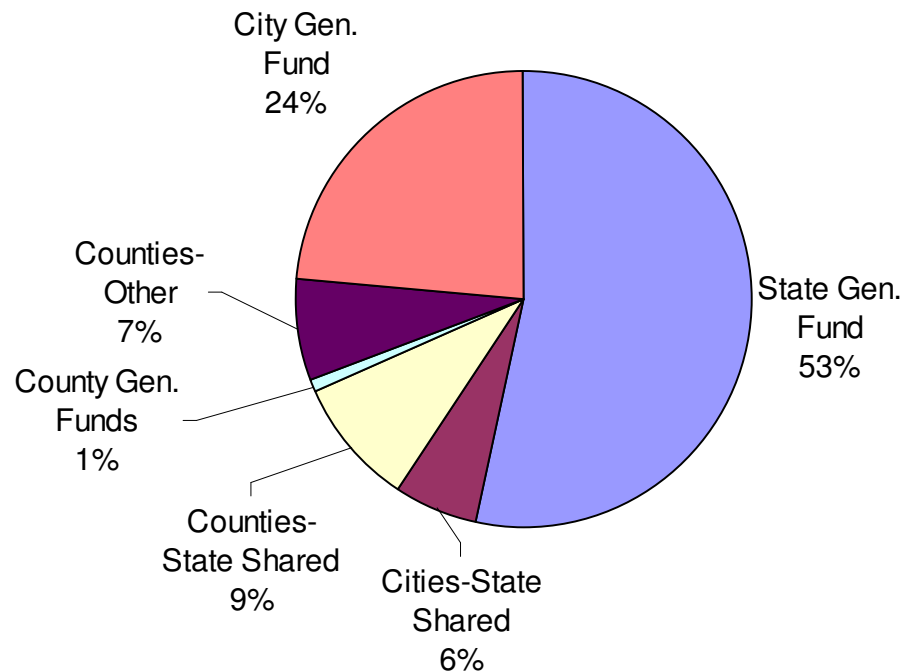
Cities:

City Gen. Fund	\$ 458,394,494
Total	\$ 2,368,575,540

Source: Arizona Department of Revenue; Arizona Tax Research Association



FY 2000 State and Local Sales Tax Distributions



State:

State Gen. Fund	\$ 2,817,525,828
Cities-State Shared	299,386,513
Counties-State Shared	485,126,158
State Total	\$ 3,602,038,499

Counties:

County Gen. Funds	\$ 51,331,411
Counties-Other	371,823,329
Counties Total	\$ 423,154,740

Cities:

City Gen. Fund	\$ 1,251,435,566
Total	\$ 5,276,628,805

Source: Arizona Department of Revenue; Arizona Tax Research Association



Individual Income Taxes

FY 1999 Census

Per capita: \$439

Ranking: 37th

Per \$1,000 of Income: \$18.63

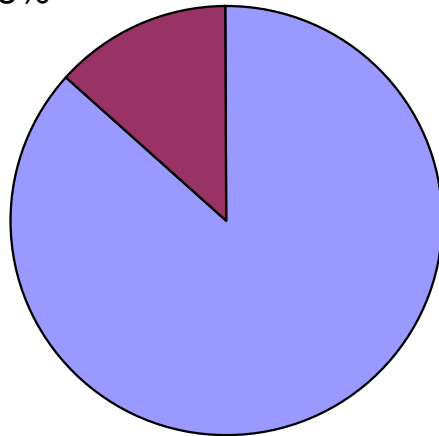
Ranking: 38th

Source: U.S. Census Bureau



FY 1980 Personal Income Tax Distribution

Urban Revenue Sharing
13%



State General Fund
87%

State General Fund	\$276,341,892
Urban Revenue Sharing	42,997,581
FY 1980 Total	\$319,339,473

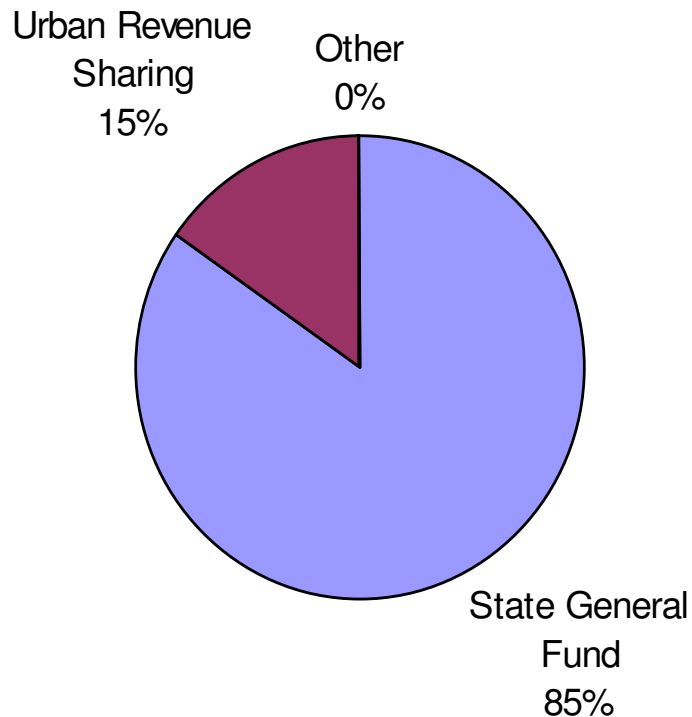
FY 1979	270,264,587
FY 1978	222,808,090
FY 1977	190,591,709
FY 1976	162,869,338

NOTE: Cities and towns receive a percentage of both personal and corporate income tax revenue based on the net income tax collections two years earlier. The money distributed for FY 1980 was based on collections in FY 78.

Source: Arizona Department of Revenue; Arizona Tax Research Association



FY 1990 Personal Income Tax Distribution



State General Fund	\$845,224,634
Urban Revenue Sharing	150,622,581
Other	558,470
FY 1990 Total	\$996,405,685

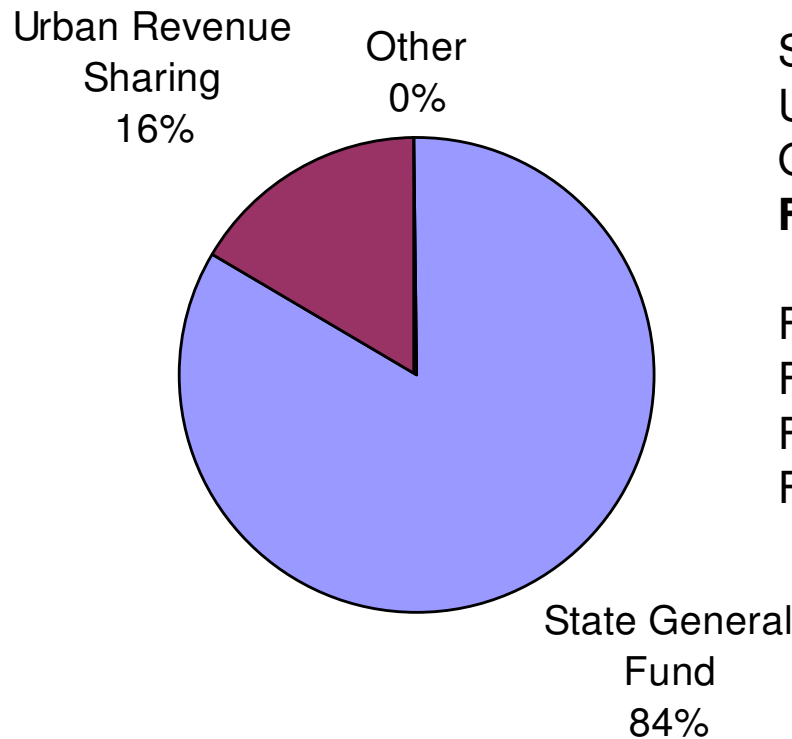
FY 1989	912,980,226
FY 1988	853,980,226
FY 1987	761,421,688
FY 1986	702,956,800

NOTE: Cities and towns receive a percentage of both personal and corporate income tax revenue based on the net income tax collections two years earlier. The money distributed for FY 1990 was based on collections in FY 88.

Source: Arizona Department of Revenue; Arizona Tax Research Association



FY 2000 Personal Income Tax Distribution



State General Fund	\$1,911,617,809
Urban Revenue Sharing	377,710,988
Other	2,553,642
FY 2000 Total	\$2,291,882,439

FY 1999	2,098,349,339
FY 1998	1,863,196,533
FY 1997	1,668,414,355
FY 1996	1,494,282,275

NOTE: Cities and towns receive a percentage of both personal and corporate income tax revenue based on the net income tax collections two years earlier. The money distributed for FY 2000 was based on collections in FY 98.

Source: Arizona Department of Revenue; Arizona Tax Research Association



Individual Income Tax Burdens Low Relative to Other States

- Minnesota Taxpayers Assoc. study ranked Arizona between 28th and 40th (depending on income level)
- Income tax cuts starting in 1993 now total nearly 30%

Corporate Income Taxes

FY 1999 Census

Per capita: \$114

Ranking: 19th

Per \$1,000 of Income: \$4.84

Ranking: 15th

Source: U.S. Census Bureau



Issues Impacting Prospects for Tax Reform

Current System is a Political Minefield

HIGH TAXES

- Business property taxes
- Corporate income
- Overall sales taxes

LOW TAXES

- Homeowner property taxes
- Personal income taxes

