ATRA 2012 Outlook Conference
Kevin McCarthy

- Review of Arizona’s tax rollercoaster
- Sales Tax Reform – It’s Time
- The State Budget and the “ranking”

Arizona’s State and Local Taxes from FY01 to FY11

Individual Income Taxes 2002 - 2012

Corporate Income Taxes 2002 - 2012

Property Taxes 2002-2012

Secondary Net Assessed Values
Governor Brewer’s TPT Task Force
• In 2011, ATRA and the business community renewed the call for Sales Tax Reform.
• Governor Brewer responded with the establishment of the TPT Task Force.
• Task Force has met regularly since July and final recommendations are expected in December.

Governor’s TPT Task Force (cont.)
• While the final recommendations are yet to be determined, some basic policy principles are developing.
• “The Task Force agrees that standardizing the administration of the TPT is necessary to reduce compliance costs for taxpayers and place the State in a position to benefit from potential federal legislation authorizing taxation of remote sales.”

Governor’s Task Force (cont.)
• “Our goal for TPT administration and enforcement is to have filing, payment and audit system that provides taxpayers with:
  – Single Licensing Contact
  – Single Return
  – Single Audit
  – Single Tax Base (or minimal local choice variations)”

Sales Tax Reform
• Major issues to overcome, however, it is imperative that Arizona aggressively pursue reforms.
• Goals should be broken into short term and long term:
  • Short term:
    – Achieve system of single audit from the state. Provide mechanism for city involvement
    – Uniform, single point of licensing
  • Long term:
    - Uniform Single Tax Base
    - Minimize city exceptions and codify in state statute
    - Single Return
    - Single point to file and pay taxes
    - Action should not be delayed until after Congressional action on remote sellers

The State Budget and the School Funding Statistic
• Arguably no single statistic dominates Arizona’s public finance debate more than our K-12 M&O per pupil expenditure ranking.
• Arizona has consistently ranked low for decades.
• Is the ranking a result of a lack of taxpayer/policymaker support for K-12 schools? Or do other factors play a role in our low relative ranking?
Some Perspective is in Order

- Arizona ranked 41st in M&O spending per pupil in 1992 and 49th in 2010.
- From 1992 to 2010, Arizona ranked #3 in the percentage growth (189%) of K-12 M&O spending nationally.
- How do we fall in relative ranking when we rank 3rd in total M&O expenditure growth from 1992 to 2010?

Student Growth

- Between 1992 and 2010, Arizona’s K-12 student population climbed 46% - second highest in the country.
- Half of the states in the country experienced student growth under 10%. Twelve states had declining student counts.

Tale of Two States: Arizona & North Dakota

- Arizona:
  - 1992 M&O rank – 41st
  - 2010 M&O rank – 49th
  - M&O expenditure growth – 189% (3rd)
  - Student growth – 46% (2nd)
- North Dakota:
  - 1992 M&O rank – 39th
  - 2010 M&O rank – 20th
  - M&O expenditure growth – 112% (44th)
  - Student growth - down 20% (50th)