

Press Release

Contact: Kevin McCarthy, 602-253-9121

ATRA Opposes Sales Tax Initiative

The Arizona Tax Research Association (ATRA) Board of Directors voted at its June meeting to oppose the so-called “Quality Jobs and Education” initiative that is currently being circulated for qualification for the November general election ballot.

The initiative calls for a permanent 1% increase in the state’s sales tax (Transaction Privilege Tax) rate effective May 31, 2013. Beginning in Fiscal Year 2014, the measure directs the proceeds from the sales tax with twelve different earmarks (see attached chart on earmarks). In addition, the measure creates mandatory state funding obligations for K-12 school districts and universities as well as removing legislative discretion over the use of highway user revenue funds and vehicle license tax revenues. The initiative also strips the Legislature of its authority to make changes in K-12 funding levels as well as changes to school overrides and bonds.

In addition to a permanent sales tax rate increase in a state already saddled with some of the highest sales tax rates in the nation, the initiative also takes the extraordinary step of essentially freezing the current sales tax base in place. As a result of the Voter Protection Act of 1998, a statutory initiative in Arizona has the practical effect of a constitutional amendment.

ATRA Chairwoman Lyn White noted that ATRA’s longstanding opposition to *ballot-box budgeting* clearly proved to be sound public policy during the recent recession. White said, “*Ballot-box budgeting* overrides the responsibility of lawmakers and handcuffs their ability to respond to the state’s changing budget demands. Further, removing policymakers’ authority to make changes to the various statutes governing K-12 school finance presumes there will never be a legitimate policy reason to change those laws. That is both shortsighted and irresponsible.”

The freeze of the sales tax base could take the momentum out of a growing movement to reform Arizona’s antiquated state and local sales tax code. In fact, Governor Brewer recently announced the creation of the Transaction Privilege (Sales) Tax Simplification Task Force to study and make recommendations to reform the sales tax code. In criticizing the sales tax base freeze, ATRA President Kevin McCarthy said, “This provision completely ignores the sales tax reform movement and demonstrates not even a modicum of consideration for the taxpayers that will be burdened with this permanent tax increase.”

ATRA is a statewide, non-partisan taxpayer association dedicated to promoting sound tax policy and the efficient use of taxpayer dollars in Arizona.