



Children's Action Alliance

A Voice for Arizona's Children since 1988

TAX RANKINGS

With the exception of the general sales tax, Arizona ranks well below the national average for all types of state and local taxes. This has not always been the case – in 1990 Arizona ranked 9th highest. Twenty years of tax cuts have moved the state from the top 10 to well below average.

Overall, Arizona is a medium to low tax state. For 2008 (the latest information available), Arizona ranks 30th for total taxes at \$10.34 per \$100 of personal income. Looking at the different types of taxes, Arizona's ranking ranges from 47th for miscellaneous taxes to 6th for general sales taxes. No state is highest in all types of taxes, nor is any state lowest. Alaska, for instance, ranks highest for corporate income taxes, other taxes and miscellaneous revenues, but ranks lowest for general sales taxes.

Deductions and tax credits make Arizona's corporate income tax among the nation's lowest. When it comes to income taxes, the tax rate is only one of the factors that determines how much is actually paid. Deductions, which lower the taxable income, and credits, which reduce the taxes owed, also play important parts. For instance, Arizona has an aggressive depreciation schedule that lowers tax liability and 19 tax credits that provide a dollar-for-dollar reduction to the final tax bill. So, while Arizona's corporate tax rate of 6.968% is 14th highest, Arizona ranks 30th nationally when it comes to the actual amount of taxes paid.

Arizonans are paying 12% less in taxes per \$100 of personal income today than they were 20 years ago.

Since 1990, the individual income tax rate has dropped by 35% and the corporate income tax rate by 25%. The 21 individual income tax credits and 19 corporate income tax credits adopted over the last 20 years have also reduced tax liability. Only the sales tax has seen an increase as the result of two voter-approved increases – the 0.6% increase directed to K-12 education, passed in 2001, and the temporary 1% increase that became effective in June 2010.

When it comes to property taxes, Arizona ranks low for residential, in the middle for most commercial property, and high for industrial property. Adding all types of property taxes together, Arizona ranks 27th. However, within that category significant differences exist. Based on a 2008 study, Arizona has among the lowest taxes on homes and apartments. Property taxes on commercial property are in the middle of the country, while property taxes on high value industrial property with machinery, equipment and inventory rank Arizona among the top 10 states.

HOW ARIZONA RANKS 2008		
	Ranking	Out of
Individual Income	40	43
Corporate Income	30	46
Property	27	50
General Sales	6	46
Selective Sales	40	50
Other Taxes	47	50
Total Taxes	30	50
Fees/Miscellaneous	43	50
Total – Taxes + Fees	36	50

Source: US Census and Bureau of Economic Analysis

TAX RATES – THEN AND NOW		
	1990	2010
Individual Income (highest bracket)	7.0%	4.54%
Corporate Income	9.3%	6.968%
Sales (state portion)	5.0%	6.6%

Some states have unique situations that allow them to raise a majority of their revenues from just one or two types of taxes. Each state's economy is unique, so the decisions about how to raise revenues are also unique. Alaska and Texas, for instance, are able to raise significant amounts of revenue from the oil industries within their states and, therefore, can forego an individual income tax. Nevada receives much of its income from special taxes and fees on the gaming industries. Hawaii, with its large tourism industry, relies on sales taxes for more than half of its revenue. Forty states rely on a combination of all the tax types for their revenue, while ten do not assess one or two of the taxes.

Even when fees and other non-tax charges are counted, Arizona still ranks very low compared to other states. Some states rely heavily on fees and other non-tax charges for their state's operating dollars. Like taxes, Arizona ranks low in this category (43rd), collecting \$4.59 per \$100 of personal income. Combining these other revenues with taxes, Arizona ranks 36th with \$14.94 per \$100 of personal income.

To do a true comparison, it's necessary to add state and local taxes together. The fairest method to compare taxes across states is to combine local and state taxes together. This is because the responsibilities of state and local governments are divided up differently in different states. For instance, in California the counties operate the Medicaid system, while in Arizona Medicaid is operated at the state level.

Comparing taxes based on personal income provides the clearest picture of residents' ability to pay. Making the comparison based on personal income takes into account the ability of the residents in the state to pay the taxes. Of course, not all taxes are paid by residents; for example, tourists pay sales taxes. Still, using personal income is a more accurate portrayal of the cost of government between states. Comparisons based on population do not reflect ability to pay – per capita includes children, unemployed and retired people.

HOW ARIZONA COMPARES IN TAXES PER \$100 OF PERSONAL INCOME

Tax Type	Arizona	US Avg.	Highest Amount		Lowest Amount	
Individual Income	\$ 1.53	\$ 2.50	\$ 4.97	New York	\$ 0.13	Tennessee
Corporate Income	\$ 0.35	\$ 0.47	\$ 3.37	Alaska	\$ 0.18	Missouri
Property	\$ 3.02	\$ 3.36	\$ 5.37	New Hampshire	\$ 1.47	Alabama
General Sales	\$ 4.10	\$ 2.50	\$ 4.95	Washington	\$ 0.74	Alaska
Selective Sales	\$ 0.90	\$ 1.18	\$ 2.35	Nevada	\$ 0.64	Wyoming
Other Taxes	\$ 0.44	\$ 0.90	\$24.44	Alaska	\$ 0.29	Georgia
Total Taxes	\$10.34	\$10.91	\$33.42	Alaska	\$ 8.22	South Dakota
Fees/Miscellaneous	\$ 4.59	\$ 5.04	\$21.19	Alaska	\$ 2.34	Connecticut
Total – Taxes + Fees	\$14.94	\$15.95	\$54.61	Alaska	\$12.62	New Hampshire

Source: US Census and Bureau of Economic Analysis