



Children's Action Alliance

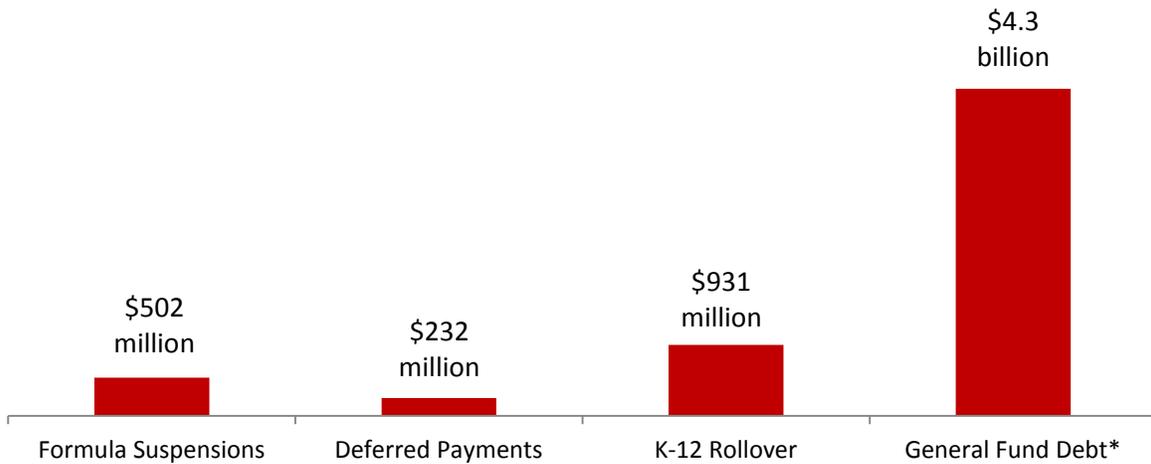
A Voice for Arizona's Children since 1988

ARIZONA'S INDIVIDUAL INCOME TAX

- Arizona has the **6th lowest income tax rate** for individuals in the highest tax bracket (starting at \$150,001 for single filers/\$300,001 for married filing jointly filers). Arizona's highest rate is 4.54%. (Federal of Tax Administrators)
- For every \$100 of personal income, **Arizonans pay \$1.32** in individual income taxes compared to the national average of \$2.28. Arizona ranks 40th out of 43 states that have income taxes. (Bureau of Census and Bureau of Economic Analysis, 2012 data)
- Nationally, **only 2.7% of individual income tax filers are small businesses** that have any employees other than the owner(s). For those small businesses that do have paid employees, profits from those businesses account for less than 4% of the income of households with incomes over \$100,000. (Center on Budget Policy and Priorities, "Cutting State Personal Income Taxes Won't Help Small Businesses Create Jobs and May Harm State Economics")
- Business owners using the individual income tax return simply carry over their adjusted gross income from the federal income tax return. There's little to simplify.
- Employee salaries, commissions and benefits are already fully deductible from taxable income for small businesses (Schedule C).
- Revenues from Arizona's state and local sales taxes combined rank 6th out of the 46 states that have a general sales tax. For every \$100 of personal income, **Arizonans pay \$3.67** in general sales tax. (2012 data - Bureau of Census and Bureau of Economic Analysis)
- 95% of Arizonans pay more in general sales taxes than in state income taxes.
- The balance and fairness of any tax system depends on the impact of *all* the taxes an individual or family pays. State and local sales taxes always take a bigger bite out of the income of taxpayers at the lowest income levels. **Arizona's graduated income tax partially offsets the impact of the sales tax on low-income taxpayers.** The lowest income Arizonans pay \$12.50 out of every \$100 of income on state and local taxes while the wealthiest 1% pay only \$4.60.

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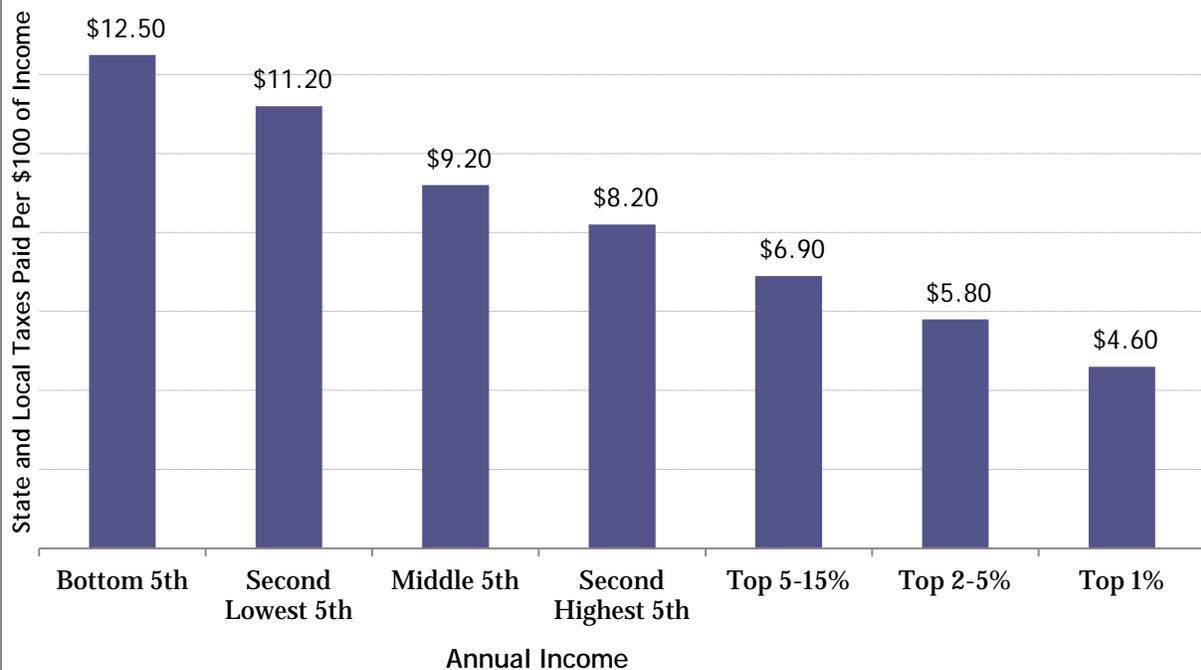
Arizona Has Nearly \$6 Billion in Unpaid Obligations



*As of end of FY 2014

Sources: Joint Legislative Budget Committee Staff, *Appropriations Report FY 2015* and *FY 2014 Debt and Lease-Purchase Financing Report*

Arizona Families with Lowest Incomes Pay a Higher Portion of their Income in State and Local Taxes than Taxpayers with Higher Incomes



Source: Institute on Taxation & Economic Policy, *Who Pays?*, January 2015