

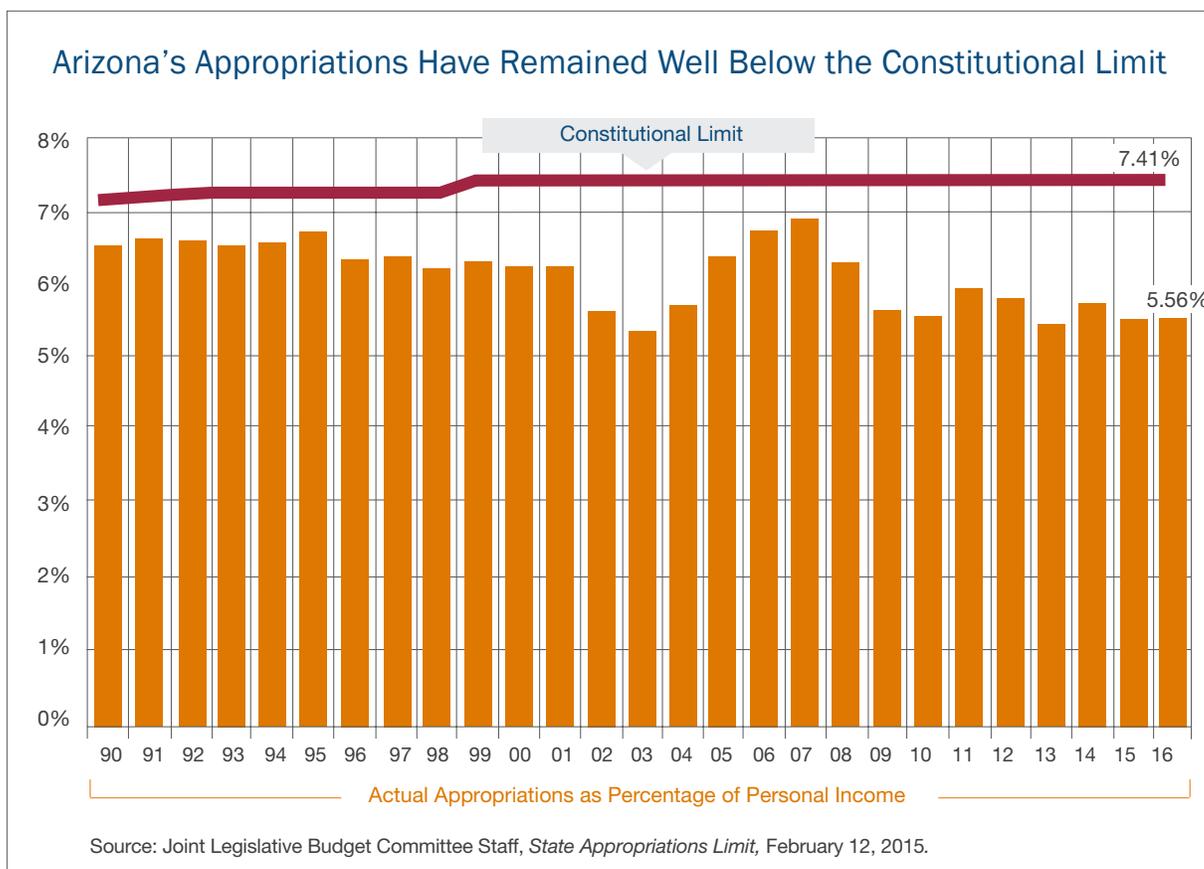


# BUDGET AND TAXES

## Does Arizona have limits on taxes and spending?

Yes. Arizona has a number of constitutional provisions that limit spending and revenue increases.

The Arizona constitution contains a limit on state spending that applies to all appropriated funds, not just the state's general fund. This limit is based on the size of the overall state economy. Currently the limit is 7.41 percent of total state personal income.



NOTE: The statutory limit is adjusted whenever government functions or funding responsibilities transfer between levels of government.

The Arizona constitution also requires that any legislation that would increase net state revenues must be approved by a two-thirds majority in the state House and Senate. This encompasses adopting new taxes or increasing rates on existing taxes. It also includes any reduction or elimination of tax deductions, credits, exemptions or exclusions. (Fees and assessments that are authorized by statute and are set by a state officer or agency do not require a two-thirds vote.) Unlike revenue increases, passing tax cuts, adopting or expanding new credits, or any other action that *reduces* state revenues requires only a simple majority vote.

Article 9, Section 3 of the Arizona constitution requires the legislature to provide sufficient sources of revenues to defray the ordinary expenses of the state for each fiscal year. In other words, the state budget must be balanced every year.

The state constitution also includes limits on expenditures from school districts and community college districts and limits on property taxes levied by counties, cities, towns, and community college districts.

