



TAX CUTS AND TAX CREDITS

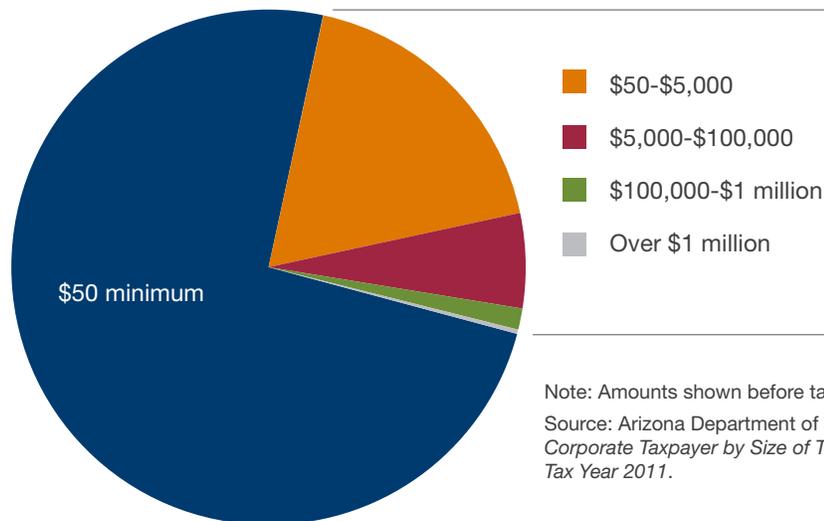
Who doesn't pay state income taxes?

Surprisingly, corporations and individuals at all income levels can end up paying little or no state income taxes.

Three out of four corporations that filed income taxes in Arizona in 2011 had the minimum tax liability of \$50. Fewer than one in ten corporations paid \$5,000 or more in income taxes.

Like individual taxpayers, corporations can significantly reduce or eliminate entirely their income tax bill through the use of tax credits. In 2011, corporations reduced their tax liability by \$119.6 million through the use of tax credits and carried another \$1 billion over to be used in future years.

Only One-Fourth of Arizona Corporations Owed More than the \$50 Minimum Corporate Income Tax in 2011



Note: Amounts shown before tax credits.
Source: Arizona Department of Revenue, *Corporate Taxpayer by Size of Tax Liability, Tax Year 2011*.

Households might pay no state income taxes for one of two reasons:

- Their incomes fall below \$11,000—the threshold set in state law for filing a state income tax return, or
- They have higher incomes, but their tax liability is erased through the use of exemptions, deductions, and tax credits.

For example, a family with income that falls within the second highest tax bracket (between \$100,001 and \$300,000) can end up owing no income taxes through common deductions and credits.



Arizona Income Tax Return
for Family of Four

Federal adjusted gross income	\$134,000
Subtractions	
Standard deduction	-10,010
Personal exemptions	-6,300
Dependents (2)	-4,600
Taxable Income	113,090
Tax (Income x .0424 less \$1,178)	3,617
Credits	
Student Tuition Organization	-1,056
Student Tuition Organization - “switcher”	-1,050
Qualifying charitable organization	-800
Public schools extracurricular activities	-400
Military Family Relief fund*	-311
Subtotal - Credits	-3,617
Taxes Owed	0

*A maximum of \$400 could be claimed; however, only \$311 was needed to eliminate tax liability.