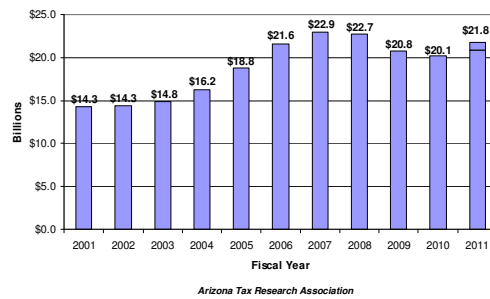


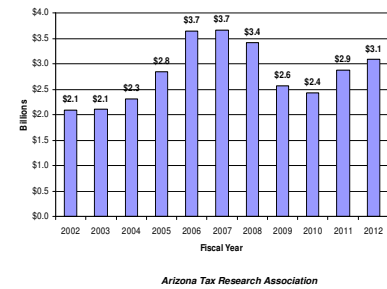
ATRA 2012 Outlook
Conference
Kevin McCarthy

- Review of Arizona's tax rollercoaster
- Sales Tax Reform – It's Time
- The State Budget and the "ranking"

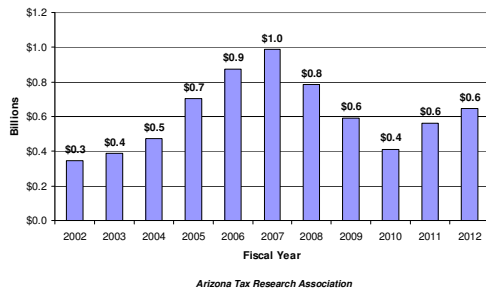
Arizona's State and Local Taxes
from FY01 to FY11



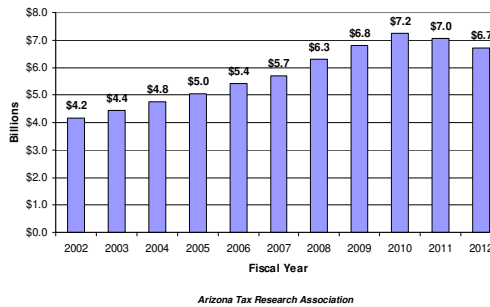
Individual Income Taxes
2002 - 2012



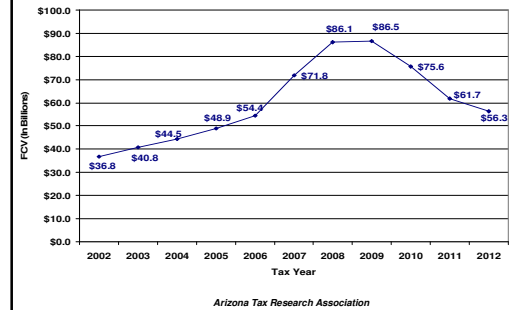
Corporate Income Taxes
2002 - 2012

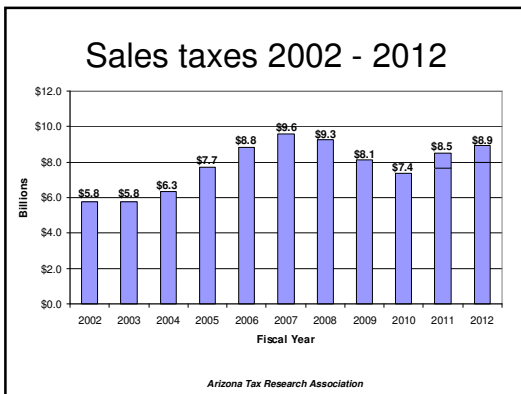
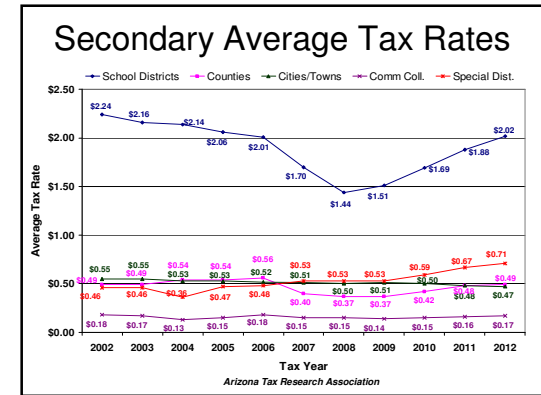
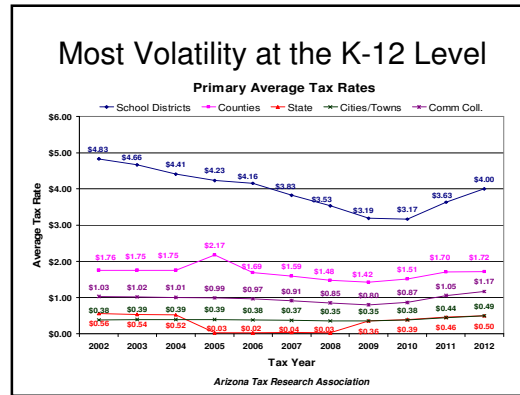
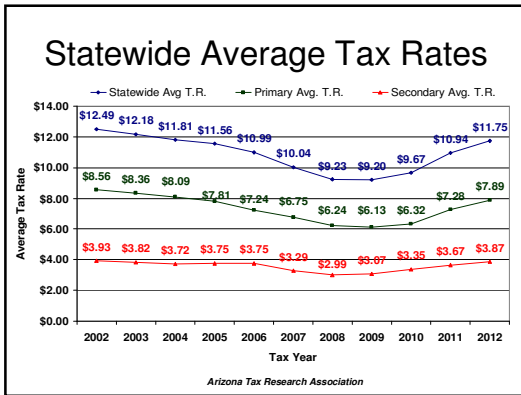


Property Taxes 2002-2012



Secondary Net Assessed Values

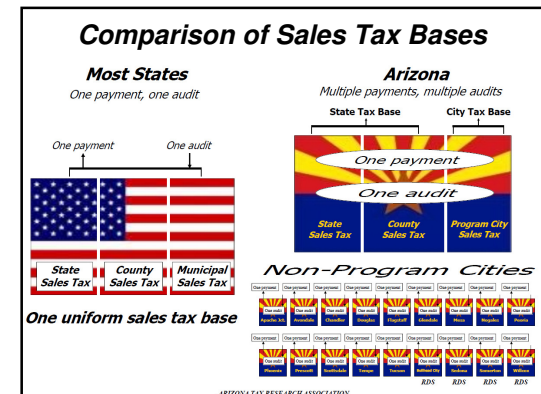




Sales Tax Reform

- Last year there was considerable discussion about sales tax reform as well as how an effort to make the temporary tax permanent might complicate a reform effort.
- No one contemplated anything close to what Prop 204 proposed.
- The defeat of Prop 204 leaves the playing field open for reform of Arizona's state and local sales tax system.

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Governor Brewer's TPT Task Force

- In 2011, ATRA and the business community renewed the call for Sales Tax Reform.
- Governor Brewer responded with the establishment of the TPT Task Force.
- Task Force has met regularly since July and final recommendations are expected in December.

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Governor's TPT Task Force (cont.)

- While the final recommendations are yet to be determined, some basic policy principles are developing.
- "The Task Force agrees that standardizing the administration of the TPT is necessary to reduce compliance costs for taxpayers and place the State in a position to benefit from potential federal legislation authorizing taxation of remote sales."

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Governor's Task Force (cont.)

- "Our goal for TPT administration and enforcement is to have filing, payment and audit system that provides taxpayers with:
 - Single Licensing Contact
 - Single Return
 - Single Audit
 - Single Tax Base (or minimal local choice variations)"

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Sales Tax Reform

- Major issues to overcome, however, it is imperative that Arizona aggressively pursue reforms.
- Goals should be broken into short term and long term:
 - Short term:
 - Achieve system of single audit from the state. Provide mechanism for city involvement
 - Uniform, single point of licensing

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Sales Tax Reform

- Long term:
 - Uniform Single Tax Base
 - Minimize city exceptions and codify in state statute
 - Single Return
 - Single point to file and pay taxes
 - Action should not be delayed until after Congressional action on remote sellers

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The State Budget and the School Funding Statistic

- Arguably no single statistic dominates Arizona's public finance debate more than our K-12 M&O per pupil expenditure ranking.
- Arizona has consistently ranked low for decades.
- Is the ranking a result of a lack of taxpayer/policymaker support for K-12 schools? Or do other factors play a role in our low relative ranking?

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Some Perspective is in Order

- Arizona ranked 41st in M&O spending per pupil in 1992 and 49th in 2010.
- From 1992 to 2010, Arizona ranked #3 in the percentage growth (189%) of K-12 M&O spending nationally.
- How do we fall in relative ranking when we rank 3rd in total M&O expenditure growth from 1992 to 2010?

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Student Growth

- Between 1992 and 2010, Arizona's K-12 student population climbed 46% - second highest in the country.
- Half of the states in the country experienced student growth under 10%. Twelve states had declining student counts.

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Tale of Two States: Arizona & North Dakota

- Arizona:
 - 1992 M&O rank – 41st
 - 2010 M&O rank – 49th
 - M&O expenditure growth – 189% (3rd)
 - Student growth – 46% (2nd)
- North Dakota:
 - 1992 M&O rank – 39th
 - 2010 M&O rank – 20th
 - M&O expenditure growth – 112% (44th)
 - Student growth - down 20% (50th)

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