

**Ballot Proposition 208
Invest in Education Act
Fiscal Impact Summary**

Estimated Impact

A.R.S. § 19-123E requires the Joint Legislative Budget Committee Staff to prepare a summary of 300 words or less on the fiscal impact of voter-initiated ballot measures. Proposition 208 would establish a 3.5% income tax surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000.

The income tax surcharge is projected to generate \$827 million in revenue, which will be deposited into the Student Support and Safety Fund (SSSF), in the first full year of implementation. SSSF monies would first be used to pay administrative costs of certain agencies. The remainder of these monies would be primarily distributed to school districts, charter schools, and career technical education districts. The state education system for committed youth and the Arizona State Schools for the Deaf and the Blind would receive monies in the same manner as school districts and charter schools.

The actual deposit will depend on a variety of factors, including:

- Whether high-income taxpayers leave or shift income out of the state because of the new tax surcharge.
- Whether higher tax rates will reduce business investment. Some high-income taxpayers pay individual income taxes on the "pass-through" income from their businesses.

Given this uncertainty, our revenue estimate is speculative and subject to change.

The proposition may also have other impacts on state tax collections. For example, increasing salaries for school employees may result in higher General Fund income and sales tax collections. Any shift of income outside the state or decline in business investment may also reduce existing tax collections.