

FISCAL IMPACT OF STATUTORY CHANGES

This report details the estimated dollar value of individual historical tax law changes enacted by the Legislature since FY 1989. The report is limited to statutory changes with a General Fund revenue impact.

The report includes individual tables for calendar years 1988 through 2024. The tables provide a listing of statutory changes for each calendar year, and the estimated dollar revenue impact of these changes for ensuing fiscal years. The dollar change reflects the estimated impact at the time of enactment. Unless otherwise noted, the dollar estimate has not been subsequently revised to reflect the actual result. Also included is a one-page summary of the estimated impact of statutory changes for each fiscal year, which provides the estimated marginal dollar value of statutory changes relative to the prior year.

Since the repeal of the state property tax in 1996, the General Fund revenue impact of property tax legislation is often negligible. Instead, property tax law changes typically affect the General Fund by increasing Arizona Department of Education (ADE) expenditures. Generally, any legislation that reduces the local property tax base results in higher General Fund expenditures. Under the statutory K-12 funding formula, the state share of education funding increases whenever local property values decrease. This higher level of K-12 spending is not reflected in the following tables. However, property tax legislation that reduced tax levies deposited into the General Fund was included in the tables. (Tax levied on property located in unorganized districts and certain districts ineligible for state aid, known as minimum qualifying tax rate (MQTR) districts, are deposited in the General Fund.)

There are several caveats related to the estimated dollar impact of tax law changes included in this report. The impacts of the 0.6% sales tax authorized by Proposition 301 in 2000 and the extension of that tax under Laws 2018, Chapter 74 have not been included in the following tables. In addition, the tobacco tax increases authorized by Proposition 303 in 2002 and Propositions 201 and 203 in 2006 have not been included. The revenues generated by these tax law changes were deposited into dedicated funds; therefore, they did not have a General Fund impact.

Additionally, no inflation factors have been applied to the “out year” estimates, which may understate their impact. Also, the estimates do not include a “dynamic” component. The potential behavioral impact of taxpayers of tax reductions or tax increases has not been incorporated into the numbers. It is very difficult to estimate how inflationary changes, as well as changes in taxpayer behavior over time, would have affected the estimated dollar value of statutory changes enacted in prior years. As a result, cumulative totals for the marginal annual values of the statutory changes are not provided.

The estimated incremental value of statutory changes for FY 2025 is a net General Fund revenue increase of \$25.7 million, which is mostly attributable to the reduction of the Corporate STO credit cap to \$135 million, beginning in FY 2025.

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Estimated Incremental Dollar Value of General Fund Tax Changes ^{1/}
(\$ in Thousands)

Fiscal Year	Sales Tax	Individual Income Tax	Corporate Income Tax	Property Tax	Other Taxes	Total ^{2/} Annual Changes
1989	23,100.0	35,400.0	29,000.0	28,200.0	6,000.0	121,700.0
1990	7,000.0	63,900.0	-	22,600.0	15,800.0	109,300.0
1991	(4,404.0)	118,680.0	30,900.0	49,640.0	13,560.0	208,376.0
1992	(377.5)	9,200.0	400.0	-	485.0	9,707.5
1993	(7,972.1)	(13,500.0)	-	(1,343.0)	3,472.0	(19,343.1)
1994	(12,243.5)	(10,776.0)	-	(1,200.0)	(1,233.0)	(25,452.5)
1995	(21,217.0)	(102,826.0)	4,200.0	(850.0)	-	(120,693.0)
1996	(46,151.9)	(202,260.5)	(18,000.0)	(18,256.0)	-	(284,668.4)
1997	(23,494.3)	(950.0)	(60.0)	(150,095.3)	-	(174,599.6)
1998	(59,862.9)	(114,969.0)	2,601.9	17.3	(105.0)	(172,317.7)
1999	(3,684.2)	(51,091.5)	(7,015.2)	-	(80,000.0)	(141,790.9)
2000	(8,402.3)	(27,177.9)	(13,982.3)	(51.6)	(55,000.0)	(104,614.1)
2001	(3,392.0)	(82,895.0)	(46,486.1)	(30.0)	(25,000.0)	(157,803.1)
2002	(2.1)	9,825.3	(40,759.6)	(2,234.9)	-	(33,171.3)
2003	(2.2)	11,384.5	21,567.0	(1,738.3)	(18,830.0)	12,381.0
2004	-	-	-	-	50,418.1	50,418.1
2005	-	(1,834.0)	-	-	3,892.0	2,058.0
2006	(600.0)	(14,200.0)	(3,250.0)	-	-	(18,050.0)
2007	(1,678.6)	(176,090.0)	(10,990.0)	-	(5,000.0)	(193,758.6)
2008	(100.0)	(185,510.0)	(31,900.0)	-	-	(217,510.0)
2009	-	(4,150.0)	(29,720.0)	-	-	(33,870.0)
2010	-	(8,030.0)	(33,330.0)	-	-	(41,360.0)
2011	918,000.0	16,120.0	(35,390.0)	-	-	898,730.0
2012	-	(900.0)	(12,100.0)	-	-	(13,000.0)
2013	-	4,590.0	(16,100.0)	-	-	(11,510.0)
2014	(922,800.0)	(56,850.0)	(21,900.0)	-	-	(1,001,550.0)
2015	(16,780.0)	(44,900.0)	(102,282.0)	-	-	(163,962.0)
2016	(4,200.0)	(12,000.0)	(108,500.0)	-	(983.4)	(125,683.4)
2017	(13,170.0)	(35,500.0)	(93,400.0)	-	(4,300.0)	(146,370.0)
2018	(14,500.0)	(29,833.3)	(104,000.0)	-	(4,300.0)	(152,633.3)
2019	10,000.0	156,466.6	(27,000.0)	-	(4,300.0)	135,166.6
2020	54,700.0	(290,733.3)	18,900.0	-	(4,700.0)	(221,833.3)
2021	20,600.0	300.0	2,600.0	-	(2,500.0)	21,000.0
2022	-	(47,400.0)	4,304.2	-	15,900.0	(27,195.8)
2023	(50,583.0)	(1,266,300.0)	-	-	(1,900.0)	(1,318,783.0)
2024	-	(765,378.5)	(4,000.0)	-	950.0	(768,428.5)
2025	-	(2,000.0)	27,700.0	-	-	25,700.0

^{1/} The estimates exclude one-time increases or decreases in revenue collections. The tax changes also exclude General Fund distribution formula changes and additional K-12 expenditures that were the direct result of property tax legislation. The estimates also reflect the projected fiscal impact at the time of enactment and have not been adjusted for the actual dollar value of a tax change.

^{2/} Each yearly amount represents the incremental dollar value of tax law changes relative to the prior year. For example, the total net tax reduction in FY 2008 relative to FY 2007 was \$(217.5) million.