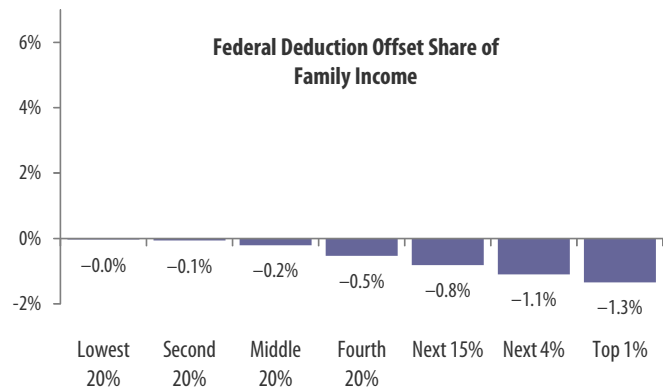
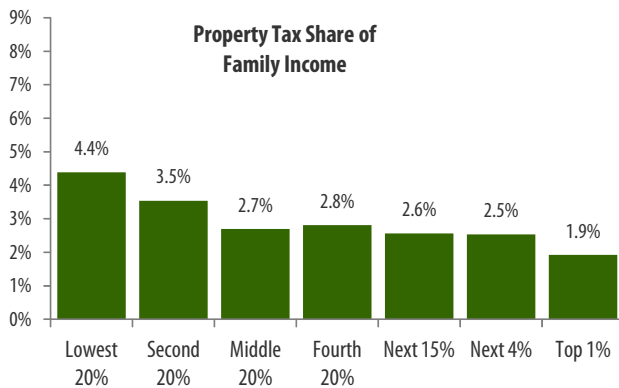
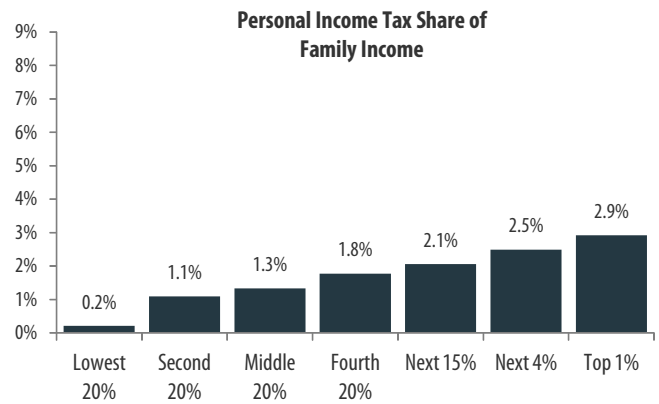
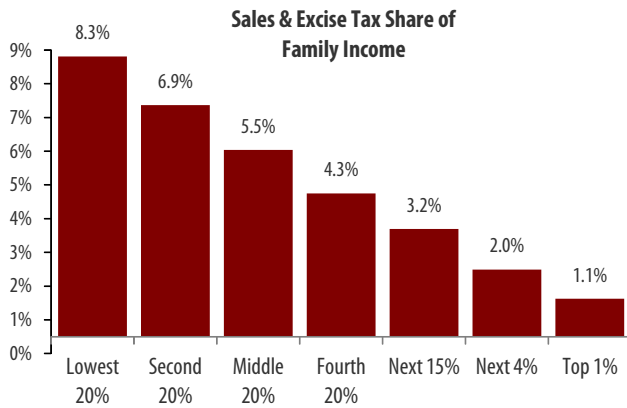
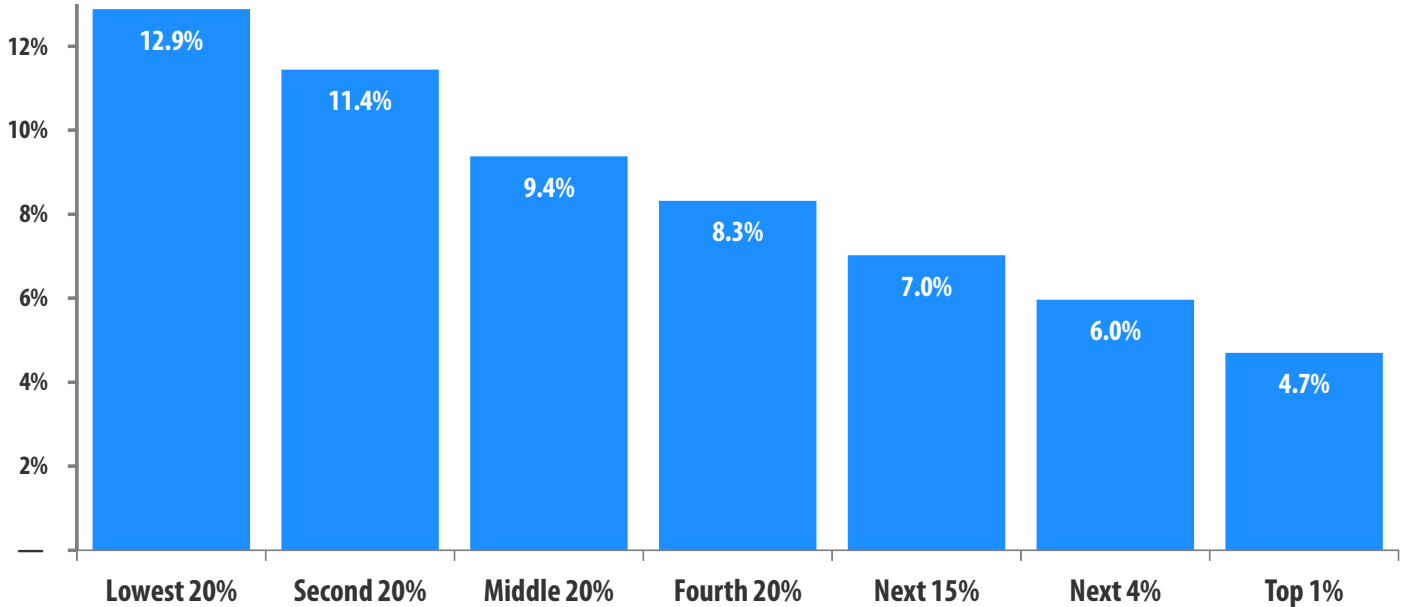


Arizona State & Local Taxes

#7 of the Terrible 10

Shares of family income for non-elderly taxpayers



Note: Figures show tax law in Arizona enacted through January 2, 2013 at 2010 income levels. The temporary sales tax increase (from 5.6 to 6.6 percent) is not included because it will expire on June 1, 2013. The state's 10 percent exclusion for capital gains income (rising to 25 percent by 2015) on assets acquired in 2012 or later is modeled as it will exist in 2013. As the exclusion phases-in over time, personal income taxes will decline primarily for the state's upper-income taxpayers. Top figure represents total state and local taxes as a share of personal income, post- federal offset.

Arizona State & Local Taxes

Details, Tax Code Features, & Recent Developments

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$21,000	\$21,000 – \$32,000	\$32,000 – \$50,000	\$50,000 – \$82,000	\$82,000 – \$156,000	\$156,000 – \$353,000	\$353,000 or more
Average Income in Group	\$12,200	\$27,000	\$39,800	\$63,800	\$107,400	\$222,800	\$971,500
Sales & Excise Taxes	8.3%	6.9%	5.5%	4.3%	3.2%	2.0%	1.1%
General Sales—Individuals	3.9%	3.5%	2.9%	2.3%	1.8%	1.1%	0.7%
Other Sales & Excise—Ind.	1.2%	0.8%	0.6%	0.4%	0.3%	0.2%	0.0%
Sales & Excise on Business	3.2%	2.6%	2.1%	1.6%	1.1%	0.7%	0.4%
Property Taxes	4.4%	3.5%	2.7%	2.8%	2.6%	2.5%	1.9%
Property Taxes on Families	3.9%	3.0%	2.2%	2.3%	2.1%	1.9%	0.7%
Other Property Taxes	0.5%	0.5%	0.5%	0.5%	0.5%	0.7%	1.2%
Income Taxes	0.2%	1.1%	1.3%	1.8%	2.1%	2.5%	3.0%
Personal Income Tax	0.2%	1.1%	1.3%	1.8%	2.1%	2.5%	2.9%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	12.9%	11.5%	9.6%	8.8%	7.8%	7.1%	6.0%
Federal Deduction Offset	0.0%	-0.1%	-0.2%	-0.5%	-0.8%	-1.1%	-1.3%
OVERALL TOTAL	12.9%	11.4%	9.4%	8.3%	7.0%	6.0%	4.7%

Note: Table shows detailed breakout of data on previous page.

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides an income tax credit to offset the impact of sales tax
- ✓ Sales tax base excludes groceries

Regressive Features

- ✗ Provides a partial income tax exclusion for capital gains income
- ✗ Comparatively high reliance on sales taxes
- ✗ Comparatively high cigarette tax rate
- ✗ Fails to provide an earned income tax credit (EITC)

Recent Developments

- ▲ Enacted a new capital gains exclusion from the personal income tax (exclusion applies only to assets purchased after 2011, and is equal to 10 percent of gains in 2013, 20 percent in 2014, and 25 percent in 2015 and beyond)
- ▲ Enacted a phased-in reduction in corporate income taxes that will cut the state rate to 4.9 percent
- ▲ Enacted single-sales factor apportionment rules for calculating the Corporate Income Tax (phased-in over 4 years)

Share of Tax Cuts from New Capital Gains Tax Break in Arizona when Fully Phased-in by Income Group

