



Prop 207 Raises Taxes on All Arizonans

\$1.25 Billion Income Tax Increase over 10 years on all Arizonans

The Joint Legislative Budget Committee (JLBC) released a memo analyzing the impact of the Prop 207/InvestInEd proposal which eliminates income tax bracket inflation adjustments. They conclude the proposal resets income tax brackets to 2014 levels and eliminates the estimated 2.26% annual bracket shift as a result of inflation. The purpose of adjusting brackets to inflation is to prevent a tax increase associated with wage inflation over time. Prop 207 permanently eliminates this feature.

The 10-year impact of this change is an estimated \$1.252 billion tax increase which will be shouldered by all Arizona income taxpayers. This tax increase will be deposited in the State General Fund which can be spent by the Legislature in any legal manner.

The Arizona Tax Research Association, using the assumptions developed by JLBC, calculates the individual impact of this tax increase to be \$1,255 on a single filer with \$50,000 in taxable income and \$2,509 for a family with a combined income of \$100,000.

- \$1.25B income tax increase due to removal of inflation adjustments¹
- \$1,255 tax increase for a filer with income of \$50K over next 10 years²
- \$2,509 tax increase for typical Arizona family over next 10 years³

¹ Per Aug 21, 2018 Staff Memo prepared by Joint Legislative Budget Committee

² Cumulative tax increase over 10 years. Calculated using median AZ income (adjusted) of \$50,000

³ Cumulative tax increase over 10 years. Calculated using two median AZ incomes (adjusted) who file Married Filing Joint