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**ARIZONA TAX RESEARCH ASSOCIATION**

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**ARIZONA'S TAX RANKINGS IMPROVE  
BASED ON FY 2008 CENSUS DATA**

How Arizona compares with other states in a variety of public finance and taxation categories is the subject of never ending debate. As a result, ATRA periodically publishes updates of Arizona's tax rankings based on data reported by the U.S. Census Bureau. Comparing state and local tax systems is a common practice in most states and is done by ranking the tax collection data on a per capita and per \$1,000 of personal income basis. However, caution should be exercised before policymakers use the data as the basis for major policy changes. The Fiscal Year (FY) 2008 tax collections are the most recent Census Bureau data available.

The use of per capita and personal income measurements can cause Arizona's tax rankings to differ significantly depending on the category. Per capita tax burdens simply measure collections against a state's population. The personal income measurement is used in an attempt to reflect the underlying wealth of a state. Both measures are informative; however, the per capita measure clearly fails to account for the fact that providing basic state and local government services, like schools and public safety, cost more in a state with higher per capita incomes and a higher cost of living. To that end, ATRA's bias in such comparisons is to rely more on the personal income comparison.

When comparing Arizona with other states' tax systems, ATRA always uses state *and* local tax comparisons. The primary reason for this is that state fiscal systems can vary significantly. For example, some states have a highly centralized funding structure for K-12 where most of the funding and taxes come from the state, while other state systems are more decentralized, with funding coming from local school districts. In addition, some states, like Arizona, have substantial revenue sharing programs with local governments that would inflate a state-only ranking. Clearly, the only accurate way to measure tax burdens across states is to measure *both* state and local taxes combined.

**Total State and Local Tax Collections**

According to the FY 2008 data reported by the Census Bureau, Arizona dropped five spots from FY 2007 to 38<sup>th</sup> nationally for total tax collections per capita (See table on page 2). From FY 2007 to FY 2008, Arizona began experiencing a decrease in population, one of 18 states to do so. In addition, Arizona was one of only three states to see a decrease in total collections per capita, from \$3,590 to \$3,538. The driving force for the decrease was a 1.5% ebb in tax collections, paired with a negligible decrease in

See **Rankings**, page 2

<b>ARIZONA'S TAX RANKINGS</b>				
	<b>FY 2007</b>		<b>FY 2008</b>	
	<b>Per Capita</b>	<b>Per \$1,000 of Income</b>	<b>Per Capita</b>	<b>Per \$1,000 of Income</b>
<b>Total Taxes</b>	33 <sup>rd</sup>	22 <sup>nd</sup>	38 <sup>th</sup>	23 <sup>rd</sup>
<b>General Sales</b>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	6 <sup>th</sup>
<b>Property</b>	36 <sup>th</sup>	29 <sup>th</sup>	35 <sup>th</sup>	26 <sup>th</sup>
<b>Individual Income</b>	40 <sup>th</sup>	40 <sup>th</sup>	41 <sup>st</sup>	41 <sup>st</sup>
<b>Corporate Income</b>	26 <sup>th</sup>	22 <sup>nd</sup>	33 <sup>rd</sup>	28 <sup>th</sup>

Total Tax Collections - State and Local FY 2008				
State	Per Capita		Per \$1,000 of income	
	Amount	Rank	Amount	Rank
Alabama	\$3,001.79	50	\$91.23	48
Alaska	\$14,147.25	1	\$342.04	1
Arizona	\$3,537.63	38	\$108.20	23
Arkansas	\$3,279.82	45	\$106.83	28
California	\$5,085.10	9	\$120.00	11
Colorado	\$3,978.80	28	\$95.64	43
Connecticut	\$6,598.85	5	\$118.52	12
D.C.	\$9,147.97	2	\$105.69	4
Delaware	\$4,236.90	21	\$142.82	33
Florida	\$3,981.32	27	\$103.18	38
Georgia	\$3,468.04	39	\$103.46	37
Hawaii	\$5,232.53	7	\$131.05	6
Idaho	\$3,233.85	46	\$101.83	39
Illinois	\$4,503.17	15	\$107.40	25
Indiana	\$3,593.19	33	\$106.79	29
Iowa	\$3,854.78	30	\$107.21	27
Kansas	\$4,245.88	20	\$113.88	18
Kentucky	\$3,301.52	44	\$106.01	31
Louisiana	\$4,032.45	26	\$113.67	19
Maine	\$4,495.58	16	\$129.78	7
Maryland	\$4,886.51	11	\$103.73	36
Massachusetts	\$5,195.51	8	\$104.63	35
Michigan	\$3,764.05	31	\$107.38	26
Minnesota	\$4,726.81	13	\$113.28	21
Mississippi	\$3,133.38	47	\$107.42	24
Missouri	\$3,336.37	42	\$96.97	42
Montana	\$3,561.87	35	\$105.87	32
Nebraska	\$4,213.39	22	\$113.43	20
Nevada	\$4,047.66	24	\$101.76	40
New Hampshire	\$3,754.38	32	\$89.13	50
New Jersey	\$6,208.98	6	\$123.19	10
New Mexico	\$3,899.18	29	\$124.37	8
New York	\$7,103.42	3	\$150.07	2
North Carolina	\$3,591.16	34	\$106.37	30
North Dakota	\$4,948.40	10	\$131.20	5
Ohio	\$4,047.53	25	\$116.08	15
Oklahoma	\$3,379.38	41	\$94.15	45
Oregon	\$3,312.60	43	\$93.28	47
Pennsylvania	\$4,305.91	19	\$109.83	22
Rhode Island	\$4,626.27	14	\$114.23	17
South Carolina	\$2,922.92	51	\$93.66	46
South Dakota	\$3,107.27	48	\$84.88	51
Tennessee	\$3,044.59	49	\$90.42	49
Texas	\$3,554.22	36	\$94.37	44
Utah	\$3,436.11	40	\$114.99	16
Vermont	\$4,726.84	12	\$123.26	9
Virginia	\$4,195.62	23	\$99.65	41
Washington	\$4,354.14	17	\$104.75	34
West Virginia	\$3,541.89	37	\$117.80	13
Wisconsin	\$4,330.85	18	\$117.65	14
Wyoming	\$6,930.42	4	\$143.81	3
<b>U.S. Average</b>	<b>\$4,370.96</b>		<b>\$111.77</b>	

**RANKINGS**, *Continued from page 1*

population.

The state's personal income grew at a slower rate than the national average at 5.4%, the 7<sup>th</sup> lowest growth rate compared to the 7.4% average for the 50 states and the nation's capitol. Comparing per \$1000 of income collections, the ranking only dropped one spot to 23<sup>rd</sup> in FY 2008, decreasing \$9 from FY 2007 to \$108. Although the data shows that Arizona ranks below the national average on a per capita basis (\$4,371), Arizona's ranking, after adjusting for the relative wealth of the state, is just above average (\$112) when compared to the other states.

**Personal Income Tax**

Beginning from the low end of Arizona's tax spectrum, individual income tax collections dropped to 41<sup>st</sup> in FY 2008 for both per capita and per \$1,000 of income (See table on page 3). Dropping slightly relative to the nation, collections per capita decreased \$52 (9%), from \$577 per capita in FY 2007 to \$524 in FY 2008. Similarly, individual income tax collections per \$1,000 of income decreased \$2.75 (15%), from \$18.79 to \$16.04. For comparison, the national per capita average increased 5%, from \$1,156 to \$1,216, and per \$1,000 income decreased a mere 86 cents, or 2.7%.

**Corporate Income Tax**

Corporate income tax surrendered several spots from 2007 both in per capita and per income tax collections. Per capita, Arizona decreased \$31 (20%), from \$152 to \$121, dropping from 26<sup>th</sup> to 33<sup>rd</sup> nationally (See table on page 3). On an income basis, Arizona decreased \$1.25 (25%), from \$4.94 to \$3.69, bringing the ranking down to 28<sup>th</sup> from 22<sup>nd</sup>. The average of the 46 states that levy a corporate income tax dropped 4% per capita and 13% per income, both significantly less than the decreases in Arizona.

**Property Tax**

Arizona's property tax rankings moved up slightly, from 36<sup>th</sup> to 35<sup>th</sup> for per capita collections and from 29<sup>th</sup> to 26<sup>th</sup> per \$1,000 of income for 2008 (See table on page 4). Per capita collections topped the \$1,000 mark at \$1,032, an 8% increase. Collections per \$1,000 of income increased 36 cents to \$31.55. It is worth noting that as the recession started to drive down both income and sales tax collections in FY 2008, property tax collections continued to increase in Arizona. Statewide property tax levies climbed 10% in FY 2008.

See **Rankings**, page 6

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Individual Income Tax Collections - State and Local FY 2008					Corporate Income Tax Collections - State and Local FY 2008				
State	Per Capita		Per \$1,000 of income		State	Per Capita		Per \$1,000 of income	
	Amount	Rank	Amount	Rank		Amount	Rank	Amount	Rank
Alabama	\$681.60	37	\$20.71	35	Alabama	\$112.20	37	\$3.41	33
Alaska	-	-	-	-	Alaska	\$1,426.59	1	\$34.49	1
Arizona	\$524.45	41	\$16.04	41	Arizona	\$120.71	33	\$3.69	28
Arkansas	\$817.67	32	\$26.63	27	Arkansas	\$119.44	35	\$3.89	26
California	\$1,523.93	6	\$35.96	6	California	\$323.92	6	\$7.64	5
Colorado	\$1,026.90	21	\$24.68	32	Colorado	\$102.93	38	\$2.47	40
Connecticut	\$2,142.07	3	\$38.47	3	Connecticut	\$172.54	16	\$3.10	36
D.C.	\$2,296.01	12	\$35.84	7	D.C.	\$352.29	3	\$8.79	4
Delaware	\$1,213.94	2	\$30.28	16	Delaware	-	-	-	-
Florida	-	-	-	-	Florida	\$119.88	34	\$3.11	35
Georgia	\$912.11	28	\$27.21	24	Georgia	\$97.24	41	\$2.90	37
Hawaii	\$1,199.89	13	\$30.05	17	Hawaii	\$81.78	43	\$2.05	44
Idaho	\$941.74	26	\$29.65	18	Idaho	\$124.51	31	\$3.92	25
Illinois	\$803.57	33	\$19.16	39	Illinois	\$242.59	10	\$5.79	9
Indiana	\$943.10	30	\$25.06	31	Indiana	\$142.37	22	\$4.23	21
Iowa	\$979.13	23	\$27.23	23	Iowa	\$115.98	36	\$3.32	34
Kansas	\$1,053.59	19	\$28.26	21	Kansas	\$188.75	12	\$5.06	13
Kentucky	\$1,057.32	18	\$33.95	12	Kentucky	\$124.45	32	\$4.00	24
Louisiana	\$712.05	36	\$20.07	37	Louisiana	\$157.97	19	\$4.45	19
Maine	\$1,184.25	15	\$34.19	11	Maine	\$139.82	23	\$4.04	23
Maryland	\$1,976.50	4	\$41.96	2	Maryland	\$129.95	29	\$2.76	38
Massachusetts	\$1,909.68	5	\$38.46	4	Massachusetts	\$333.14	4	\$6.71	6
Michigan	\$763.98	35	\$21.79	33	Michigan	\$177.79	14	\$5.07	12
Minnesota	\$1,486.89	7	\$35.63	8	Minnesota	\$198.92	11	\$4.77	17
Mississippi	\$527.54	40	\$18.09	40	Mississippi	\$130.82	26	\$4.49	18
Missouri	\$918.84	27	\$26.70	26	Missouri	\$64.47	46	\$1.87	46
Montana	\$898.79	29	\$26.71	25	Montana	\$167.05	17	\$4.97	14
Nebraska	\$968.68	24	\$26.08	29	Nebraska	\$130.67	27	\$3.52	31
Nevada	-	-	-	-	Nevada	-	-	-	-
New Hampshire	\$89.22	43	\$2.12	43	New Hampshire	\$465.09	2	\$11.04	2
New Jersey	\$1,455.03	8	\$28.87	20	New Jersey	\$325.50	5	\$6.46	8
New Mexico	\$610.80	39	\$19.48	38	New Mexico	\$178.48	13	\$5.69	10
New York	\$2,386.20	1	\$50.41	1	New York	\$258.78	8	\$5.47	11
North Carolina	\$1,188.90	14	\$35.22	9	North Carolina	\$130.46	28	\$3.86	27
North Dakota	\$494.60	42	\$13.11	42	North Dakota	\$252.45	9	\$6.69	7
Ohio	\$1,215.76	11	\$34.87	10	Ohio	\$65.46	45	\$1.88	45
Oklahoma	\$764.94	34	\$21.31	34	Oklahoma	\$98.81	40	\$2.75	39
Oregon	\$1,315.20	9	\$37.03	5	Oregon	\$126.12	30	\$3.55	30
Pennsylvania	\$1,140.57	17	\$29.09	19	Pennsylvania	\$174.39	15	\$4.45	20
Rhode Island	\$1,036.26	20	\$25.59	30	Rhode Island	\$138.46	24	\$3.42	32
South Carolina	\$635.95	38	\$20.38	36	South Carolina	\$71.14	44	\$2.28	43
South Dakota	-	-	-	-	South Dakota	\$86.86	42	\$2.37	42
Tennessee	\$46.63	44	\$1.38	44	Tennessee	\$161.19	18	\$4.79	16
Texas	-	-	-	-	Texas	-	-	-	-
Utah	\$950.79	25	\$31.82	14	Utah	\$144.70	21	\$4.84	15
Vermont	\$1,003.17	22	\$26.16	28	Vermont	\$136.52	25	\$3.56	29
Virginia	\$1,297.53	10	\$30.82	15	Virginia	\$100.99	39	\$2.40	41
Washington	-	-	-	-	Washington	-	-	-	-
West Virginia	\$836.83	31	\$27.83	22	West Virginia	\$296.90	7	\$9.87	3
Wisconsin	\$1,179.99	16	\$32.06	13	Wisconsin	\$153.37	20	\$4.17	22
Wyoming	-	-	-	-	Wyoming	-	-	-	-
<b>U.S. Average</b>	<b>\$1,216.37</b>		<b>\$31.03</b>		<b>U.S. Average</b>	<b>\$188.16</b>		<b>\$ 31.03</b>	

General Sales Tax Collections - State and Local FY 2008					Property Tax Collections - State and Local FY 2008				
State	Per Capita		Per \$1,000 of income		State	Per Capita		Per \$1,000 of income	
	Amount	Rank	Amount	Rank		Amount	Rank	Amount	Rank
Alabama	\$886.85	28	\$26.95	20	Alabama	\$492.96	51	\$14.98	51
Alaska	\$311.93	47	\$7.54	47	Alaska	\$1,552.61	14	\$37.54	15
Arizona	\$1,401.51	7	\$42.87	6	Arizona	\$1,031.58	35	\$31.55	26
Arkansas	\$1,295.75	9	\$42.20	7	Arkansas	\$509.84	50	\$16.61	49
California	\$1,123.27	14	\$26.51	22	California	\$1,442.27	15	\$34.04	21
Colorado	\$1,065.72	18	\$25.62	24	Colorado	\$1,242.16	23	\$29.86	33
Connecticut	\$1,012.22	21	\$18.18	41	Connecticut	\$2,376.56	3	\$42.68	8
D.C.	\$1,516.10	5	\$23.67	28	D.C.	\$2,928.83	1	\$45.72	7
Delaware	-	-	-	-	Delaware	\$690.54	44	\$17.23	48
Florida	\$1,240.38	12	\$32.15	12	Florida	\$1,642.46	11	\$42.57	10
Georgia	\$1,007.54	22	\$30.06	14	Georgia	\$1,053.81	34	\$31.44	28
Hawaii	\$2,034.67	3	\$50.96	1	Hawaii	\$973.42	36	\$24.38	41
Idaho	\$882.13	29	\$27.78	18	Idaho	\$772.86	42	\$24.34	42
Illinois	\$724.86	39	\$17.29	42	Illinois	\$1,658.10	10	\$39.54	13
Indiana	\$898.33	26	\$26.70	21	Indiana	\$1,085.57	32	\$32.26	23
Iowa	\$812.03	33	\$22.58	33	Iowa	\$1,242.27	22	\$34.55	20
Kansas	\$1,093.72	16	\$29.34	16	Kansas	\$1,318.14	20	\$35.35	19
Kentucky	\$670.68	41	\$21.54	35	Kentucky	\$648.23	46	\$20.82	45
Louisiana	\$1,596.70	4	\$45.01	4	Louisiana	\$637.51	47	\$17.97	47
Maine	\$803.64	36	\$23.20	30	Maine	\$1,634.64	12	\$47.19	6
Maryland	\$662.51	42	\$14.06	45	Maryland	\$1,168.33	29	\$24.80	40
Massachusetts	\$626.27	43	\$12.61	46	Massachusetts	\$1,782.66	9	\$35.90	18
Michigan	\$822.36	32	\$23.46	29	Michigan	\$1,412.32	16	\$40.29	12
Minnesota	\$892.55	27	\$21.39	36	Minnesota	\$1,268.45	21	\$30.40	32
Mississippi	\$1,066.38	17	\$36.56	9	Mississippi	\$782.07	41	\$26.81	37
Missouri	\$848.75	30	\$24.67	26	Missouri	\$920.05	38	\$26.74	38
Montana	-	-	-	-	Montana	\$1,213.83	26	\$36.08	17
Nebraska	\$1,052.52	19	\$28.33	17	Nebraska	\$1,394.70	17	\$37.55	14
Nevada	\$1,289.50	10	\$32.42	11	Nevada	\$1,229.34	25	\$30.91	29
New Hampshire	-	-	-	-	New Hampshire	\$2,312.74	5	\$54.90	1
New Jersey	\$1,029.10	20	\$20.42	37	New Jersey	\$2,621.11	2	\$52.01	2
New Mexico	\$1,392.19	8	\$44.41	5	New Mexico	\$565.79	49	\$18.05	46
New York	\$1,183.11	13	\$24.99	25	New York	\$2,006.84	6	\$42.40	11
North Carolina	\$781.43	37	\$23.15	31	North Carolina	\$851.13	39	\$25.21	39
North Dakota	\$969.98	24	\$25.72	23	North Dakota	\$1,153.72	30	\$30.59	31
Ohio	\$826.14	31	\$23.69	27	Ohio	\$1,177.35	28	\$33.77	22
Oklahoma	\$991.17	23	\$27.61	19	Oklahoma	\$579.74	48	\$16.15	50
Oregon	-	-	-	-	Oregon	\$1,125.37	31	\$31.69	25
Pennsylvania	\$731.34	38	\$18.65	40	Pennsylvania	\$1,236.36	24	\$31.54	27
Rhode Island	\$803.86	35	\$19.85	39	Rhode Island	\$1,958.86	7	\$48.37	5
South Carolina	\$704.91	40	\$22.59	32	South Carolina	\$954.72	37	\$30.59	30
South Dakota	\$1,247.07	11	\$34.07	10	South Dakota	\$1,067.33	33	\$29.16	34
Tennessee	\$1,409.19	6	\$41.85	8	Tennessee	\$748.29	43	\$22.22	44
Texas	\$1,114.06	15	\$29.58	15	Texas	\$1,380.00	18	\$36.64	16
Utah	\$958.02	25	\$32.06	13	Utah	\$813.26	40	\$27.21	36
Vermont	\$554.55	46	\$14.46	43	Vermont	\$1,895.28	8	\$49.42	3
Virginia	\$607.58	45	\$14.43	44	Virginia	\$1,355.80	19	\$32.20	24
Washington	\$2,091.49	2	\$50.32	2	Washington	\$1,189.31	27	\$28.61	35
West Virginia	\$611.51	44	\$20.34	38	West Virginia	\$681.92	45	\$22.68	43
Wisconsin	\$811.66	34	\$22.05	34	Wisconsin	\$1,568.97	13	\$42.62	9
Wyoming	\$2,282.06	1	\$47.35	3	Wyoming	\$2,363.94	4	\$49.05	4
<b>U.S. Average</b>	<b>\$1,023.57</b>		<b>\$26.14</b>		<b>U.S. Average</b>	<b>\$1,345.99</b>		<b>\$34.42</b>	

Residential Property Taxes Payable 2009				Industrial Property Taxes Payable 2009			
\$150,000 Land and Building				\$25,000,000 Land and Building \$12,500,000 Machinery and Equipment \$10,000,000 Inventories \$2,500,000 Fixtures			
Rank	State	NET TAX	ETR	Rank	State	NET TAX	ETR
1	Michigan	\$4,884	3.256%	1	South Carolina	\$1,538,879	3.078%
2	Connecticut	\$4,068	2.712%	2	Michigan	\$1,480,031	2.960%
3	Pennsylvania	\$3,931	2.621%	3	Texas	\$1,261,850	2.524%
4	Illinois	\$3,920	2.613%	4	Mississippi	\$1,242,554	2.485%
5	New York	\$3,636	2.424%	5	Missouri	\$1,150,676	2.301%
6	Wisconsin	\$3,276	2.184%	6	Kansas	\$1,141,163	2.282%
7	Maryland	\$3,164	2.109%	7	Indiana	\$1,090,901	2.182%
8	Nebraska	\$2,959	1.973%	8	Iowa	\$1,087,622	2.175%
9	Texas	\$2,865	1.910%	9	Tennessee	\$1,046,277	2.093%
10	North Dakota	\$2,783	1.855%	10	Pennsylvania	\$1,029,057	2.058%
11	Iowa	\$2,774	1.849%	11	Louisiana	\$1,026,584	2.053%
12	New Hampshire	\$2,748	1.832%	12	New York	\$976,546	1.953%
13	Tennessee	\$2,706	1.804%	13	D.C.	\$935,725	1.871%
14	Ohio	\$2,605	1.737%	14	Connecticut	\$881,326	1.763%
15	Vermont	\$2,547	1.698%	15	Arizona	\$843,417	1.687%
16	New Jersey	\$2,509	1.673%	16	West Virginia	\$837,311	1.675%
17	Maine	\$2,309	1.539%	17	Minnesota	\$836,978	1.674%
18	Missouri	\$2,125	1.417%	18	Nebraska	\$801,442	1.603%
19	Georgia	\$2,072	1.381%	19	Georgia	\$796,740	1.593%
20	Mississippi	\$2,067	1.378%	20	Rhode Island	\$777,575	1.555%
21	Alaska	\$1,969	1.313%	21	Colorado	\$764,515	1.529%
22	Kansas	\$1,947	1.298%	22	Illinois	\$722,758	1.446%
23	Minnesota	\$1,861	1.241%	23	Oklahoma	\$701,910	1.404%
24	Rhode Island	\$1,816	1.211%	24	Arkansas	\$696,893	1.394%
25	Kentucky	\$1,790	1.193%	25	Maine	\$687,425	1.375%
26	New Mexico	\$1,781	1.187%	26	Vermont	\$648,283	1.297%
27	Oklahoma	\$1,765	1.177%	27	Maryland	\$646,380	1.293%
28	California	\$1,745	1.163%	28	Massachusetts	\$643,863	1.288%
29	Indiana	\$1,729	1.153%	29	Florida	\$640,008	1.280%
30	Arkansas	\$1,723	1.149%	30	Wisconsin	\$623,538	1.247%
31	South Dakota	\$1,709	1.139%	31	Alaska	\$604,888	1.210%
32	Florida	\$1,699	1.133%	32	New Mexico	\$592,043	1.184%
33	Nevada	\$1,678	1.119%	33	Oregon	\$584,106	1.168%
34	North Carolina	\$1,613	1.075%	34	Montana	\$580,774	1.162%
35	Oregon	\$1,605	1.070%	35	Ohio	\$555,647	1.111%
36	Montana	\$1,602	1.068%	36	Alabama	\$549,849	1.100%
37	Delaware	\$1,303	0.869%	37	Idaho	\$548,948	1.098%
38	West Virginia	\$1,151	0.767%	38	Utah	\$548,172	1.096%
39	Utah	\$1,105	0.737%	39	North Dakota	\$506,751	1.014%
40	Idaho	\$1,084	0.723%	40	California	\$488,176	0.976%
41	Washington	\$1,068	0.712%	41	North Carolina	\$463,460	0.927%
42	Louisiana	\$1,065	0.710%	42	New Hampshire	\$458,040	0.916%
43	Virginia	\$1,011	0.674%	43	Nevada	\$449,000	0.898%
45	Alabama	\$971	0.647%	44	New Jersey	\$418,221	0.836%
44	Wyoming	\$971	0.647%	45	South Dakota	\$365,500	0.731%
46	Arizona	\$905	0.603%	46	Kentucky	\$354,488	0.709%
47	South Carolina	\$812	0.541%	47	Wyoming	\$318,435	0.637%
48	Colorado	\$800	0.533%	48	Hawaii	\$302,591	0.605%
49	D.C.	\$646	0.431%	49	Washington	\$295,385	0.591%
50	Hawaii	\$221	0.147%	50	Virginia	\$240,497	0.481%
51	Massachusetts	\$144	0.096%	51	Delaware	\$217,248	0.434%
<b>AVERAGE</b>		<b>\$1,960</b>	<b>1.307%</b>	<b>AVERAGE</b>		<b>\$729,805</b>	<b>1.460%</b>

**RANKINGS**, *Continued from page 2***Sales Tax**

For decades, Arizona's highest per capita and per \$1000 income burdens have been in state and local sales taxes. Arizona's FY 2008 ranking is 7<sup>th</sup> per capita and 6<sup>th</sup> per \$1000 of income. The per capita ranking is a drop of two spots from 2007, with Washington, D.C. and Tennessee leap-frogging Arizona in 2008. The state's ranking for taxes per \$1,000 of income did not change from FY 2007 to FY 2008.

Arizona's high sales tax ranking comes from a combination of a broad tax base (Arizona actually has a Transaction Privilege Tax based on the gross receipts of the business) and higher than average tax rates. Arizona's average sales tax rate in 2010 is 9.7%, considerably higher than most states.

**Income After Taxes**

The average income remaining after state and local taxes increased from \$26,718 to \$29,158, a 9.1% increase compared to 9.0% across the nation. In addition, the percentage of income retained after taxes, which was below the national average last year, is now above the national average. Arizona's retention rate grew one percentage point from 88.2% to 89.2% while the national average only went up four-tenths of a percent, from 88.4% to 88.8%.

In years past, the Census Bureau has had issues reporting accurate tax collection information for Arizona. ATRA's April and November, 2009 *Newsletters* detail the degree of error to which the Census has underreported Arizona's tax collections, which reached almost \$2 billion in FY 2006. Fortunately, through ATRA's efforts and the cooperation of the Census Bureau, the quality of tax reporting has vastly improved. The most recent data provided is, by far, the most accurate that the Census has reported, showing an error of less than 2%.

Along with accuracy concerns, the property tax data reported by the Census Bureau has limitations. While it may be helpful to know how much taxpayers can expect to pay in property taxes on a per \$1,000 of income basis, it does not give taxpayers an idea of how much they can expect to pay relative to their property value. In Arizona's case, the disparity in assessment ratios for business and residential property is not considered. A prospective business owner could conclude that since Arizona's property tax rankings are 35<sup>th</sup> and 26<sup>th</sup> on a per capita and per income basis, respectively, that property taxes are comparatively moderate. However, the Minnesota Taxpayers Association's 2009 *50-State Property Tax Study* reveals that Arizona's effective tax rate (ETR) for residential property ranked 46<sup>th</sup> while the ETR for business property ranked 15<sup>th</sup> (See table on page 5). Though the business property tax ranking has dropped 11 spots in two years, the inequity remains between residential and business property.

*Ben Nowicki*