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ARIZONA TAX RESEARCH ASSOCIATION

2010 LEGISLATIVE PROGRAM

STATE BUDGET

For the fifth-straight year, ATRA will forward to state policymakers a laundry list of specific recommendations on budget reductions as well as improvements to the state's fiscal management. In 2010, those recommendations have been expanded to take into account the severity of the state's historic budget crisis.

In addition to specific budget reductions, the recommendations will strongly encourage state leaders to maximize their authority to manage the state's historic budget crisis. Simply put, this crisis cannot be resolved while simultaneously adhering to stipulations from the federal government to spend money Arizona does not have or strict interpretations of the limitations on the state's budget authority through voter initiatives. To that end, ATRA recommends that Governor Brewer give serious consideration to declaring a fiscal emergency and make recommendations to resolve the crisis.

TAXATION

It is likely that the state's on-going budget deficit will continue to put pressure on increasing taxes. The 2009 session resulted in a \$250 million property tax increase that ATRA opposed. ATRA has consistently cautioned policymakers to first **Do No Harm** when making changes to the state's tax system. Any increase in taxes should avoid aggravating existing problems in Arizona's state and local tax structure. State policymakers should avoid, and ATRA will strongly oppose, further increases in property taxes to close the deficit.

In 2009, ATRA supported Governor Brewer's call for a temporary increase in the state sales tax. In September, following the governor's veto of both the repeal of the state equalization property tax and budget reductions, the ATRA Board pulled its support for any further tax increases until meaningful progress was made to reduce the deficit through budget reductions.

Property Tax

- ATRA will oppose all efforts to increase both state and local property taxes.
- Class One Assessment Ratio Reductions - ATRA will pursue reductions in the class one assessment ratio consistent with the reductions achieved in the 2009 session that were vetoed by Governor Brewer. The Legislature passed those assessment ratio reductions to offset the impacts of increased K-12 secondary taxes also passed in 2009.

- State Truth-in-Taxation (TNT) Compliance – ensure the Legislature adopts the TNT rates for the FY 2011 state budget. Since its passage in 1998, the state has consistently complied with TNT. Undoubtedly, the budget deficit creates more of a threat for non-compliance than in previous years.
- K-12 Primary Tax Rate Reform – pursue legislation that requires county school superintendents to certify to the Property Tax Oversight Commission that the K-12 primary tax rates comply with A.R.S. 15-991.
- Prohibit County Accommodation Schools taxation authority – Pursue legislation to make clear that County Accommodation Schools do not have the authority to levy primary or secondary property taxes.
- Secondary Levy Limits – pursue legislation to place levy limitations on the following countywide special districts: Library Districts, Public Health Services Districts, and Jail Districts. These countywide special district levies should be limited to the same percentage growth as the annual increase in the county’s primary levy limit.

Corporate Income

- Net Operating Loss Carryforward – support legislation to extend the current five-year limit on net operating loss carryforwards to 20 years for losses arising in tax years beginning from and after 12/31/2009.
- Market Based Sourcing – support legislation to amend the corporate income tax sales factor allocation to tax services at the location of the customer vs. the location of the income producing activity. (Possible election for corporate taxpayers to maintain current sourcing?)

Sales Tax

- Oppose the wholesale expansion of the sales tax base.
- Prohibit cities from contracting out the collection of taxes and contingent-based audits.

Public Finance

- Public Health Services Districts – pursue legislation that would require a county board of supervisors to receive voter approval prior to creating a Public Health Services District.
- US Census Bureau Reporting – pursue legislation to transfer Arizona’s reporting of public finance/tax information to the US Census Bureau from ASU to JLBC.

Other Issues

- Economic Stimulus/Jobs Creation Package
- GPLET
- Limit cities authority to target specific TPT classes for rate increases (other than Retail)