



State Board of Equalization National, State and Local Fiscal Update

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ATRA

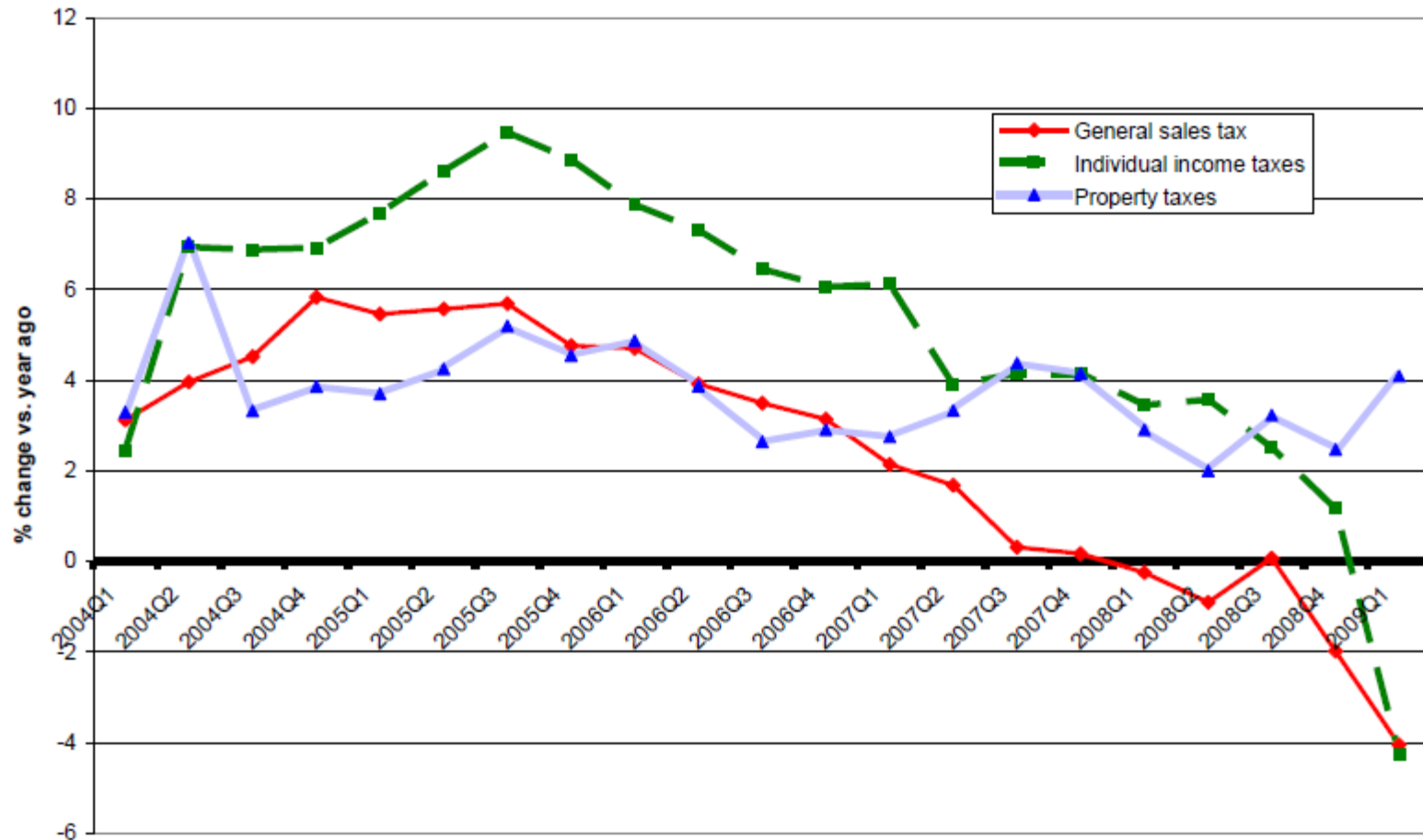
Current National Conditions

- ▶ Employment declines in every state (except ND)
- ▶ FL, SC, GA, AZ, VA, NV, UT and CA all had 10%+ declines in real per capita tax revenue since 2007
- ▶ 44 states had declines in tax revenues in first quarter of 2009 – largest decreases in at least 50 years
- ▶ Impact of the recession on government budgets declines as it get more local
- ✓ Feds have most volatile structure
- ✓ States almost as volatile
- ✓ Local governments (where reliance on property taxes creates greater stability) generally less volatile

Source: The Brookings Institution- *Governmental Research Association Annual Conference.*

Sales tax hit first, income tax recently doing even worse, property tax still stable (US as a whole)

Inflation-adjusted state-local tax revenue for nation as a whole, by major source
4-quarter average of year-on-year growth



Source: The Brookings Institution- *Governmental Research Association Annual Conference*.

Arizona Conditions

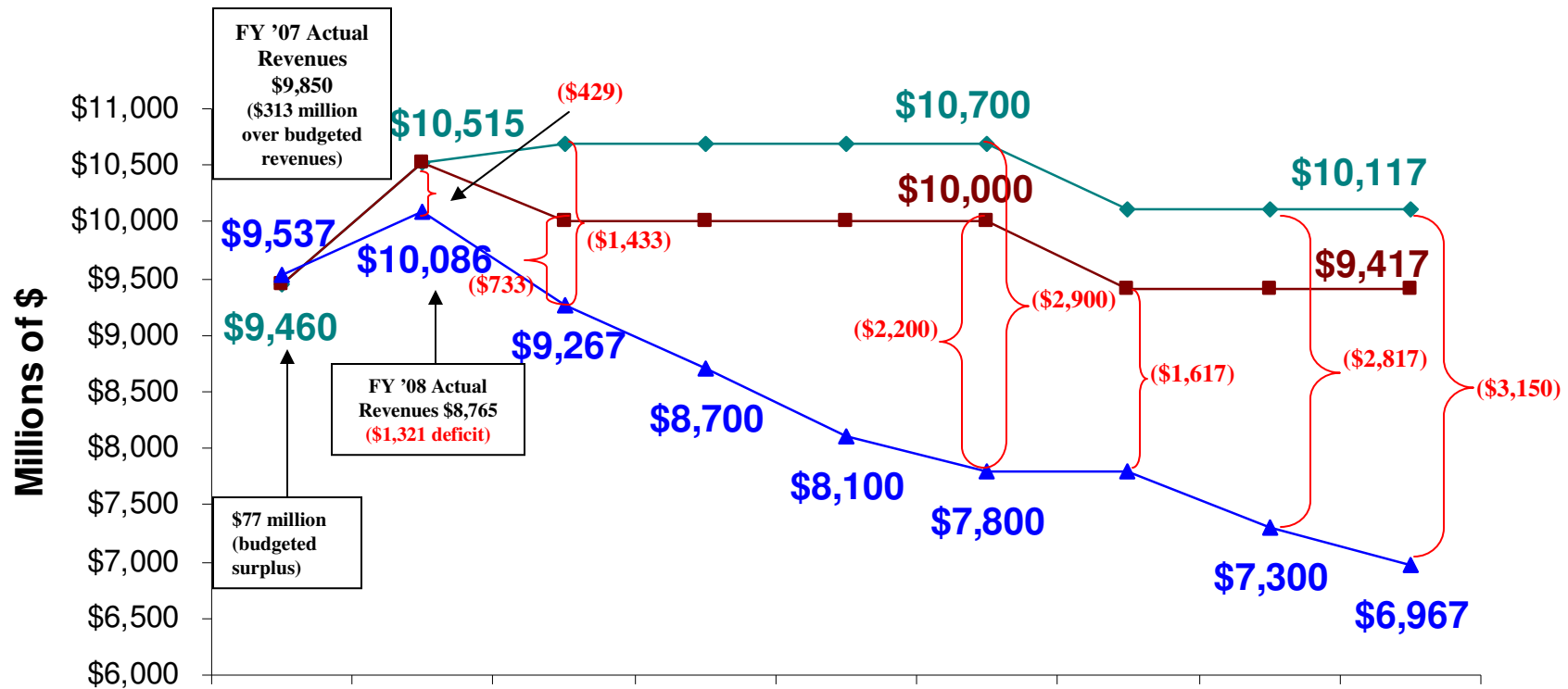
- ▶ The impact of the recession on Arizona public finances has eclipsed that of most states.
- ▶ FY 09 estimated actual state general fund revenue down \$2.3 billion (33%) from FY 09 budget adopted in June 2008.

FY '09 State Budget

Arizona's Structural (Deficit)/Surplus

Excludes beginning balance, one-time revenues & expenditures, & Prop 301

◆ Expenditures [Includes K-12 rollover & SFB debt financing] ■ Expenditures ▲ Base Revenues



Beg. Balance
(in millions)

1.047

529

Arizona Tax Research Association



Future Structural Deficits A Certainty

- ▶ JLBC estimates that the structural deficit exceeds \$2 billion through FY 13 even after the one percent sales tax increase.

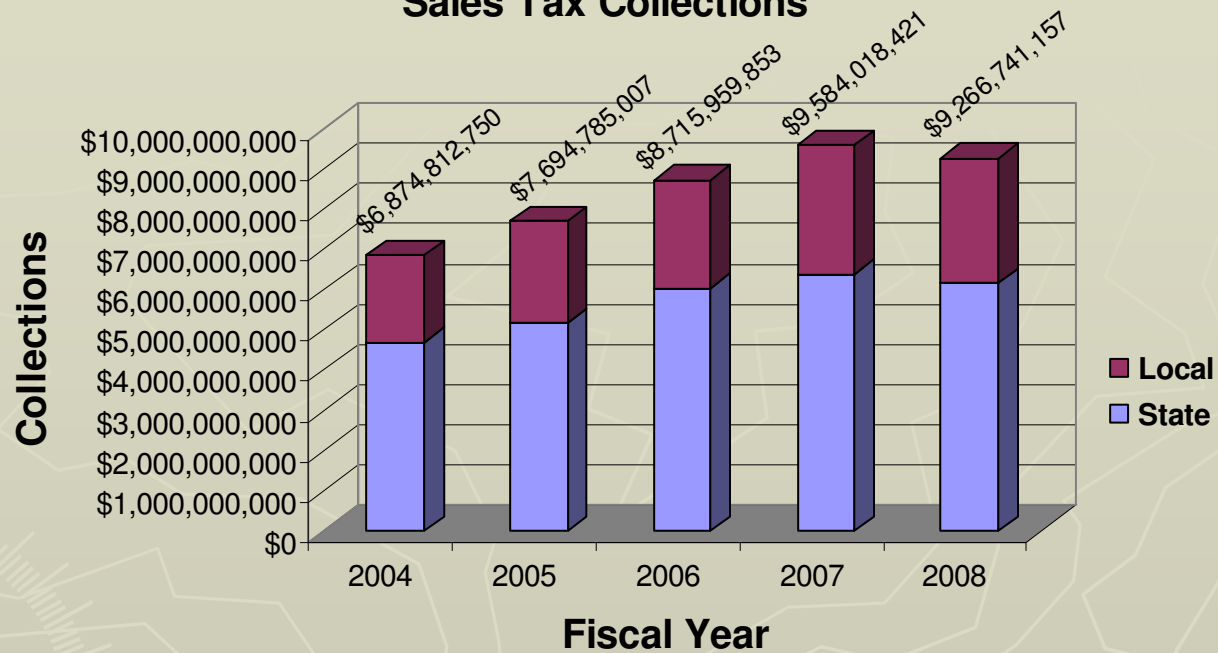


Update on Major State and Local Taxes



Sales Taxes

Sales Tax Collections

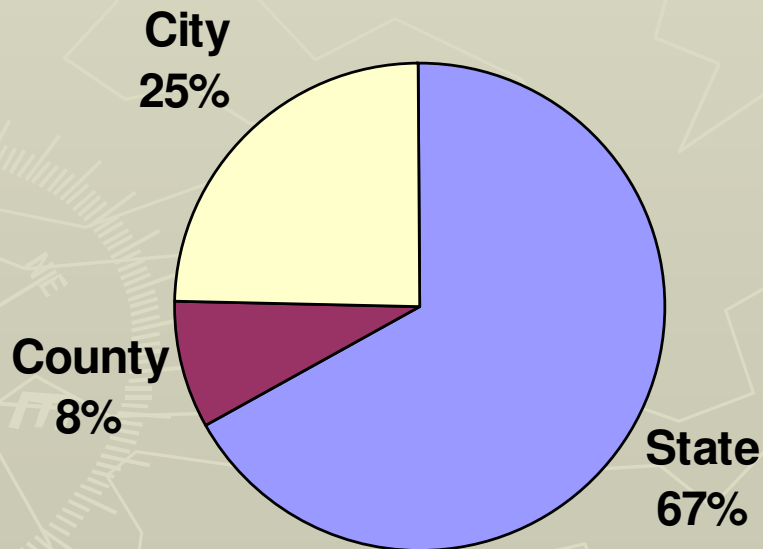


Fiscal Year	State	Local	Total
2008	\$6,154,253,758	\$3,112,487,399	\$9,266,741,157
2007	\$6,386,638,633	\$3,197,379,788	\$9,584,018,421
2006	\$6,033,153,861	\$2,682,805,992	\$8,715,959,853
2005	\$5,184,904,828	\$2,509,880,179	\$7,694,785,007
2004	\$4,694,055,632	\$2,180,757,118	\$6,874,812,750

Source: Arizona Department of Revenue

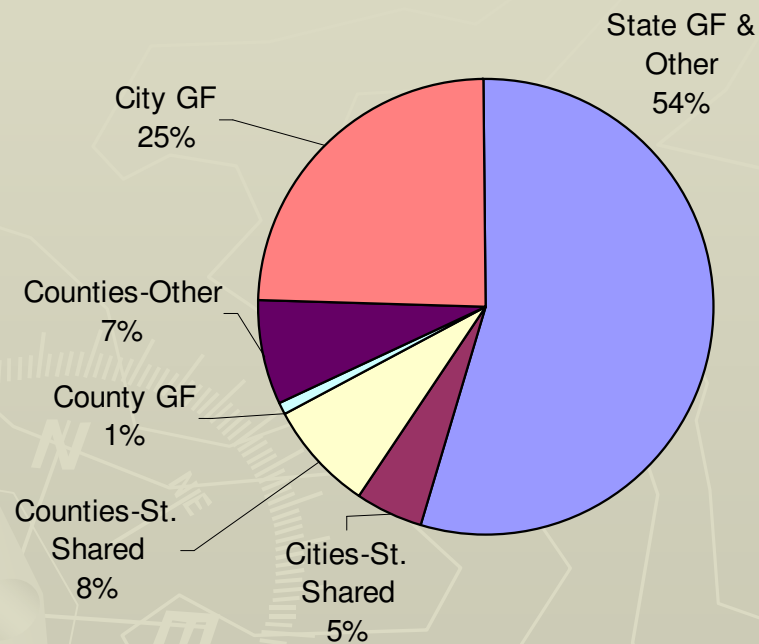
FY 2008 Sales Tax Collections

State Collections:	\$6,245,951,946
County Collections:	\$770,239,817
City Collections	\$2,318,220,042
Total Collections:	\$9,334,411,805



Source: Arizona Department of Revenue & Arizona Tax Research Association

FY 2008 State and Local Sales Tax Distributions



State

State & Other	\$5,074,474,200
Cities-St. Shared	\$447,060,657
Counties-St. Shared	\$724,417,089
State Total	\$6,245,951,946

Counties

County General Fund	\$93,088,387
Counties-Other	\$677,151,430
County Total	\$770,239,817

Cities Total	\$2,318,220,042
TOTAL	\$9,334,411,805

Average Sales Tax Rates

1980 - Retail

- State Rate = 4%
- Avg. City Rate = 1.2%
- **Total Avg. Rate = 5.2%**

1990 - Retail

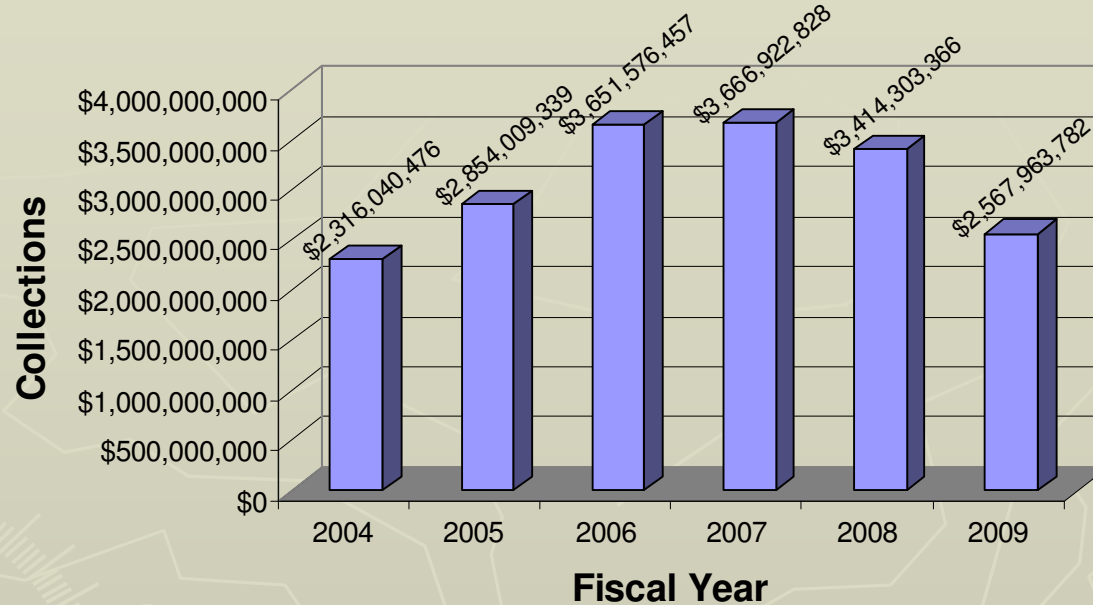
- State Rate = 5%
- Avg. City Rate = 1.6%
- Avg. County Rate = 0.5%
- **Total Avg. Rate = 7.1%**

2009 - Retail

- State Rate = 5.6%
- Avg. City Rate = 2.4%
- Avg. County Rate = 0.7%
- **Total Avg. Rate = 8.7%**

Personal Income Taxes

Individual Income Tax Collections



FY 2009	\$2,567,963,782
FY 2008	\$3,414,303,366
FY 2007	\$3,666,922,828
FY 2006	\$3,651,576,457
FY 2005	\$2,854,009,339
FY 2004	\$2,316,040,476

Source: Arizona Department of Revenue

Personal Income Tax Rate Changes

<u>1992 Tax Rates</u>	<u>2007 Tax Rates</u>	<u>% Decrease</u>
3.80%	2.59%	-31.8%
\$760 plus 4.40%	\$518 plus 2.88%	-34.6%
\$2,080 plus 5.25%	\$1,382 plus 3.36%	-36%
\$4,705 plus 6.50%	\$3,062 plus 4.24%	-34.8%
\$17,705 plus 7.00%	\$11,542 plus 4.54%	-35.1%

Property Taxes

Property Tax Collections

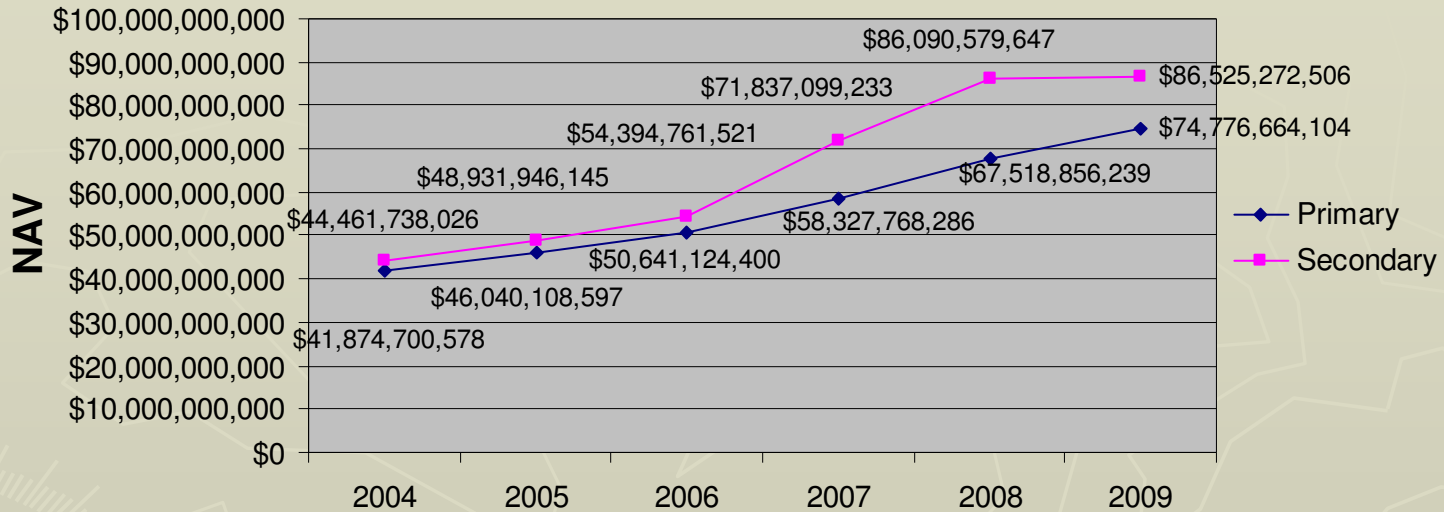


Tax Year	Primary	Secondary	Total
2008	\$4,211,311,863	\$2,576,525,762	\$6,787,837,625
2007	\$3,937,551,943	\$2,362,403,961	\$6,299,955,904
2006	\$3,664,771,365	\$2,039,966,098	\$5,704,737,463
2005	\$3,594,330,633	\$1,834,242,380	\$5,428,573,013
2004	\$3,387,242,067	\$1,653,095,802	\$5,040,337,869

Source: Arizona Tax Research Association

Property Valuations

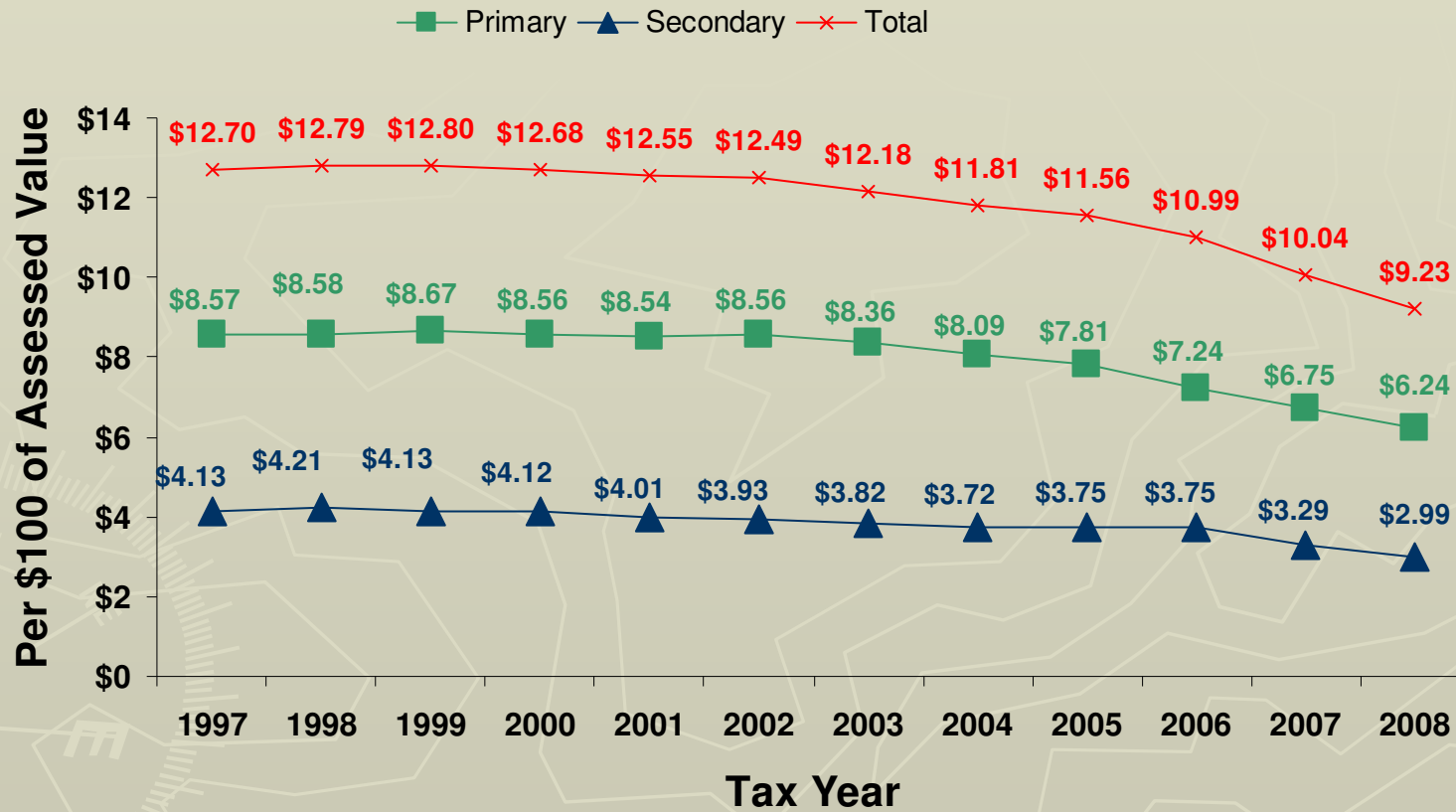
Net Assessed Values (NAV)



Tax Year	Primary	Secondary
2009	\$74,776,664,104	\$86,525,272,506
2008	\$67,518,856,239	\$86,090,579,647
2007	\$58,327,768,286	\$71,837,099,233
2006	\$50,641,124,400	\$54,394,761,521
2005	\$46,040,108,597	\$48,931,946,145
2004	\$41,874,700,578	\$44,461,738,026

Source: Arizona Tax Research Association

Statewide Average Tax Rate



2007 Effective Tax Rates

Class	Description	Total Taxable Full Cash Value	Percent of Total	Total Yield	Percent of Total	Effective Rate
1	Commercial, Industrial, Utilities, & Mines	97,073,398,842	17.08%	2,120,216,908	36.41%	2.18%
2	Agricultural & Vacant Land	42,353,525,829	7.45%	495,928,282	8.52%	1.17%
3	Owner-occupied Residential	372,022,532,872	65.44%	2,697,511,539	46.33%	0.73%
4	Rental Residential	51,777,461,130	9.11%	460,547,049	7.91%	0.89%
5	Railroad, Private car, airline flight	1,485,829,675	0.26%	29,809,718	0.51%	2.01%
6	Residential historic, Enterprise zones	3,682,589,996	0.65%	17,775,286	0.31%	0.48%
7	Commercial Historic	33,064,304	0.01%	494,240	0.01%	1.49%
8	Rental Residential Historic	13,406,107	0.00%	105,245	0.00%	0.79%
9	Possessory Interests	25,740,472	0.00%	18,450	0.00%	0.07%
Total		568,467,549,227	100.00%	5,822,406,715	100.00%	1.02%

Source: Arizona Tax Research Association – Tax Year 2007 Property Tax Model