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## RESEARCH AREAS

**Arizona**

## THE FACTS ON ARIZONA'S TAX CLIMATE

Here are some basic facts on Arizona's tax system and how it compares to other states:

**Tax Freedom Day Arrives on April 4 in Arizona**

Tax Freedom Day is the day when Americans finally have earned enough money to pay off their total tax bill for the year. In 2010, Arizona taxpayers work until April 4 (ranked 37th nationally) to pay their total tax bill, 5 days earlier than national Tax Freedom Day (April 9). The Tax Freedom Days of neighboring states were: California, April 14 (ranked 7th nationally); Nevada, April 2 (ranked 43rd nationally); Utah, April 11 (ranked 15th nationally); Colorado, April 10 (ranked 17th nationally); and New Mexico, April 1 (ranked 45th nationally).

[Full study of Tax Freedom Day, nationwide and in each state](#)

**Arizona's State/Local Tax Burden Below National Average**

The state/local tax burden ranking in Arizona has dropped 24 places from 17th highest in 1977 to 41st in 2008, and the residents there now pay the tenth-lowest tax burden. Most of the change came in the wake of a property tax limitation in 1980, and the state's ranking has changed little since. Estimated now at 8.5% of income, Arizona's state/local tax burden percentage is below the national average of 9.7%. Arizona taxpayers pay \$3,244 per capita in state and local taxes.

[Arizona's State-Local Tax Burden, 1977-present](#)

[Other States' State/Local Tax Burdens](#)

[Historical Chart Comparing All States' State/Local Tax Burdens from 1977 to 2008](#)

**Arizona's 2010 Business Tax Climate Ranks 28th**

Arizona ranks 28th in the Tax Foundation's State Business Tax Climate Index. The Index compares the states in five areas of taxation that impact business: corporate taxes; individual income taxes; sales taxes; unemployment insurance taxes; and taxes on property, including residential and commercial property. The ranks of neighboring states were as follows: California (48th), Nevada (4th), Utah (10th), Colorado (13th) and New Mexico (23rd).

[50-State Comparison of Business Tax Climates](#) (data only)

[2009 State Business Tax Climate Index, Sixth Edition](#) (full study)

**Arizona's Individual Income Tax System**

Arizona's personal income tax system consists of five brackets and a top rate of 4.54% kicking in at an income level of \$150,000. That top rate ranks 39th highest among states levying an individual income tax. In 2008, Arizona's state-level individual income tax collections were \$530 per person, which ranked 39th highest nationally.

[50-State Table of Individual Income Tax Rates](#)

[50-State Table of State Individual Income Tax Collections](#)

[50-State Table of State and Local Individual Income Tax Collections Per Capita](#)

**Arizona's Corporate Income Tax System**

Arizona's corporate tax structure consists of a flat rate of 6.968% on all corporate income. That rate ranks 26th highest among states levying corporate income taxes. In 2008 state-level corporate tax collections (excluding local taxes) were \$122 per capita, which ranked 33rd highest nationally.

[50-State Table of Corporate Income Tax Rates](#)

[50-State Table of State and Local Corporate Income Tax Collections Per Capita and Per Household](#)

[50-State Table of State Corporate Income Tax Collections Per Capita](#)

**Arizona Sales and Excise Taxes**

Arizona levies a 5.6% general sales or use tax on consumers, which is slightly below the national median of 5.85%. 2007 combined state and local general and selective sales tax collections were \$1,800 per person, which ranked 7th highest nationally. Arizona's gasoline tax stands at 19.0 cents per gallon (ranked 41st highest nationally), while its cigarette tax stands at \$2.00 per pack of twenty (10th highest nationally). The sales tax was adopted in 1933, the gasoline tax in 1921 and the cigarette tax in 1935.

[50-state table of sales, cigarette, gas, beer, wine, and spirits tax rates.](#)

[50-State Table of State and Local General and Selective Sales Tax Collections Per Capita](#)

**Arizona Property Taxes Comparatively Modest**

Arizona is one of the 37 states that collect property taxes at both the state and local levels. As in most states, local governments collect far more. Arizona's localities collected \$846.45 per capita in property taxes in fiscal year 2006, the latest year for which the Census Bureau has published state-by-state data. At the state level, Arizona collected \$65.27 per capita during FY 2006, making its combined state/local property tax collections \$911.73 per capita, ranked 35th nationally.

[State property tax collections per capita by state](#)

**Federal Tax Burdens and Expenditures: Arizona is a Beneficiary State**

Arizona taxpayers receive more federal funding per dollar of federal taxes paid than the average state. Per dollar of Federal tax collected in 2005, Arizona citizens received approximately \$1.19 in the way of federal spending. This ranks the state 21st highest among all states, the same ranking as in 1995 when Arizona received \$1.13 per dollar of taxes in federal spending. Neighboring states and the amount of federal

## ARIZONA



## ARIZONA-SPECIFIC INFORMATION

## MULTI-STATE INFORMATION THAT INCLUDES ARIZONA

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spending they received per dollar of federal taxes paid were: California (\$0.78), Nevada (\$0.65), Utah (\$1.07), Colorado (\$0.81), and New Mexico (\$2.03).

[Comparing the amount of federal taxes sent to Washington with the amount of federal spending coming back to the state](#)