

**Joint Legislative Budget Committee
Staff Memorandum**

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DATE: April 9, 2010
TO: President Bob Burns
FROM: Tim Everill, Assistant Director
SUBJECT: HB 2250 STRIKE-EVERYTHING AMENDMENT

As requested, we have estimated the fiscal impact of the HB 2250 strike-everything amendment. The amendment is estimated to result in a direct General Fund cost of \$60.5 million beginning in FY 2012 (see attached chart). The cost would increase to \$647.8 million in FY 2018, when all of the provisions of the striker are fully implemented.

As noted in the original fiscal note for HB 2250, long-term forecasts such as these are speculative. The dollar value of the tax reductions will change to the extent the economy varies from the baseline forecast. In addition, the impact of the business incentive provisions may change to the extent that the number of companies that qualify for the provisions of this bill vary from the assumptions used in establishing these estimates.

The fiscal note on the House Engrossed version of HB 2250 provides further background on this bill. As also noted in the HB 2250 fiscal note, the estimates reflect a static analysis. The bill will have other impacts which are difficult to quantify, such as the dynamic revenue feedback effect due to the overall change in economic activity resulting from these tax and business incentive changes.

TE:lm
Attachment
xc: Richard Stavneak, Director

JLBC

HB 2250 Strike-Everything Amendment
General Fund Impact
\$ in Millions

Provision/Start Date	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
State Equalization Property Tax - Phased Out Over 4-Years (TY 14) ^{1/}				(71.9)	(149.3)	(232.7)	(323.8)
Property Tax - Assessment Ratio Reduction - Reduce from 20% to 16% on Secondary (TY 12)	No General Fund impact (affects only secondary Net Assessed Value)						
Property Tax - Accelerated Depreciation of Personal Property (TY 11) ^{2/}	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
Individual Income Tax - Small Business Capital Gains Subtraction (TY 11) ^{3/}	(34.3)	(37.0)	(40.2)	(43.4)	(46.4)	(49.3)	(52.5)
Corporate Income Tax - Reduces Rate from 7% to 5% Over 5 years (TY 11) ^{1/4/}	(12.1)	(25.1)	(73.0)	(126.9)	(187.4)	(199.4)	(212.2)
Corporate Sales Factor - Increase from 80% to 100% Over 2 Years (TY 15) ^{5/}					(20.7)	(44.1)	(46.7)
Diverts 100% of State Withholding Tax on Wages of Certain New Jobs ^{5/}	(1.7)	(3.2)	(4.2)	(4.9)	(5.5)	(5.9)	(6.4)
Reduces Assessment Ratio for a Qualifying Business up to 10 Years (Enterprise Development Program) ^{5/}				Undetermined			
Creates Tax Credits for New Qualifying Jobs (Enterprise Development Program) ^{5/}	(4.2)	(7.6)	(3.2)	(2.6)	(0.3)	1.2	1.8
Total	\$ (60.3)	\$ (80.9)	\$ (128.6)	\$ (257.7)	\$ (417.6)	\$ (538.2)	\$ (647.8)

^{1/} Based on HB 2250 Fiscal Note, adjusted for different implementation schedule.

^{2/} Based on HB 2363 Fiscal Note (2007 First Regular Session), adjusted for increased acceleration percentage.

^{3/} Based on HB 2630 Fiscal Note for individual income tax only and adjusted for \$10 million rather than \$4 million qualifying threshold.

^{4/} Will be an amendment to the strike-everything amendment.

^{5/} See Fiscal Note for HB 2250.