



ECONOMIC IMPACT

ERODING ARIZONA'S ECONOMY WITH THE LARGEST TAX INCREASE IN ARIZONA'S HISTORY

- Prop 208 will make economic recovery more difficult, depress expansion, and make Arizona less competitive.
- Arizona will join a top-10 list no state wants to be on: Our new 8% tax rate would put us on the top-10 list of highest state tax rates nationwide.
- It will deteriorate business attraction and hinder future economic development.
- Arizona could be on the brink of nearly doubling its top income tax rate overnight, moving from 39th to 9th.
- If passed, the combined economic impact over the first ten years would result in **124,000 jobs lost and a reduction of \$2.4 billion in state and local tax collection.**
- Prop 208 is bad policy and even worse timing: During a pandemic when thousands are out of work and small businesses are struggling the most is the wrong time to implement one of the largest tax increases in Arizona's history.
- Our focus should be trying to find ways to help the economy recover. We are not saying that education doesn't need more funding, or a better funding structure, but this is the wrong plan at the wrong time.
- The investments we have been able to make in education over the last 5 years are only possible thanks to a thriving economy. **If the economy contracts, so does funding for core government functions like education.**

A competitive tax policy is critical to economic development. This includes reasonable, middle of the road, and what most people would consider equitable tax policies for businesses and individuals. These tenets have what has allowed us to do well for decades and even recover from some poor decisions. But our competitive tax position would be at risk under Arizona Proposition 208 otherwise known as the Invest in Ed tax increase.

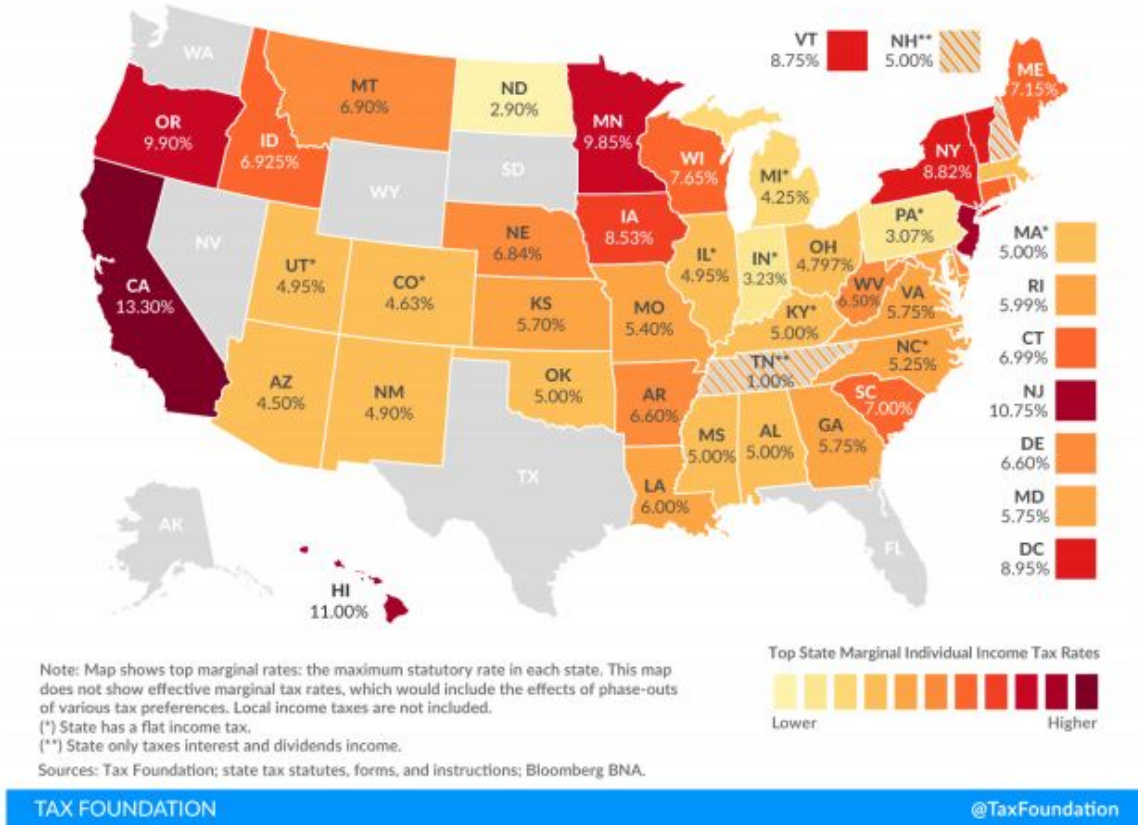
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RISK TO BUSINESS ATTRACTION

- The risk for new business attraction and expansion could be as large as a 25% reduction. However, using a conservative 15% annual reduction in new economic development activity, **Arizona will lose 63,000 jobs and \$1.1B in state and local tax collections over just the first ten years.**
- A competitive tax policy is critical for economic development. The most common comparison used for business location decisions is a comparison of the top marginal tax rate. **A top marginal tax rate of 8% will result in a bottom ten national listing.**
- Arizona's top bracket would be moved from 39th to 9th driving businesses and individuals away.

How High are Individual Income Tax Rates in Your State?

Top State Marginal Individual Income Tax Rates, 2020



INDUSTRY WIDE JOB LOSS, SLOWER JOB GROWTH & REDUCED WAGES

- In addition to loss in business recruitment the initiative will have a negative impact to grow the state's current base resulting in economic and fiscal losses over time.
- Likewise, it will also negatively impact the quality of the state's job growth overtime resulting in average wages of newly created base sector jobs falling by \$1,000 to 3,000 per year.
- **Lower base sector wages will reduce tax collections, increase social services costs, and result in fewer supplier jobs being created throughout the economy.**
- Each base sector job loss also results in the loss of an additional 1-2 supplier jobs. These lost supplier jobs will be in every industry; from restaurants to bars, plumbers, dry cleaners, retail store employees, mechanics, janitors, etc. This means the initiative will impact everybody, and not just high-income individuals.

JOB LOSS BY INDUSTRY (% OF TOTAL LOSS)

