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).

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 and Local Tax Burden, 1977-present

Arizona’s State/Local Tax Burden Below National Average

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
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