

BILL # HB 2597

TITLE: tax credits; deductions; exemptions; sunset

SPONSOR: Chabin

STATUS: As Introduced

PREPARED BY: Tim Everill

FISCAL ANALYSIS

Description

This bill provides that all new transaction privilege tax (TPT) deductions or exemptions and individual and corporate income tax credits would sunset seven years after enactment. It also provides that most of the existing TPT exemptions, as well as the majority of existing individual income tax and corporate income tax credits, would sunset after December 31, 2017.

Estimated Impact

Based on Department of Revenue (DOR) reports, the dollar value of the TPT exemptions subject to the sunset provisions in this bill was at least \$2.4 billion in FY 2009. In addition, DOR reports indicate that the dollar value of the income tax credits subject to sunset in this bill was at least \$350 million in FY 2008 (the latest available data).

Actual savings from the potential sunset of TPT exemptions or income tax credits cannot be determined in advance. The amount of savings depends on whether the Legislature decides to authorize the continuation of the exemption or credit.

Analysis

As indicated above, this bill provides that certain TPT exemptions and income tax credits would be subject to sunset in calendar year 2018. Included in the bill are the majority of existing TPT exemptions in the retail and use tax categories, the majority of existing individual income tax credits, and about half of existing corporate income tax credits.

The dollar estimates were derived from DOR's *The Revenue Impact of Arizona's Tax Expenditures – FY 2008/09*. There are several caveats to this data. The DOR report is a preliminary report, subject to revision as the department collects and analyzes more data. In addition, many of the exemptions and credits included in this bill do not have a specific dollar amount associated with them in the DOR report, either because data is not available, or due to taxpayer confidentiality issues. As a result, the totals indicated in the *Estimated Impact* section above are understated by an undetermined amount.

Local Government Impact

A portion of TPT revenues is shared with cities and counties in the state. In addition, the Urban Revenue Sharing (URS) formula distributes 15% of individual and corporate income taxes collected 2 years prior to incorporated cities and towns. The provisions contained in this bill could impact the TPT distributions beginning in FY 2018, and the URS distributions beginning in FY 2020.