



STATE OF ARIZONA

JANICE K. BREWER
GOVERNOR

EXECUTIVE OFFICE

April 23, 2014

The Honorable Andy Biggs
President of the Senate
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Re: Senate Bill 1048 (tax credits; STOs; preapproval; entities)

Dear President Biggs,

Today, I vetoed Senate Bill 1048, which would have allowed owners of an "S" corporation to claim an individual income tax credit for a corporate contribution to a school tuition organization (STO). While the spirit of this legislation is consistent with my record as a strong and long-time advocate for both private and public school choice, I have several concerns.

First, the aggregate cap on the credit continues to grow by 20 percent per year. When this tax credit was enacted in 2006, the cap was \$10 million. As a result of the automatic inflator, the cap is currently \$36 million and will exceed \$100 million in FY 2020. The cap will continue to increase each year in perpetuity. Such rapid growth in the capacity of a tax credit should occur after careful consideration by the Legislature and in relation to other tax and expenditure decisions, not by formula. Second, the bill would have allowed an owner of an "S" corporation to circumvent the caps that exist for individual contributions to STOs. Third, I am concerned that this legislation would be unnecessarily burdensome for the Department of Revenue to administer.

During my time as Governor, Arizona has made great progress in both expanding school choice and improving its tax system. I am concerned that the continued use of tax credits to achieve other policy objectives will undermine future efforts to enact broad based tax reforms.

These concerns are among the primary reasons I vetoed Senate Bill 1048.

Sincerely,

A handwritten signature in cursive script that reads "Janice K. Brewer".

Janice K. Brewer
Governor

cc: The Honorable Andy Tobin
The Honorable Steve Yarbrough