

Individual Income Tax Expenditures – Estimated Change in Tax Liability

The following data was gathered from AZ resident efile and 2D bar code returns for tax years 2010 and 2011. The estimated change in tax liability was calculated using the effective tax rate for this group of returns in total (TY2010 = 3.41%, TY2011 = 3.48%) and was not calculated on each return within the group.

	in millions	<u>TY 2010</u>	<u>TY 2011</u>
ARIZONA ADDITIONS TO INCOME			
Non-Arizona municipal interest		(\$15.73)	(\$14.03)
Early withdrawal of Arizona retirement system contributions		\$0.00	\$0.00
Ordinary income portion of lump-sum distributions		(\$0.11)	(\$0.10)
Total federal depreciation (bonus depreciation adjustment)		(\$56.00)	(\$54.79)
Medical savings account (MSA) distributions		(\$2.16)	(\$0.02)
IRC Section 179 expense in excess of allowable amount		(\$5.71)	(\$5.01)
Other additions to income		(\$8.07)	(\$7.71)

ARIZONA SUBTRACTIONS			
Interest on U.S. obligations		\$4.13	\$3.74
Exclusion for federal, Arizona or local pensions		\$11.00	\$11.53
Exempt Arizona lottery winnings		\$0.18	\$0.16
Social Security or Railroad Retirement benefits included in inc		\$121.25	\$124.44
Adjustment for bonus depreciation		\$52.83	\$49.93
Certain wages of Native Americans		\$22.06	\$22.24
Income tax refunds from other states		\$0.63	\$0.52
Deposits and employee contributions into med sav accts		\$0.04	\$0.04
Construction of an energy efficient residence		\$0.09	----
Active duty military pay		\$16.71	\$20.07
IRC 179 expenses not allowed		incl in other	\$5.36
Other subtractions		\$21.86	\$9.46

Estimated Cost of Conforming to Federal Bonus Depreciation

- Using data reported on AZ resident individual income tax returns filed for TY 2010 and 2011:
 - Estimated cost from \$3.2 million to \$4.9 million for individual income.
- The above estimate does not include the cost of conforming to the federal bonus depreciation for corporate income tax. Using data reported on AZ corporate income tax returns filed for TY 2010:
 - Estimated cost of \$85 million for corporate income.