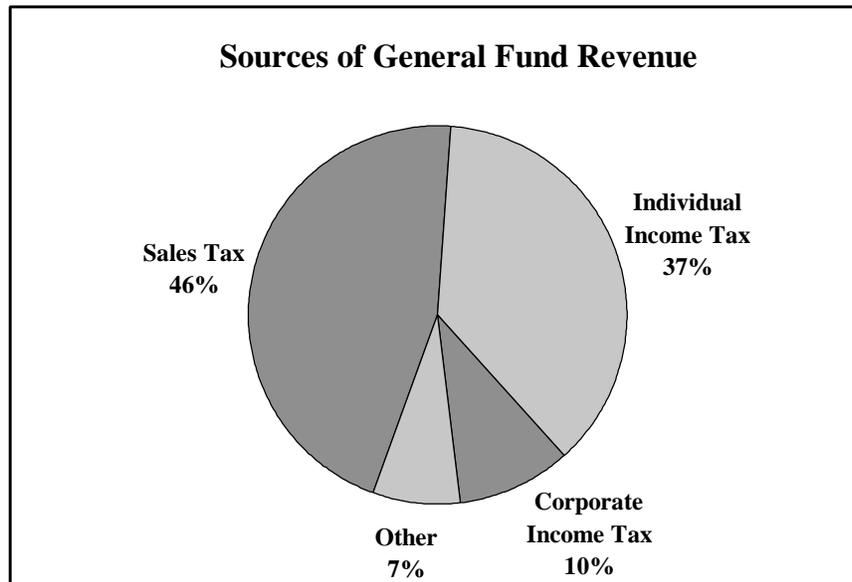


OVERVIEW OF ARIZONA TAXES

Taxes represent the most recognizable and important revenue source for Arizona. Other forms of revenue such as fees, assessments, and federal grants do exist, but taxes are the primary method by which the state provides goods and services to its citizenry. Last year the state collected \$7.9 billion from taxes.

There are many different sorts of taxes. Some are obvious and well known, such as the sales tax and the income tax. Others are more subtle and obscure, such as the telecommunication services excise tax and the intrastate utility corporation assessment. Some taxes are overtly added to purchase prices, while others are hidden away from view. Taxes also vary widely in terms of their revenue generated. The state sales tax produces \$3 billion per year, while at the other end of the spectrum, the luxury tax on cannabis and controlled substances collects just \$10,000 a year.

The revenues from Arizona's different taxes are deposited in a number of funds. The largest and most conspicuous fund is the General Fund. In FY 1999, total General Fund revenue was about \$5.64 billion. The state budget is paid for from this fund. While revenues from numerous taxes are deposited in the General Fund, there are 3 taxes that constitute the bulk of General Fund collections: the sales tax, the individual income tax, and the corporate income tax. The Big Three, as they are called, represent over 90% of General Fund revenues.



A discussion of Arizona's taxes usually begins with the Big Three, but it should not end there, for the state levies many other taxes. Some of the other taxes generate sizable amounts of revenue, but because their collections are not deposited in the General Fund there is a tendency for these taxes to get overlooked. For example, the motor vehicle fuel tax generated \$407 million in FY 1999 and the unemployment insurance tax \$194 million. However, their collections were deposited in the Highway User Revenue Fund and the Unemployment Compensation Fund, respectively, thus escaping some of the visibility and scrutiny given to taxes deposited in the General Fund.

This book provides a listing and description of every tax levied by the State of Arizona. It shows revenue collection amounts and tax distributions by fund. Readers are encouraged to explore the Arizona tax structure and to discover from where and from whom our taxes are collected.

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