

# FISCAL IMPACT OF STATUTORY TAX CHANGES

This report details the estimated dollar value of individual historical tax law changes enacted by the Legislature since FY 1989. The report is limited to tax law changes with a General Fund revenue impact.

The report includes individual tables for calendar years 1988 through 2010. The tables provide a listing of tax law changes for each calendar year, and the estimated dollar revenue impact of these changes for ensuing fiscal years. Also included is a one-page summary of the estimated impact of tax law changes for each fiscal year, which provides the estimated marginal dollar value of tax law changes relative to the prior year.

Since the repeal of the state property tax in 1996, the General Fund revenue impact of property tax legislation is often negligible. Instead, property tax law changes typically affect the General Fund by increasing Arizona Department of Education (ADE) expenditures. Generally, any legislation that reduces the local property tax base results in higher General Fund expenditures. Under the statutory K-12 funding formula, the state share of education funding increases whenever local property values decrease. This higher level of K-12 spending is not reflected in the following tables.

There are several caveats related to the estimated dollar impact of tax law changes included in this report. The impact of the 0.6% sales tax authorized by Proposition 301 in 2000 has not been included in the following tables. Also, the tobacco tax increases authorized by Proposition 303 in 2002 and Propositions 201 and 203 in 2006 have not been included. The revenues generated by these tax law changes were deposited into dedicated funds; therefore they did not have a General Fund impact.

Additionally, no inflation factors have been applied to the “out year” estimates, which may understate their impact. Also, the estimates do not include a “dynamic” component. The potential behavioral impact on taxpayers of tax cuts or tax increases has not been incorporated in the numbers. It is very difficult to estimate how inflationary changes, as well as changes in taxpayer behavior over a period of time, would have impacted the estimated dollar value of tax law changes enacted in prior years. As a result, cumulative totals for the marginal annual values of the tax law changes are not provided.

The estimated incremental value of tax law changes for FY 2011 is a \$920.3 million increase. This amount includes the \$(11.6) million incremental impact for tax law changes enacted in prior years, primarily corporate income tax credits for renewable energy and research and development. In addition, it includes \$931.9 million in FY 2010 changes, comprised of \$918 million for the voter approved transaction privilege tax rate increase, \$22 million for out-of-state income tax filers proportionality, \$(5.0) to make the research and development credit refundable, and \$(3.1) million for Student Tuition Organization credit changes. Details of the tax law changes may be found in the *Economic and Revenue Forecast* section of the FY 2011 Appropriations Report.

JLBC Staff  
September 2010

**Estimated Incremental Dollar Value of General Fund Tax Changes <sup>1/</sup>**  
**(\$ in Thousands)**

<b>Fiscal Year</b>	<b>Sales Tax</b>	<b>Individual Income Tax</b>	<b>Corporate Income Tax</b>	<b>Property Tax</b>	<b>Other Taxes</b>	<b>Total <sup>2/</sup> Annual Changes</b>
<b>1989</b>	23,100.0	35,400.0	29,000.0	28,200.0	6,000.0	121,700.0
<b>1990</b>	7,000.0	63,900.0	-	22,600.0	15,800.0	109,300.0
<b>1991</b>	(4,404.0)	118,680.0	30,900.0	49,640.0	13,560.0	208,376.0
<b>1992</b>	(377.5)	9,200.0	400.0	-	485.0	9,707.5
<b>1993</b>	(7,972.1)	(13,500.0)	-	(1,343.0)	3,472.0	(19,343.1)
<b>1994</b>	(12,243.5)	(10,776.0)	-	(1,200.0)	(1,233.0)	(25,452.5)
<b>1995</b>	(21,217.0)	(102,826.0)	4,200.0	(850.0)	-	(120,693.0)
<b>1996</b>	(46,151.9)	(202,260.5)	(18,000.0)	(18,256.0)	-	(284,668.4)
<b>1997</b>	(23,449.3)	(950.0)	(60.0)	(150,078.0)	-	(174,537.3)
<b>1998</b>	(59,907.9)	(114,969.0)	2,601.9	-	(105.0)	(172,380.0)
<b>1999</b>	(3,684.2)	(51,091.5)	(7,015.2)	-	(80,000.0)	(141,790.9)
<b>2000</b>	(8,402.3)	(27,177.9)	(13,982.3)	(51.6)	(55,000.0)	(104,614.1)
<b>2001</b>	(3,392.0)	(82,895.0)	(46,486.1)	(30.0)	(25,000.0)	(157,803.1)
<b>2002</b>	(2.1)	9,825.3	(40,759.6)	(2,234.9)	-	(33,171.3)
<b>2003</b>	(2.2)	11,384.5	21,567.0	(1,738.3)	(18,830.0)	12,381.0
<b>2004</b>	-	-	-	7,000.0	50,418.1	57,418.1
<b>2005</b>	-	(1,834.0)	-	(7,000.0)	3,892.0	(4,942.0)
<b>2006</b>	(600.0)	(14,200.0)	(3,250.0)	-	-	(18,050.0)
<b>2007</b>	(1,678.6)	(176,090.0)	(10,990.0)	-	(5,000.0)	(193,758.6)
<b>2008</b>	(100.0)	(185,510.0)	(31,900.0)	-	-	(217,510.0)
<b>2009</b>	-	(4,470.0)	(30,080.0)	-	-	(34,550.0)
<b>2010</b>	-	(9,000.0)	(33,410.0)	-	-	(42,410.0)
<b>2011</b>	918,000.0	13,000.0	(10,700.0)	-	-	920,300.0

<sup>1/</sup> The estimates exclude one-time increases or decreases in revenue collections. The tax changes also exclude General Fund distribution formula changes and additional K-12 expenditures that were the direct result of property tax legislation.

<sup>2/</sup> Each yearly amount represents the incremental dollar value of tax law changes relative to the prior year. For example, the total net tax reduction in FY 2008 relative to FY 2007 was \$(217.5) million.

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1988**

(\$ in Thousands)

	<u>FY 1988</u>	<u>FY 1989</u>
<b>INDIVIDUAL INCOME</b>		
Elimination of Gasoline Deduction Ch. 271		10,000.0
Federal Income Tax Windfall Cap Ch. 271		25,400.0
<b>TOTAL INDIVIDUAL INCOME</b>		<b>35,400.0</b>
<b>CORPORATE INCOME</b>		
Elimin. of Lower Cap. Gains Rate Ch. 271		14,000.0
Controlled Corp. Dividends Conformed Ch. 271		13,000.0
Depletion Deduction Conformed Ch. 271		1,000.0
Elimination of Gasoline Deduction Ch. 271		1,000.0
<b>TOTAL CORPORATE INCOME</b>		<b>29,000.0</b>
<b>SALES AND USE</b>		
Accounting Allowance Cap. - \$500 Ch. 271		3,000.0
No Exemption for Semi-conductors Ch. 271		1,700.0
Taxation of Casual Commercial Rents Ch. 271		3,300.0
Hotel/Motel Tax Increase to 5.5% Ch. 271		4,200.0
Rental Real Property Increase to 5% Ch. 271		10,900.0
<b>TOTAL SALES AND USE</b>		<b>23,100.0</b>
<b>PROPERTY</b>		
Assessment Ratio Freeze to 1987 Ch. 271		1,600.0
QTR for Homeowners Capped Ch. 271		9,300.0
State Education Rate Set at \$0.09 Ch. 271		17,300.0
<b>TOTAL PROPERTY</b>		<b>28,200.0</b>
<b>OTHER</b>		
Increase Ins. Prem. Tax to 2.0% Ch. 4		6,000.0
<b>TOTAL OTHER</b>		<b>6,000.0</b>
<b>TOTAL</b>		<b>121,700.0</b>

Notes:

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- After the first year, amounts represent the total dollar impact for the year, not the incremental amount.

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1989**

(\$ in Thousands)

	<u>FY 1989</u>	<u>FY 1990</u>
<b>INDIVIDUAL INCOME</b>		
Federal Conformity Ch. 211		1,900.0
Eliminate Deduction of Fed. Excise Tax Ch. 211		4,000.0
Federal Windfall Retention Ch. 312		16,800.0
Reduce Consumer Interest Deduction to 50% Ch. 312		39,000.0
Taxation of Previous Exempt Pensions		2,200.0
<b>TOTAL INDIVIDUAL INCOME</b>	<u>                    </u>	<u><b>63,900.0</b></u>
<b>CORPORATE INCOME</b>		
None		
<b>TOTAL CORPORATE INCOME</b>	<u>                    </u>	<u>                    </u>
<b>SALES AND USE</b>		
Taxation of Catalog Sales Ch. 312		7,000.0
<b>TOTAL SALES AND USE</b>	<u>                    </u>	<u><b>7,000.0</b></u>
<b>PROPERTY</b>		
Minimum QTR School District Tax Ch. 312		26,000.0
Tax Reduction for Unorg. Districts Ch. 312		(3,400.0)
<b>TOTAL PROPERTY</b>	<u>                    </u>	<u><b>22,600.0</b></u>
<b>OTHER</b>		
Minimum VLT to \$30 Ch. 4		15,800.0
<b>TOTAL OTHER</b>	<u>                    </u>	<u><b>15,800.0</b></u>
<b>TOTAL</b>		<u><u><b>109,300.0</b></u></u>

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**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1990**

(\$ in Thousands)

	<u>FY 1990</u>	<u>FY 1991</u>
<b>INDIVIDUAL INCOME</b>		
Federal Conformity Ch. 63		4,880.0
Tax Simplification - Widened Tax Base, Increased Tax Rates Ch. 3		110,000.0
Limitation of Renters Credit Ch. 3		3,800.0
<b>TOTAL INDIVIDUAL INCOME</b>		<b>118,680.0</b>
<b>CORPORATE INCOME</b>		
Federal Conformity Ch. 63		5,300.0
Tax Simplification - Widened Tax Base Ch. 3		25,600.0
<b>TOTAL CORPORATE INCOME</b>		<b>30,900.0</b>
<b>SALES AND USE</b>		
Elimination of Account Allowance Ch. 3		8,000.0
Tax Reduction - Rental Real Property Ch. 3		(1,800.0)
County Property Tax Relief Ch. 3		(10,000.0)
Rodeo Sales Exemption Ch. 239		(47.0)
Tax Suspension - Federal Bldgs. Ch. 251		(94.0)
Bed Tax to Tourism Ch. 391		(463.0)
<b>TOTAL SALES AND USE</b>		<b>4,404.0</b>
<b>PROPERTY</b>		
Minimum QTR School Dist. Tax Ch. 3		40,700.0
Assessment Ratio Changes Ch. 3		8,940.0
<b>TOTAL PROPERTY</b>		<b>49,640.0</b>
<b>OTHER</b>		
Minimum QTR School Dist. Tax = Salt River Ch. 3		7,000.0
Assessment Ratio Changes = Salt River Ch. 3		660.0
Minimum VLT Reduction Ch. 3		(3,600.0)
Cigarette Tax Increase Ch. 3		9,500.0
<b>TOTAL OTHER</b>		<b>13,560.0</b>
<b>TOTAL</b>		<b>208,376.0</b>

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**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1991**

(\$ in Thousands)

	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>
<b>INDIVIDUAL INCOME</b>				
Federal Conformity Ch. 146		7,600.0	7,600.0	7,600.0
Eliminate Ret. Contrib. Subtraction Ch. 155		1,600.0	1,600.0	1,600.0
<b>TOTAL INDIVIDUAL INCOME</b>		<b>9,200.0</b>	<b>9,200.0</b>	<b>9,200.0</b>
<b>CORPORATE INCOME</b>				
Federal Conformity Ch. 146		400.0	400.0	400.0
<b>TOTAL CORPORATE INCOME</b>		<b>400.0</b>	<b>400.0</b>	<b>400.0</b>
<b>SALES AND USE</b>				
Membership Camping Tax Ch. 31		122.5	122.5	122.5
Medical Equipment Exemption Ch. 200		(500.0)	(500.0)	(500.0)
<b>TOTAL SALES AND USE</b>		<b>(377.5)</b>	<b>(377.5)</b>	<b>(377.5)</b>
<b>PROPERTY</b>				
Rental property; Assess. Reduction Ch. 134			(1,200.0)	(2,400.0)
<b>TOTAL PROPERTY</b>			<b>(1,200.0)</b>	<b>(2,400.0)</b>
<b>OTHER</b>				
Drano Tax Repeal Ch. 184		320.0	320.0	320.0
Groundwater Fees Ch. 211		165.0	165.0	165.0
<b>TOTAL OTHER</b>		<b>485.0</b>	<b>485.0</b>	<b>485.0</b>
<b>TOTAL</b>		<b>9,707.5</b>	<b>8,507.5</b>	<b>7,307.5</b>

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**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1992**

(\$ in Thousands)

	<u>FY 1992</u>	<u>FY 1993</u>
<b>INDIVIDUAL INCOME</b>		
Increased Exemptions Phase-in Ch. 290		(12,000.0)
Withhold Penalty Forgiveness Ch. 220		(1,500.0)
<b>TOTAL INDIVIDUAL INCOME</b>	<u>                    </u>	<u>(13,500.0)</u>
<b>CORPORATE INCOME</b>		
None		
<b>TOTAL CORPORATE INCOME</b>	<u>                    </u>	<u>                    </u>
<b>SALES AND USE</b>		
Church Leases Exemption Ch. 29		(50.0)
Restaurant Food: Use Tax Exemp. Ch. 32		(100.0)
Motion Picture Sales Tax Refund Ch. 96		(67.1)
Semi-Trailers, Bowl Games Exemption Ch. 135		(600.0)
Feed and Seed Exemption Ch. 162		(1,600.0)
Lessor Utility Exemptions Ch. 215		(1,921.0)
Manufactured Bldgs. Exemptions Ch. 217		(100.0)
Aircraft Sales Tax Exemptions Ch. 222		(300.0)
Microwave Systems Exemptions Ch. 237		(84.0)
R & D Equipment Exemptions Ch. 238		(250.0)
Repeal Aircraft Exemptions Ch. 290		(2,900.0)
<b>TOTAL SALES AND USE</b>	<u>                    </u>	<u>(7,972.1)</u>
<b>PROPERTY</b>		
Widow/Widower Exemption Ch. 5		(50.0)
Local Telecom. Property Ch. 41		(70.0)
Pipeline Valuations Ch. 51		(50.0)
Sewer/Wastewater Prop. Cent. Valued Ch. 347		27.0
<b>TOTAL PROPERTY</b>	<u>                    </u>	<u>(143.0)</u>

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1992**

(\$ in Thousands)

	<u>FY 1992</u>	<u>FY 1993</u>
<b>OTHER</b>		
VLT: Rental Car Surcharge Ch. 219		600.0
Cigarette Luxury Stamps Ch. 55		(100.0)
Jet Fuel Reduction Ch. 221		(1,028.0)
Insurance Premium Tax Offset Ch. 290		4,000.0
<b>TOTAL OTHER</b>	<u>                    </u>	<u>3,472.0</u>
<b>TOTAL</b>		<u>(18,143.1)</u>

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**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1993**

(\$ in Thousands)

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<b>INDIVIDUAL INCOME</b>						
Increased Dependent Exemption Ch. 9		(5,600.0)	(5,600.0)	(5,600.0)	(5,600.0)	(5,600.0)
Increased Exemption - Elderly Ch. 9		(2,700.0)	(2,700.0)	(2,700.0)	(2,700.0)	(2,700.0)
Accelerate Medical Deductions Ch. 9		(2,300.0)	(2,300.0)	(2,300.0)	(2,300.0)	(2,300.0)
Alternative Fuel Vehicles Credit Ch. 160		(176.0)	(176.0)	(176.0)	(176.0)	(176.0)
<b>TOTAL INDIVIDUAL INCOME</b>		<b>(10,776.0)</b>	<b>(10,776.0)</b>	<b>(10,776.0)</b>	<b>(10,776.0)</b>	<b>(10,776.0)</b>
<b>CORPORATE INCOME</b>						
None						
<b>TOTAL CORPORATE INCOME</b>						
<b>SALES AND USE</b>						
Phase-out of Commercial Lease Tax Ch. 9		(8,100.0)	(26,300.0)	(47,300.0)	(70,600.0)	(96,300.0)
Feed Lots Exemption Ch. 64		(331.8)	(331.8)	(331.8)	(331.8)	(331.8)
Residential Care Homes - Use Exemp. Ch. 103		(1,300.0)	(1,300.0)	(1,300.0)	(1,300.0)	(1,300.0)
Motion Picture Tax Refund Ch. 104		(20.4)	(20.4)	(20.4)	(20.4)	(20.4)
Retail Classifications Changes Ch. 132		(138.3)	(138.3)	(138.3)	(138.3)	(138.3)
Health Care Centers - Exemptions Ch. 199		(227.0)	(227.0)	(227.0)	(227.0)	(227.0)
Alternative Use Fuel - Exemption Ch. 206		(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
Nursing Care Leases Ch. 212		(976.0)	(976.0)	(976.0)	(976.0)	(976.0)
Sales Deductions - Telecomm. Charges Ch. 240		(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)	(1,100.0)
<b>TOTAL SALES AND USE</b>		<b>(12,243.5)</b>	<b>(30,443.5)</b>	<b>(51,443.5)</b>	<b>(74,743.5)</b>	<b>(100,443.5)</b>
<b>PROPERTY</b>						
None						
<b>TOTAL PROPERTY</b>						
<b>OTHER</b>						
Wine Commission Fees Ch. 40		(33.0)	(33.0)	(33.0)	(33.0)	(33.0)
Liquor License Fees Ch. 133		(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)
<b>TOTAL OTHER</b>		<b>(1,233.0)</b>	<b>(1,233.0)</b>	<b>(1,233.0)</b>	<b>(1,233.0)</b>	<b>(1,233.0)</b>
<b>TOTAL</b>		<b>(24,252.5)</b>	<b>(42,452.5)</b>	<b>(63,452.5)</b>	<b>(86,752.5)</b>	<b>(112,452.5)</b>

Notes:

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**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1994**

(\$ in Thousands)

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
<b>INDIVIDUAL INCOME</b>			
IRS Conformity Ch. 41		6,200.0	6,200.0
Personal Income Tax Cut Ch. 41		(106,900.0)	(106,900.0)
Medical Savings Account Ch. 45			(175.0)
Water Conservation Inc. Tax Credit Ch. 90		(1,626.0)	(1,874.0)
Income Tax Benefit Rule Ch. 354		(500.0)	(500.0)
Pollution Control Credits Ch. 117			(1,500.0)
<b>TOTAL INDIVIDUAL INCOME</b>	<u>          </u>	<u><b>(102,826.0)</b></u>	<u><b>(104,749.0)</b></u>
<b>CORPORATE INCOME</b>			
IRS Conformity Ch. 41		10,000.0	10,000.0
Lower Corporate Rate Ch. 41		(5,800.0)	(5,800.0)
Consolidated Returns <sup>1/</sup> Ch. 41			(13,400.0)
Pollution Control Credits Ch. 117			(1,000.0)
<b>TOTAL CORPORATE INCOME</b>	<u>          </u>	<u><b>4,200.0</b></u>	<u><b>(10,200.0)</b></u>
<b>SALES AND USE</b>			
MITRA; Chemicals Ch. 41			(4,000.0)
Super Bowl Exemption Ch. 145			(481.9)
Personal Property Liquidators Ch. 174		(1,000.0)	(1,000.0)
Prison Food TPT Exemption Ch. 240		(80.0)	(80.0)
University Cars Exemption Ch. 305		(57.0)	(57.0)
Feed Exemption Ch. 307		(655.0)	(655.0)
Amusement/Instruc. Exemption Ch. 312		(825.0)	(825.0)
Tax Accounting Ch. 346			(11,870.0)
Omnibus Alternative Fuels Ch. 353		(400.0)	(400.0)
Government Contract Overhead Ch. 377			(8,000.0)
<b>TOTAL SALES AND USE</b>	<u>          </u>	<u><b>(3,017.0)</b></u>	<u><b>(27,368.9)</b></u>

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1994**

(\$ in Thousands)

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
<b>PROPERTY</b>			
MITRA; 1% Personal Prop./Phasedown Ch. 41			(16,496.0)
Livestock Ch. 102			(660.0)
Homeowners' Rebate Freeze Ch. 41 Not Included-Tax Cut as Spending Increase		0.0	0.0
Telecommunications Cos. Valuations Ch. 271		(850.0)	(850.0)
<b>TOTAL PROPERTY</b>	<u>                    </u>	<u>(850.0)</u>	<u>(18,006.0)</u>
<b>OTHER</b>			
None	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL OTHER</b>			
<b>TOTAL</b>		<u>(102,493.0)</u>	<u>(160,323.9)</u>

Notes:

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1/ Chapter 41 provided a tax credit totalling \$115 million for certain consolidated returns, which was to be spread over 10 years. In the 11th year, DOR is required to refund any unused credit (refer to Calendar Year 2006 tax law changes page at the end of this section).

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1995**

(\$ in Thousands)

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
<b>INDIVIDUAL INCOME</b>			
Income Tax Reduction Ch. 9		(200,000.0)	(200,000.0)
Summer Schools and Jobs Ch. 236		(337.5)	(337.5)
<b>TOTAL INDIVIDUAL INCOME</b>	<u>                    </u>	<u>(200,337.5)</u>	<u>(200,337.5)</u>
<b>CORPORATE INCOME</b>			
Consolidated Tax Returns Ch. 31		(400.0)	(400.0)
Lower Corporate Rate Ch. 41		(2,200.0)	(2,200.0)
Pollution Control Credits Ch. 117		(1,000.0)	(1,000.0)
<b>TOTAL CORPORATE INCOME</b>	<u>                    </u>	<u>(3,600.0)</u>	<u>(3,600.0)</u>
<b>SALES AND USE</b>			
Motion Picture Tax Refund Ch. 98		(100.0)	(100.0)
Sales Tax Amenities Ch. 267		(700.0)	(700.0)
<b>TOTAL SALES AND USE</b>	<u>                    </u>	<u>(800.0)</u>	<u>(800.0)</u>
<b>PROPERTY</b>			
Personal Property Tax Reductions Ch. 9			(17.3)
Property Tax Reduc. Min. Value Ch. 137			(78.0)
Possessory Interest; Repeal Ch. 294		(1,100.0)	(1,100.0)
<b>TOTAL PROPERTY</b>	<u>                    </u>	<u>(1,100.0)</u>	<u>(1,178.0)</u>
<b>OTHER</b>			
None			
<b>TOTAL OTHER</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL</b>	<u>                    </u>	<u>(205,837.5)</u>	<u>(205,915.5)</u>

Notes:

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- After the first year, amounts represent the total dollar impact for the year, not the incremental amount.

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1996**

(\$ in Thousands)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<b>INDIVIDUAL INCOME</b>			
Income Tax Definitions Ch. 49		(860.0)	(860.0)
Neighborhood Protection Deductions Ch. 309		(90.0)	(90.0)
<b>TOTAL INDIVIDUAL INCOME</b>		<u>(950.0)</u>	<u>(950.0)</u>
<b>CORPORATE INCOME</b>			
Neighborhood Protection Act Ch. 309		(60.0)	(60.0)
Enterprise Zones: Tax Credits Ch. 344			(1,575.1)
<b>TOTAL CORPORATE INCOME</b>		<u>(60.0)</u>	<u>(1,635.1)</u>
<b>SALES AND USE</b>			
Arts Fund; Partnership Ch. 186			(1,475.9)
Prime Contracting Sales Tax Ch. 319			(30,000.0)
Movie Studios Incentives Ch. 322		(49.3)	(49.3)
Homeowners Organizations Ch. 326		(100.0)	(100.0)
<b>TOTAL SALES AND USE</b>		<u>(194.3)</u>	<u>(31,625.2)</u>
<b>PROPERTY</b>			
Property Tax Reductions Ch. 2 - Does not include \$50M in spending		(150,000.0)	(150,000.0)
<b>TOTAL PROPERTY</b>		<u>(150,000.0)</u>	<u>(150,000.0)</u>
<b>OTHER</b>			
<b>TOTAL OTHER</b>			
<b>TOTAL</b>		<u>(151,159.3)</u>	<u>(184,210.3)</u>

Notes:

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**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1997**

(\$ in Thousands)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>INDIVIDUAL INCOME</b>			
Tax Credit; School Tuition Organizations Ch. 48			(8,443.2)
Welfare Reform; Arizona Works Ch. 300			(8,030.8)
IRS Conformity Ch. 63		(3,330.0)	(3,330.0)
Energy Conservation Incentives Ch. 137			(34.1)
Income Adjustments Ch. 238		(749.0)	(749.0)
Air Quality Omnibus Ch. 274		(250.0)	(250.0)
Savings Account; Postsecondary Ed. Ch. 171			(20.4)
Tax Relief Act of 1997 - Rates Reductions Ch. 8		(110,800.0)	(110,800.0)
<b>TOTAL INDIVIDUAL INCOME</b>	<u>                    </u>	<u><b>(115,129.0)</b></u>	<u><b>(131,657.5)</b></u>
<b>CORPORATE INCOME</b>			
IRS Conformity Ch. 62		4,177.0	4,177.0
Welfare Reform; Arizona Works Ch. 300			(585.2)
<b>TOTAL CORPORATE INCOME</b>	<u>                    </u>	<u><b>4,177.0</b></u>	<u><b>3,591.8</b></u>
<b>SALES AND USE</b>			
Light Vehicle Fees Ch. 110		(2,000.0)	(2,000.0)
Used Oil Amendments Ch. 178		(92.2)	(92.2)
Use Tax Exemptions - Libraries Ch. 227		(36.9)	(36.9)
Sales Tax; Nursing Homes Ch. 245			(2,000.0)
Omnibus Tax Changes Ch. 274		(542.9)	(542.9)
<b>TOTAL SALES AND USE</b>	<u>                    </u>	<u><b>(2,672.0)</b></u>	<u><b>(4,672.0)</b></u>
<b>PROPERTY</b>			
None			
<b>TOTAL PROPERTY</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>OTHER</b>			
Agriculture Omnibus Ch. 228		(90.0)	(90.0)
Health Care Omnibus Ch. 268		(15.0)	(15.0)
<b>TOTAL OTHER</b>	<u>                    </u>	<u><b>(105.0)</b></u>	<u><b>(105.0)</b></u>
<b>TOTAL</b>		<u><u><b>(113,729.0)</b></u></u>	<u><u><b>(132,842.7)</b></u></u>

Notes:

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**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1998**

(\$ in Thousands)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
<b>INDIVIDUAL INCOME</b>				
Prop. 200 - Campaign Finance			(1,279.1)	(1,279.1)
Alternative Fuels Ch. 221		(923.0)	(2,854.8)	0.0
Omnibus Taxation of 1998 Ch. 283	160.0	(3,240.0)	(6,410.0)	(6,410.0)
Tax Relief Act of 1998 - Rates Reductions Ch. 3		(30,000.0)	(50,000.0)	(50,000.0)
Wheels to Work Ch. 208			(1,140.0)	(1,140.0)
Tax Exemptions; Exempts; Credits Ch. 286			(1,347.0)	(1,347.0)
<b>TOTAL INDIVIDUAL INCOME</b>	<b><u>160.0</u></b>	<b><u>(34,163.0)</u></b>	<b><u>(63,030.9)</u></b>	<b><u>(60,176.1)</u></b>
<b>CORPORATE INCOME</b>				
Income Tax Credits; Coal Taxes Ch. 137		(1,600.0)	(1,600.0)	(1,600.0)
Tax Relief Act of 1998 - Rates Reductions and Deduction Elimination Ch. 3		(10,000.0)	(20,000.0)	(20,000.0)
Wheels to Work Ch. 208			(1,140.0)	(1,140.0)
Tax Exemptions, Deductions Ch. 286			(577.3)	(577.3)
<b>TOTAL CORPORATE INCOME</b>		<b><u>(11,600.0)</u></b>	<b><u>(23,317.3)</u></b>	<b><u>(23,317.3)</u></b>
<b>SALES AND USE</b>				
Sales and Use; Printing Ch. 132		(100.0)	(200.0)	(200.0)
Flight Property Exemptions Ch. 177		(110.0)	(30.0)	(30.0)
Alternative Fuels Ch. 221		(577.0)	(1,434.6)	(1,434.6)
Tax Exemptions, Deductions Ch. 286	(60.0)	(857.2)	(296.5)	(296.5)
<b>TOTAL SALES AND USE</b>	<b><u>(60.0)</u></b>	<b><u>(1,644.2)</u></b>	<b><u>(1,961.1)</u></b>	<b><u>(1,961.1)</u></b>
<b>PROPERTY</b>				
Telecommunications Ch. 220			(19.3)	(19.3)
Widow, Widowers Exemption Ch. 261			(32.3)	(32.3)
<b>TOTAL PROPERTY</b>			<b><u>(51.6)</u></b>	<b><u>(51.6)</u></b>
<b>OTHER</b>				
Tax Relief Act of 1998 - VLT Rate Reduction Ch. 3		(80,000.0)	(100,000.0)	(100,000.0)
<b>TOTAL OTHER</b>		<b><u>(80,000.0)</u></b>	<b><u>(100,000.0)</u></b>	<b><u>(100,000.0)</u></b>
<b>TOTAL</b>	<b><u>100.0</u></b>	<b><u>(127,407.2)</u></b>	<b><u>(188,360.9)</u></b>	<b><u>(185,506.1)</u></b>

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**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 1999**

(\$ in Thousands)

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
<b>INDIVIDUAL INCOME</b>				
Public Retirement Benefits Ch. 50			(1,766.7)	(1,766.7)
Alternative Fuel Vehicles Ch. 168			(427.1)	
Taxpayer Bill of Rights Ch. 250		(200.0)	(600.0)	(400.0)
IRS Conformity Ch. 317	(240.0)	2,330.0	690.0	(3,190.0)
<b>TOTAL INDIVIDUAL INCOME</b>	<b><u>(240.0)</u></b>	<b><u>2,130.0</u></b>	<b><u>(2,103.8)</u></b>	<b><u>(5,356.7)</u></b>
<b>CORPORATE INCOME</b>				
Tax Relief and Fiscal Control (Trigger) Rate Reduced from 8.0% to 7.0%; R&D Cap. Removed Ch. 5			(37,000.0)	(74,000.0)
Income Allocation (Airline Bill) Ch. 190			(700.0)	(1,400.0)
Alternative Fuel Vehicles Ch. 168			(1,052.1)	
IRS Conformity Ch. 317	5,170.0	2,920.0	2,920.0	890.0
<b>TOTAL CORPORATE INCOME</b>	<b><u>5,170.0</u></b>	<b><u>2,920.0</u></b>	<b><u>(35,832.1)</u></b>	<b><u>(74,510.0)</u></b>
<b>SALES AND USE</b>				
Sales Tax Exemption; Expendables Ch. 153	(100.0)	(3,500.0)	(3,500.0)	(3,500.0)
Tax Relief and Fiscal Control (Trigger) Mining Severance Tax Reduction Ch. 5		(4,667.0)	(8,000.0)	(8,000.0)
<b>TOTAL SALES AND USE</b>	<b><u>(100.0)</u></b>	<b><u>(8,167.0)</u></b>	<b><u>(11,500.0)</u></b>	<b><u>(11,500.0)</u></b>
<b>PROPERTY</b>				
Omni. Reconciliation - Personal Property (Expend.) Ch. 5 Does not include \$21.4M spending			(30.0)	(30.0)
<b>TOTAL PROPERTY</b>			<b><u>(30.0)</u></b>	<b><u>(30.0)</u></b>
<b>OTHER</b>				
Omni. Reconciliation - VLT Cut Ch. 5		(35,000.0)	(60,000.0)	(60,000.0)
<b>TOTAL OTHER</b>		<b><u>(35,000.0)</u></b>	<b><u>(60,000.0)</u></b>	<b><u>(60,000.0)</u></b>
<b>TOTAL</b>	<b><u>4,830.0</u></b>	<b><u>(38,117.0)</u></b>	<b><u>(109,465.9)</u></b>	<b><u>(151,396.7)</u></b>

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**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2000**

(\$ in Thousands)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
<b>INDIVIDUAL INCOME</b>				
Renewable Energy Incentives Ch. 214				(57.0)
Technology Training Credit Ch. 239			(300.0)	(300.0)
IRS Conformity Ch. 252	(680.0)	(2,796.0)	(3,260.0)	(636.0)
Agricultural Preservation District Ch. 267			(100.0)	(100.0)
Character Instruction Tax Credit Ch. 313			(75.0)	(75.0)
Handicapped Preschoolers Tax Credit Ch. 394			(100.0)	(100.0)
Clean Air Act Ch. 405 (neighborhood electric vehicle credit)		(15,750.0)		
Clean Air Act <sup>1/</sup> Ch. 405 (alt fuel vehicle credit)		(59,100.0)	(26,700.0)	(3,100.0)
Alternative Fuels Program Changes Ch. 1 (7th Special Session)		(4,427.0)		
Low-income Tax Credit <sup>1/</sup> Ch. 1 (5th Special Session)			(20,100.0)	(20,100.0)
Tuition Tax Credit Ch. 1 (5th Special Session)			(3,750.0)	(3,847.5)
<b>TOTAL INDIVIDUAL INCOME</b>	<b>(680.0)</b>	<b>(82,073.0)</b>	<b>(54,385.0)</b>	<b>(28,315.5)</b>
<b>CORPORATE INCOME</b>				
Technology Training Credit Ch. 239			(2,500.0)	(2,500.0)
IRS Conformity Ch. 252	(15.0)	21.0	175.0	149.0
Clean Air Act Ch. 405			192.3	192.3
Clean Air Act <sup>1/</sup> Ch. 405 (alt fuel vehicle credit)		(7,300.0)	(6,600.0)	(1,600.0)
<b>TOTAL CORPORATE INCOME</b>	<b>(15.0)</b>	<b>(7,279.0)</b>	<b>(8,732.7)</b>	<b>(3,758.7)</b>
<b>SALES AND USE</b>				
Renewable Energy Incentives Ch. 214		(40.7)	(42.8)	(45.0)
Spaceport Launch Site Exemption Ch. 359	(18.4)	(36.7)	(36.7)	(36.7)
<b>TOTAL SALES AND USE</b>	<b>(18.4)</b>	<b>(77.4)</b>	<b>(79.5)</b>	<b>(81.7)</b>
<b>PROPERTY</b>				
Renewable Energy Incentives Ch. 214				(8.8)
Cemeteries; Property Tax Exemption Ch. 258				(7.3)
Electrical Generation Facilities Ch. 384			(2,234.9)	(3,957.1)
<b>TOTAL PROPERTY</b>			<b>(2,234.9)</b>	<b>(3,973.2)</b>
<b>OTHER</b>				
None				
<b>TOTAL OTHER</b>				
<b>TOTAL</b>	<b>(713.4)</b>	<b>(89,429.4)</b>	<b>(65,432.1)</b>	<b>(36,129.1)</b>

Notes:

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<sup>1/</sup> Amounts for FY 2001, FY 2002, and FY 2003 represent actual impact rather than initial estimated impact.  
Totals do not include approximately \$(12.7) million paid out for consumer loss recovery, for a total alternative fuel impact of approximately \$(117) million.

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2001**

(\$ in Thousands)

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
<b>INDIVIDUAL INCOME</b>			
Conditional Appropriations; Taxation (reduce standard deduction) Ch. 235		(15,000.0)	(15,000.0)
Department of Revenue; Confidentiality Ch. 261		1,400.0	1,300.0
IRS Conformity Ch. 296	(123.0)	(280.0)	(385.0)
Retirement Benefits; Defined Contribution Ch. 380		(300.0)	(300.0)
Equity Tax Act; Archaic Laws Ch. 382		(552.8)	(552.8)
<b>TOTAL INDIVIDUAL INCOME</b>	<u>(123.0)</u>	<u>(14,732.8)</u>	<u>(14,937.8)</u>
<b>CORPORATE INCOME</b>			
IRS Conformity Ch. 296	(470.0)	(1,098.0)	(1,315.0)
Enterprise Zone Program; Extension Ch. 370 (impact can not be determined)			
<b>TOTAL CORPORATE INCOME</b>	<u>(470.0)</u>	<u>(1,098.0)</u>	<u>(1,315.0)</u>
<b>SALES AND USE</b>			
None			
<b>TOTAL SALES AND USE</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>PROPERTY</b>			
None			
<b>TOTAL PROPERTY</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>OTHER</b>			
None			
<b>TOTAL OTHER</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL</b>	<u>(593.0)</u>	<u>(15,830.8)</u>	<u>(16,252.8)</u>

Notes:

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- After the first year, amounts represent the total dollar impact for the year, not the incremental amount.

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2002 \***

(\$ in Thousands)

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
<b>INDIVIDUAL INCOME</b>				
IRS Conformity Ch. 344		(14,480.0)	(14,480.0)	(14,480.0)
<b>TOTAL INDIVIDUAL INCOME</b>		<b><u>(14,480.0)</u></b>	<b><u>(14,480.0)</u></b>	<b><u>(14,480.0)</u></b>
<b>CORPORATE INCOME</b>				
Repeal Dividends Income Tax Subtraction Ch. 50		11,200.0	11,200.0	11,200.0
IRS Conformity Ch. 344		5,610.0	5,610.0	5,610.0
<b>TOTAL CORPORATE INCOME</b>		<b><u>16,810.0</u></b>	<b><u>16,810.0</u></b>	<b><u>16,810.0</u></b>
<b>SALES AND USE</b>				
None				
<b>TOTAL SALES AND USE</b>				
<b>PROPERTY</b>				
None				
<b>TOTAL PROPERTY</b>				
<b>OTHER</b>				
IRS Conformity - Estate Tax Ch. 344		(18,830.0)	(38,140.0)	(57,740.0)
<b>TOTAL OTHER</b>		<b><u>(18,830.0)</u></b>	<b><u>(38,140.0)</u></b>	<b><u>(57,740.0)</u></b>
<b>TOTAL</b>		<b><u>(16,500.0)</u></b>	<b><u>(35,810.0)</u></b>	<b><u>(55,410.0)</u></b>

Notes:

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\* Includes 45th Legislature, 2nd Special Session (December 2001), 3rd Special Session (March 2002), and 2nd Regular Session.

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2003 \***

(\$ in Thousands)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
<b>INDIVIDUAL INCOME</b>			
None			
<b>TOTAL INDIVIDUAL INCOME</b>	<hr/>	<hr/>	<hr/>
<b>CORPORATE INCOME</b>			
None			
<b>TOTAL CORPORATE INCOME</b>	<hr/>	<hr/>	<hr/>
<b>SALES AND USE</b>			
None			
<b>TOTAL SALES AND USE</b>	<hr/>	<hr/>	<hr/>
<b>PROPERTY</b>			
Flight Property Tax Ch. 263		7,000.0	0.0
<b>TOTAL PROPERTY</b>	<hr/>	<b>7,000.0</b>	<b>0.0</b>
<b>OTHER</b>			
Remove Medicaid Exemption/Ins. Premium Tax Ch. 136		69,728.1	92,970.1
<b>TOTAL OTHER</b>	<hr/>	<b>69,728.1</b>	<b>92,970.1</b>
<b>TOTAL</b>		<hr/> <b>76,728.1</b>	<hr/> <b>92,970.1</b>

Notes:

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- After the first year, amounts represent the total dollar impact for the year, not the incremental amount.

\* Includes 45th Legislature, 6th Special Session (November 2002), and 46th Legislature, 1st Special Session (March 2003), and 1st Regular Session.

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2004**

(\$ in Thousands)

	<u>FY 2004</u>	<u>FY 2005</u>
<b>INDIVIDUAL INCOME</b>		
IRS Conformity Ch. 196		(1,800.0)
Stillborn Children Exemption Ch. 214		(34.0)
<b>TOTAL INDIVIDUAL INCOME</b>	<u>                    </u>	<u>(1,834.0)</u>
<b>CORPORATE INCOME</b>		
None		
<b>TOTAL CORPORATE INCOME</b>	<u>                    </u>	<u>                    </u>
<b>SALES AND USE</b>		
None		
<b>TOTAL SALES AND USE</b>	<u>                    </u>	<u>                    </u>
<b>PROPERTY</b>		
None		
<b>TOTAL PROPERTY</b>	<u>                    </u>	<u>                    </u>
<b>OTHER</b>		
Liquor Fees Ch. 275		250.0
<b>TOTAL OTHER</b>	<u>                    </u>	<u>250.0</u>
<b>TOTAL</b>		<u>(1,584.0)</u>

Notes:

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## TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2005

(\$ in Thousands)

	FY 2005	FY 2006	FY 2007	FY 2008
<b>INDIVIDUAL INCOME</b>				
IRS Conformity Ch. 334		(5,400.0)	(5,090.0)	(7,950.0)
Elimination of "Marriage Penalty" Ch. 334		(6,400.0)	(12,800.0)	(12,800.0)
Index Standard Deduction to CPI Ch. 334		(2,400.0)	(4,800.0)	(7,200.0)
Active Duty Military Pay Exemption Ch. 303			(10,300.0)	1/
Graywater Tax Credit <sup>2/</sup> Ch. 292				(250.0)
Small Business Investment Credit Ch. 316				3/
<b>TOTAL INDIVIDUAL INCOME</b>		<b>(14,200.0)</b>	<b>(32,990.0)</b>	<b>(28,200.0)</b>
<b>CORPORATE INCOME</b>				
IRS Conformity Ch. 196		(3,000.0)	5,210.0	9,410.0
AZ National Guard Employment Credit Ch. 264		(250.0)	(250.0)	(250.0)
Motion Picture Tax Incentives Ch. 317			(8,000.0)	(9,200.0)
Graywater Tax Credit <sup>2/</sup> Ch. 292				(500.0)
Corporate Sales Factor <sup>4/</sup> Ch. 289				(32,000.0)
Corporate Consolidated Credit <sup>5/</sup> Laws 1994 Ch. 41				
<b>TOTAL CORPORATE INCOME</b>		<b>(3,250.0)</b>	<b>(3,040.0)</b>	<b>(32,540.0)</b>
<b>SALES AND USE</b>				
Motion Picture Tax Incentives Ch. 317		(600.0)	(1,200.0)	(1,300.0)
<b>TOTAL SALES AND USE</b>		<b>(600.0)</b>	<b>(1,200.0)</b>	<b>(1,300.0)</b>
<b>PROPERTY</b>				
Business Property Tax Reduction <sup>6/</sup> Ch. 302				
Increased Widows Property Tax Exemption <sup>7/</sup> Ch. 309				
<b>TOTAL PROPERTY</b>				
<b>OTHER</b>				
None				
<b>TOTAL OTHER</b>				
<b>TOTAL</b>		<b>(18,050.0)</b>	<b>(37,230.0)</b>	<b>(62,040.0)</b>

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1/ Chapter 303 established a one-time active duty pay exemption. Laws 2006, Chapter 342 (see following page) made the exemption permanent, as well as expanding the exemption to National Guard or Reserves..

2/ Individual and corporate credit combined capped at \$750,000 per year for 5 years beginning in FY 2008.

3/ Credit capped at \$20 million for tax years 2007 through 2014. No estimates of impact by year.

4/ Estimated impact of \$(32) million in FY 2008, \$(62) million in FY 2009, \$(91) million when fully implemented in FY 2011.

5/ Legislation enacted in 1994 provided a tax credit totalling \$115 million for certain consolidated returns which was to be spread over 10 years. In the 11th year, DOR is required to refund any unused credit. This legislation is estimated to have a one-time impact of \$(4) million in FY 2007, and \$(55.5) million in FY 2008.

6/ Impact will occur as increased Arizona Department of Education expenditures. The cost is expected to be \$12.3 million in FY 2007, \$26.6 million in FY 2008, \$42.8 million in FY 2009, \$61.5 million in FY 2010, \$82.7 million in FY 2011, \$102.8 million in FY 2012, \$114.2 million in FY 2013, and \$126.5 million in FY 2015. Full implementation in FY 2016 is expected to cost \$140 million.

7/ Impact will occur as increased Arizona Department of Education expenditures. The cost is expected to be \$500,000 in FY 2007 and \$512,000 in FY 2008.

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2006**

(\$ in Thousands)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
<b>INDIVIDUAL INCOME</b>			
IRS Conformity Ch. 357		(700.0)	400.0
Individual Income Tax Rate Reduction Ch. 354		(156,100.0)	(334,000.0)
Solar Energy Device Credit Ch. 333		(500.0)	(500.0)
Active Duty Military Pay Exemption <sup>1/</sup> Ch. 342			(12,200.0)
<b>TOTAL INDIVIDUAL INCOME</b>		<b>(157,300.0)</b>	<b>(346,300.0)</b>
<b>CORPORATE INCOME</b>			
IRS Conformity Ch. 357		(700.0)	(800.0)
Solar Energy Device Credit Ch. 333		(500.0)	(500.0)
School Tuition Tax Credit <sup>2/</sup> Chs. 14 & 325		(10,000.0)	(12,000.0)
<b>TOTAL CORPORATE INCOME</b>		<b>(11,200.0)</b>	<b>(13,300.0)</b>
<b>SALES AND USE</b>			
Solar Energy Device Credit Ch. 333		(500.0)	(500.0)
Exemption for Purchase of Liquid Natural Gas Ch. 371		(378.6)	(378.6)
Tax Simplification-Eliminate 3 Categories Ch. 354		(200.0)	(200.0)
<b>TOTAL SALES AND USE</b>		<b>(1,078.6)</b>	<b>(1,078.6)</b>
<b>PROPERTY</b>			
State Equalization Rate Suspension <sup>3/</sup> Ch. 354			
Nonprofit Hospital Property Tax Exemption <sup>4/</sup> Ch. 327			
<b>TOTAL PROPERTY</b>			
<b>OTHER</b>			
Health Insurance Premium Tax Credit Ch. 378		(5,000.0)	(5,000.0)
<b>TOTAL OTHER</b>		<b>(5,000.0)</b>	<b>(5,000.0)</b>
<b>TOTAL</b>		<b>(174,578.6)</b>	<b>(365,678.6)</b>

Notes:

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1/ Chapter 342 made the one-time active duty pay exemption enacted by Laws 2005, Chapter 303 permanent.

In addition, the act expands the exemption to include active National Guard or Reserves.

2/ Credit capped at \$10 million for FY 2007. The cap will increase 20% annually beginning in FY 2008.

3/ Impact will occur as increased Arizona Department of Education expenditures. The cost is expected to be \$215.2 million in FY 2007, \$226.0 million in FY 2008, and \$239.6 million in FY 2009

4/ Impact will occur as increased Arizona Department of Education expenditures. The cost is expected to be \$60,000 per year beginning in FY 2007.

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2007**

(\$ in Thousands)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<b>INDIVIDUAL INCOME</b>			
IRS Conformity			
Ch. 1		(1,300.0)	(980.0)
College Savings Plan			
Ch. 258			(2,500.0)
Military Relief Fund			
Ch. 258			(1,000.0)
<b>TOTAL INDIVIDUAL INCOME</b>	<u>                    </u>	<u>(1,300.0)</u>	<u>(4,480.0)</u>
<b>CORPORATE INCOME</b>			
IRS Conformity			
Ch. 1		(300.0)	60.0
<b>TOTAL CORPORATE INCOME</b>	<u>                    </u>	<u>(300.0)</u>	<u>60.0</u>
<b>SALES AND USE</b>			
None			
<b>TOTAL SALES AND USE</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>PROPERTY</b>			
Business Property Tax Reduction <sup>1/</sup>			
Ch. 258			
Business Personal Property Accelerated Depreciation <sup>2/</sup>			
Ch. 258			
<b>TOTAL PROPERTY</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>OTHER</b>			
None			
<b>TOTAL OTHER</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL</b>		<u>(1,600.0)</u>	<u>(4,420.0)</u>

Notes:

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1/ Laws 2005, Chapter 302 phased down the assessment ratio for business personal property over 10 years.

Chapter 258 accelerates the phase down from the remaining 8 years to 4 years. Impact will occur as increased Arizona Department of Education expenditures. The incremental cost of the accelerated phase down is expected to be an additional \$3.1 million in FY 2009.

2/ Impact will occur as increased Arizona Department of Education expenditures. The cost is expected to be \$4.0 million per year beginning in FY 2009.

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2008**

(\$ in Thousands)

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
<b>INDIVIDUAL INCOME</b>				
IRS Conformity				
Ch. 94		(970.0)		
<b>TOTAL INDIVIDUAL INCOME</b>		<b>(970.0)</b>		
<b>CORPORATE INCOME</b>				
IRS Conformity				
Ch. 94		(80.0)		
Research and Development Credit				
Ch. 290				(5,700.0)
<b>TOTAL CORPORATE INCOME</b>		<b>(80.0)</b>		<b>(5,700.0)</b>
<b>SALES AND USE</b>				
None				
<b>TOTAL SALES AND USE</b>				
<b>PROPERTY</b>				
None				
<b>TOTAL PROPERTY</b>				
<b>OTHER</b>				
None				
<b>TOTAL OTHER</b>				
<b>TOTAL</b>		<b>(1,050.0)</b>		<b>(5,700.0)</b>

Notes:

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**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2009**

(\$ in Thousands)

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
<b>INDIVIDUAL INCOME</b>				
IRS Conformity				
Ch. 2		(4,000.0)	(880.0)	9,340.0
Contributions to Charitable Organizations				
Ch. 80		(5,000.0)	(5,900.0)	(7,000.0)
Renewable Energy Investment <sup>1/</sup>				
Ch. 96				
<b>TOTAL INDIVIDUAL INCOME</b>	<u>          </u>	<u>(9,000.0)</u>	<u>(6,780.0)</u>	<u>2,340.0</u>
<b>CORPORATE INCOME</b>				
IRS Conformity				
Ch. 2		(4,410.0)	(100.0)	(1,420.0)
Renewable Energy Investment <sup>1/</sup>				
Ch. 96			(5,000.0)	(5,000.0)
<b>TOTAL CORPORATE INCOME</b>	<u>          </u>	<u>(4,410.0)</u>	<u>(5,100.0)</u>	<u>(6,420.0)</u>
<b>SALES AND USE</b>				
None				
<b>TOTAL SALES AND USE</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>PROPERTY</b>				
Renewable Energy Investment <sup>1/</sup>				
Ch. 96				
<b>TOTAL PROPERTY</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>OTHER</b>				
None				
<b>TOTAL OTHER</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL</b>		<u>(13,410.0)</u>	<u>(11,880.0)</u>	<u>(4,080.0)</u>

Notes:

- Unless otherwise noted, dollar amounts are estimates of impact at time of enactment.
- After the first year, amounts represent the total dollar impact for the year, not the incremental amount.

1/ Chapter 96 provides income and property tax incentives for qualifying renewable energy companies that invest in headquarter or manufacturing facilities in the state, including land, buildings, machinery and equipment, from tax year 2010 to 2014. The income tax credits are refundable, and are capped at \$70 million annually. The \$(5) million impact is a revised estimate for CY 2010. The cumulative \$(5) million reduction is shown as a corporate income tax reduction for display purposes.

**TAX LAW CHANGES THAT OCCURRED IN CALENDAR YEAR 2010**

(\$ in Thousands)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
<b>INDIVIDUAL INCOME</b>					
IRS Conformity <sup>1/</sup> Ch. 176					
STO Contribution Deadline Extension Ch. 188		(2,500.0)	(2,500.0)	(2,500.0)	(2,500.0)
STO Maximum Credit Inflation Adjustment Ch. 293		(600.0)	(600.0)	(600.0)	(600.0)
Research and Development Refundable Credit <sup>2/</sup> Ch. 312		(5,000.0)	(5,000.0)	(5,000.0)	(5,000.0)
Renewable Energy Production Credit <sup>3/</sup> Ch. 312					
Out-of-State Filers Proportionality 6th SS, Ch. 3		22,000.0	22,000.0	22,000.0	22,000.0
<b>TOTAL INDIVIDUAL INCOME</b>	<b>0.0</b>	<b>13,900.0</b>	<b>13,900.0</b>	<b>13,900.0</b>	<b>13,900.0</b>
<b>CORPORATE INCOME</b>					
IRS Conformity <sup>1/</sup> Ch. 176					
Research and Development Refundable Credit <sup>2/</sup> Ch. 312					
Renewable Energy Production Credit <sup>3/</sup> Ch. 312			(20,000.0)	(20,000.0)	(20,000.0)
<b>TOTAL CORPORATE INCOME</b>	<b>0.0</b>	<b>0.0</b>	<b>(20,000.0)</b>	<b>(20,000.0)</b>	<b>(20,000.0)</b>
<b>SALES AND USE</b>					
TPT Increase - May Election 6th SS, SCR 1001 (May 2010 Election, Prop 100)		918,000.0	967,829.8	1,056,875.1	0.0
<b>TOTAL SALES AND USE</b>	<b>0.0</b>	<b>918,000.0</b>	<b>967,829.8</b>	<b>1,056,875.1</b>	<b>0.0</b>
<b>PROPERTY</b>					
None					
<b>TOTAL PROPERTY</b>					
<b>OTHER</b>					
Redirect First Things First <sup>4/</sup> 7th SS, HCR 2001 (Nov. 2010 Election)					
<b>TOTAL OTHER</b>					
<b>TOTAL</b>	<b>0.0</b>	<b>931,900.0</b>	<b>961,729.8</b>	<b>1,050,775.1</b>	<b>(6,100.0)</b>

Notes:

- Unless otherwise noted, dollar amounts are estimates of impact at time of enactment.

- After the first year, amounts represent the total dollar impact for the year, not the incremental amount.

1/ These adjustments may have a minimal revenue impact not reflected in this chart.

2/ The refundable credit provisions of Chapter 312 impact both individual and corporate income tax. The cumulative \$(5) million reduction is shown as an individual income tax reduction for display purposes.

3/ The renewable energy production provisions of Chapter 312 impact both individual and corporate income tax. The cumulative \$(20) million reduction is shown as a corporate income tax reduction for display purposes.

4/ If approved by voters, this would redirect \$60 million in Tobacco Tax Revenues from the Early Childhood Development and Health Board to the General Fund in FY 2011 and \$120 million in future years.