

Ballot Proposition I-17-2018
Invest in Education Act
Fiscal Impact Summary

A.R.S. § 19-123E requires the Joint Legislative Budget Committee Staff to prepare a summary of 300 words or less on the fiscal impact of voter-initiated ballot measures. Beginning January 1, 2019, Proposition XXX would create 2 new income tax rates: 1) 8% for single taxpayers with \$250,001 - \$500,000 in taxable income and for married persons with \$500,001 - \$1,000,000 in taxable income, and 2) 9% for single taxpayers with \$500,001 or more in taxable income and for married persons with \$1,000,001 or more in taxable income.

The 2 new tax rates are projected to deposit \$650 million to \$750 million into the Classroom Site Fund in the first full year of implementation. These monies would be distributed to school districts and charter schools.

The actual deposit will depend on a variety of factors, including:

- Whether high-income taxpayers leave or shift income out of the state because of the new tax rates.
- Whether higher tax rates will reduce business investment. Some high-income taxpayers pay individual income taxes on the "pass through" income from their business.

Due to several factors, Proposition XXX may also result in a General Fund impact. While difficult to determine with certainty, the annual dollar impact could be a gain or loss in the tens of millions. Proposition XXX reinstates the individual income tax brackets for incomes up to \$250,000 in effect in 2014. These brackets had been indexed for inflation since that time, which reduced tax liability. As a result, reinstating the 2014 brackets would increase General Fund revenue collections.

Increased K-12 education spending may result in higher General Fund income and sales tax collections. Any shift of income outside the state or decline in business investment may also reduce existing General Fund revenue collections.