REFERENCE TITLE: individual income tax; rate adjustment

State of Arizona
Senate
Fifty-fourth Legislature
Second Regular Session
2020

SB 1489

Introduced by
Senator Mesnard: Representative Roberts

AN ACT

AMENDING TITLE 41, CHAPTER 7, ARTICLE 10, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1275; AMENDING SECTION 43-1011, ARIZONA REVISED STATUTES; RELATING TO INDIVIDUAL INCOME TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Title 41, chapter 7, article 10, Arizona Revised Statutes, is amended by adding section 41-1275, to read:

41-1275. Annual ongoing state general fund revenue; JLBC determination; annual growth limit estimates; definitions

A. FOR EACH FISCAL YEAR BEGINNING IN FISCAL YEAR 2020-2021, FOR THE PURPOSE OF COMPUTING THE INDIVIDUAL INCOME TAX RATE REDUCTION PURSUANT TO SECTION 43-1011, SUBSECTION E, THE JOINT LEGISLATIVE BUDGET COMMITTEE SHALL:

1. DETERMINE THE AMOUNT OF ONGOING STATE GENERAL FUND REVENUES COLLECTED BY THIS STATE.

2. DETERMINE THE AMOUNT BY WHICH ONGOING STATE GENERAL FUND REVENUES EXCEED THE GROWN LIMIT.

3. MULTIPLY THE AMOUNT DETERMINED PURSUANT TO PARAGRAPH 2 OF THIS SUBSECTION BY FIFTY PERCENT.

B. JOINT LEGISLATIVE BUDGET COMMITTEE STAFF SHALL PROVIDE AN ANNUAL ESTIMATE OF THE GROWTH LIMIT AND THE LIKELIHOOD OF ONGOING STATE GENERAL FUND REVENUES EXCEEDING THE GROWTH LIMIT BASED ON THE MOST RECENT AVAILABLE DATA.

C. FOR THE PURPOSES OF THIS SECTION:

1. "GROWTH LIMIT" MEANS THE ONGOING STATE GENERAL FUND REVENUES FOR FISCAL YEAR 2019-2020 AS DETERMINED BY THE JOINT LEGISLATIVE BUDGET COMMITTEE, ANNUALLY INCREASED BY THE SUM OF THE PERCENTAGE CHANGE IN INFLATION PLUS THE PERCENTAGE CHANGE IN POPULATION GROWTH.

2. "INFLATION" MEANS THE AVERAGE ANNUAL CHANGE IN THE METROPOLITAN PHOENIX CONSUMER PRICE INDEX PUBLISHED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS, FOR THE MOST RECENTLY ENDED CALENDAR YEAR.

3. "POPULATION GROWTH" MEANS THE YEAR-OVER-YEAR CHANGE IN TOTAL POPULATION FOR THIS STATE FOR THE MOST RECENTLY ENDED CALENDAR YEAR AS ESTIMATED BY THE UNITED STATES CENSUS BUREAU.

Sec. 2. Section 43-1011, Arizona Revised Statutes, is amended to read:

43-1011. Taxes and tax rates

A. There shall be levied, collected and paid for each taxable year on the entire taxable income of every resident of this state and on the entire taxable income of every nonresident that is derived from sources within this state taxes determined in the following manner:

1. For taxable years beginning from and after December 31, 1996 through December 31, 1997:

(a) In the case of a single person or a married person filing separately:

If taxable income is:	The tax is:
$0 - $10,000	2.90% of taxable income
$10,001 - $25,000	$290, plus 3.30% of the excess over $10,000
$25,001 - $50,000	$785, plus 3.90% of the excess over $25,000
$50,001 - $150,000	$1,760, plus 4.80% of the excess over $50,000
$150,001 and over	$6,560, plus 5.17% of the excess over $150,000

(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

If taxable income is:	The tax is:
$0 - $20,000	2.90% of taxable income
$20,001 - $50,000	$580, plus 3.30% of the excess over $20,000
$50,001 - $100,000	$1,570, plus 3.90% of the excess over $50,000
$100,001 - $300,000	$3,520, plus 4.80% of the excess over $100,000
$300,001 and over	$13,120, plus 5.17% of the excess over $300,000

2. For taxable years beginning from and after December 31, 1997 through December 31, 1998:

(a) In the case of a single person or a married person filing separately:

If taxable income is:	The tax is:
$0 - $10,000	2.88% of taxable income
$10,001 - $25,000	$288, plus 3.24% of the excess over $10,000
$25,001 - $50,000	$774, plus 3.82% of the excess over $25,000
$50,001 - $150,000	$1,729, plus 4.74% of the excess over $50,000
$150,001 and over	$6,469, plus 5.10% of the excess over $150,000

(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

If taxable income is:	The tax is:
$0 - $20,000	2.88% of taxable income
$20,001 - $50,000	$576, plus 3.24% of the excess over $20,000

$50,001 - $100,000	$1,548, plus 3.82% of the excess over $50,000
$100,001 - $300,000	$3,458, plus 4.74% of the excess over $100,000
$300,001 and over	$12,938, plus 5.10% of the excess over $300,000

3. For taxable years beginning from and after December 31, 1998 through December 31, 2005:

(a) In the case of a single person or a married person filing separately:

If taxable income is:	The tax is:
$0 - $10,000	2.87% of taxable income
$10,001 - $25,000	$287, plus 3.20% of the excess over $10,000
$25,001 - $50,000	$767, plus 3.74% of the excess over $25,000
$50,001 - $150,000	$1,702, plus 4.72% of the excess over $50,000
$150,001 and over	$6,422, plus 5.04% of the excess over $150,000

(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

If taxable income is:	The tax is:
$0 - $20,000	2.87% of taxable income
$20,001 - $50,000	$574, plus 3.20% of the excess over $20,000
$50,001 - $100,000	$1,534, plus 3.74% of the excess over $50,000
$100,001 - $300,000	$3,404, plus 4.72% of the excess over $100,000
$300,001 and over	$12,844, plus 5.04% of the excess over $300,000

4. For taxable years beginning from and after December 31, 2005 through December 31, 2006:

(a) In the case of a single person or a married person filing separately:

If taxable income is:	The tax is:
$0 - $10,000	2.73% of taxable income
$10,001 - $25,000	$273, plus 3.04% of the excess over $10,000
$25,001 - $50,000	$729, plus 3.55% of the excess over $25,000

$50,001 - $150,000	$1,617, plus 4.48% of the excess over $50,000
$150,001 and over	$6,097, plus 4.79% of the excess over $150,000

(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

<u>If taxable income is:</u>	<u>The tax is</u>:
$0 - $20,000	2.73% of taxable income
$20,001 - $50,000	$546, plus 3.04% of the excess over $20,000
$50,001 - $100,000	$1,458, plus 3.55% of the excess over $50,000
$100,001 - $300,000	$3,233, plus 4.48% of the excess over $100,000
$300,001 and over	$12,193, plus 4.79% of the excess over $300,000

5. Subject to subsections B and C of this section, for taxable years beginning from and after December 31, 2006 through December 31, 2018:

(a) In the case of a single person or a married person filing separately:

<u>If taxable income is:</u>	<u>The tax is</u>:
$0 - $10,000	2.59% of taxable income
$10,001 - $25,000	$259, plus 2.88% of the excess over $10,000
$25,001 - $50,000	$691, plus 3.36% of the excess over $25,000
$50,001 - $150,000	$1,531, plus 4.24% of the excess over $50,000
$150,001 and over	$5,771, plus 4.54% of the excess over $150,000

(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

<u>If taxable income is:</u>	<u>The tax is:</u>
$0 - $20,000	2.59% of taxable income
$20,001 - $50,000	$518, plus 2.88% of the excess over $20,000
$50,001 - $100,000	$1,382, plus 3.36% of the excess over $50,000
$100,001 - $300,000	$3,062, plus 4.24% of the excess over $100,000
$300,001 and over	$11,542, plus 4.54% of the excess over $300,000

6. Subject to ~~subsection~~ SUBSECTIONS D AND E of this section, for taxable years beginning from and after December 31, 2018:

(a) in the case of a single person or a married person filing separately:

if taxable income is:	the tax is:
$0 - $26,500	2.59% of taxable income
$26,501 - $53,000	$686, plus 3.34% of the amount over $26,500
$53,001 - $159,000	$1,571, plus 4.17% of the amount over $53,000
$159,001 and over	$5,991, plus 4.50% of the amount over $159,000

(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

if taxable income is:	the tax is:
$0 - $53,000	2.59% of taxable income
$53,001 - $106,000	$1,373, plus 3.34% of the amount over $53,000
$106,001 - $318,000	$3,143, plus 4.17% of the amount over $106,000
$318,001 and over	$11,983, plus 4.50% of the amount over $318,000

B. For the taxable year beginning from and after December 31, 2014 through December 31, 2015, the department shall adjust the income dollar amounts for each rate bracket prescribed by subsection A, paragraph 5 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States department of labor, bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.

C. For each taxable year beginning from and after December 31, 2015 through December 31, 2018, the department shall adjust the income dollar amounts for each rate bracket prescribed by subsection A, paragraph 5 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States department of labor, bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.

D. For each taxable year beginning from and after December 31, 2019, the department shall adjust the income dollar amount for each rate bracket prescribed by subsection A, paragraph 6 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States department of labor, bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.

E. FOR EACH FISCAL YEAR BEGINNING FROM AND AFTER JUNE 30, 2020, THE DEPARTMENT SHALL REDUCE FOR THE NEXT TAXABLE YEAR EACH RATE PRESCRIBED BY SUBSECTION A, PARAGRAPH 6 OF THIS SECTION BY AN EQUAL PERCENTAGE SUCH THAT THE TOTAL AMOUNT OF THE RATE REDUCTION IS EQUAL TO THE AMOUNT CALCULATED PURSUANT TO SECTION 41-1275, SUBSECTION A, PARAGRAPH 3. IF THE AMOUNT CALCULATED PURSUANT TO SECTION 41-1275, SUBSECTION A, PARAGRAPH 3 IS EQUAL TO OR LESS THAN ZERO, THE RATES PRESCRIBED BY SUBSECTION A, PARAGRAPH 6 OF THIS SECTION AS REDUCED PURSUANT TO THIS SUBSECTION SHALL BE THE SAME AS THE RATES FOR THE IMMEDIATELY PRECEDING TAXABLE YEAR.

Sec. 3. Applicability

This act applies to taxable years beginning on or after December 31, 2020.