

REFERENCE TITLE: tax rates; reductions

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HB 2918

Introduced by
Representative Olson

AN ACT

AMENDING SECTIONS 41-1276 AND 42-5010, ARIZONA REVISED STATUTES; AMENDING SECTION 43-1011, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 412, SECTION 15; AMENDING SECTIONS 43-1311 AND 43-1711, ARIZONA REVISED STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 41-1276, Arizona Revised Statutes, is amended to
3 read:

4 41-1276. Truth in taxation levy for equalization assistance
5 to school districts

6 A. On or before February 15 of each year, the joint legislative
7 budget committee shall compute and transmit the truth in taxation rates
8 for equalization assistance for school districts for the following fiscal
9 year to:

10 1. The chairpersons of the house of representatives ways and means
11 committee and the senate finance committee, or their successor committees.

12 2. The chairpersons of the appropriations committees of the senate
13 and the house of representatives, or their successor committees.

14 B. The truth in taxation rates consist of the qualifying tax rate
15 for a high school district or a common school district within a high
16 school district that does not offer instruction in high school subjects
17 pursuant to section 15-971, subsection B, paragraph 1 and a qualifying tax
18 rate for a unified district, a common school district not within a high
19 school district or a common school district within a high school district
20 that offers instruction in high school subjects pursuant to section
21 15-971, subsection B, paragraph 2 that will offset the change in net
22 assessed valuation of property that was subject to tax in the prior year.

23 C. The joint legislative budget committee shall compute the truth
24 in taxation rates as follows:

25 1. Determine the statewide net assessed value for the preceding tax
26 year as provided in section 42-17151, subsection A, paragraph 3.

27 2. Determine the statewide net assessed value for the current tax
28 year, excluding the net assessed value of property that was not subject to
29 tax in the preceding year.

30 3. Divide the amount determined in paragraph 1 of this subsection
31 by the amount determined in paragraph 2 of this subsection.

32 4. Adjust the qualifying tax rates for the current fiscal year by
33 the percentage determined in paragraph 3 of this subsection in order to
34 offset the change in net assessed value. IN 2025, THE JOINT LEGISLATIVE
35 BUDGET COMMITTEE SHALL FURTHER ADJUST THE PERCENTAGE DETERMINED IN
36 PARAGRAPH 3 OF THIS SUBSECTION BY REDUCING THAT AMOUNT BY 1.2015 PERCENT.

37 D. Except as provided in subsections E and G of this section, the
38 qualifying tax rate for a high school district or a common school district
39 within a high school district that does not offer instruction in high
40 school subjects and the qualifying tax rate for a unified school district,
41 a common school district not within a high school district or a common
42 school district within a high school district that offers instruction in
43 high school subjects for the following fiscal year shall be the rate
44 determined by the joint legislative budget committee pursuant to
45 subsection C of this section. The committee shall transmit the rates to

the superintendent of public instruction and the county boards of supervisors by March 15 of each year.

E. If the legislature proposes qualifying tax rates that exceed the truth in taxation rate:

1. The house of representatives ways and means committee and the senate finance committee, or their successor committees, shall hold a joint hearing on or before February 28 and publish a notice of a truth in taxation hearing subject to the following requirements:

(a) The notice shall be published twice in a newspaper of general circulation in this state that is published at the state capital. The first publication shall be at least fourteen but not more than twenty days before the date of the hearing. The second publication shall be at least seven but not more than ten days before the date of the hearing.

(b) The notice shall be published in a location other than the classified or legal advertising section of the newspaper.

(c) The notice shall be at least one-fourth page in size and shall be surrounded by a solid black border at least one-eighth inch in width.

(d) The notice shall be in the following form, with the "truth in taxation hearing - notice of tax increase" headline in at least eighteen-point type:

Truth in Taxation Hearing
Notice of Tax Increase

In compliance with section 41-1276, Arizona Revised Statutes, the state legislature is notifying property taxpayers in Arizona of the legislature's intention to raise the property tax levy over last year's level.

The proposed tax increase will cause the taxes on a \$100,000 home to be \$(total proposed taxes including the tax increase). Without the proposed tax increase, the total taxes that would be owed on a \$100,000 home would have been \$_____.

All interested citizens are invited to attend a public hearing on the tax increase that is scheduled to be held (date and time) at (location).

(e) For the purposes of computing the tax increase on a \$100,000 home as required by the notice, the joint meeting of the house of representatives ways and means committee and the senate finance committee, or their successor committees, shall consider the difference between the truth in taxation rate and the proposed increased rate.

2. The joint meeting of the house of representatives ways and means committee and the senate finance committee, or their successor committees, shall consider any motion to recommend the proposed tax rates to the full legislature by roll call vote.

F. In addition to publishing the truth in taxation notice under subsection E, paragraph 1 of this section, the joint meeting of the house of representatives ways and means committee and the senate finance

1 committee, or their successor committees, shall issue a press release
2 containing the truth in taxation notice.

3 G. Notwithstanding any other law, the legislature shall not adopt a
4 state budget that provides for qualifying tax rates pursuant to section
5 15-971 that exceed the truth in taxation rates computed pursuant to
6 subsection A of this section unless the rates are adopted by a concurrent
7 resolution approved by an affirmative roll call vote of two-thirds of the
8 members of each house of the legislature before the legislature enacts the
9 general appropriations bill. If the resolution is not approved by
10 two-thirds of the members of each house of the legislature, the rates for
11 the following fiscal year shall be the truth in taxation rates determined
12 pursuant to subsection C of this section and shall be transmitted to the
13 superintendent of public instruction and the county boards of supervisors.

14 H. Notwithstanding subsection C of this section and if approved by
15 the qualified electors voting at a statewide general election, the
16 legislature shall not set a qualifying tax rate that exceeds \$2.1265 for a
17 common or high school district or \$4.253 for a unified school district.
18 The legislature shall not set a county equalization assistance for
19 education rate that exceeds \$0.5123.

20 I. Pursuant to subsection C of this section, the qualifying tax
21 rate in tax year ~~2024~~ 2025 for a high school district or a common school
22 district within a high school district that does not offer instruction in
23 high school subjects as provided in section 15-447 is ~~\$1.5930~~ _____ and
24 for a unified school district, a common school district not within a high
25 school district or a common school district within a high school district
26 that offers instruction in high school subjects as provided in section
27 15-447 is ~~\$3.1860~~ _____.

28 Sec. 2. Section 42-5010, Arizona Revised Statutes, is amended to
29 read:

30 42-5010. Rates; distribution base

31 A. The tax imposed by this article is levied and shall be collected
32 at the following rates:

33 1. ~~Five~~ FOUR AND NINETY-THREE HUNDREDTHS percent of the tax base as
34 computed for the business of every person engaging or continuing in this
35 state in the following business classifications described in article 2 of
36 this chapter:

- 37 (a) Transporting classification.
- 38 (b) Utilities classification.
- 39 (c) Telecommunications classification.
- 40 (d) Pipeline classification.
- 41 (e) Private car line classification.
- 42 (f) Publication classification.
- 43 (g) Job printing classification.
- 44 (h) Prime contracting classification.
- 45 (i) Amusement classification.
- 46 (j) Restaurant classification.

1 (k) Personal property rental classification.
2 (l) Retail classification and amounts equal to retail transaction
3 privilege tax due pursuant to section 42-5008.01.
4 2. Five and one-half percent of the tax base as computed for the
5 business of every person engaging or continuing in this state in:
6 (a) The transient lodging classification described in section
7 42-5070.
8 (b) The online lodging marketplace classification described in
9 section 42-5076 who has entered into an agreement with the department to
10 register for, or has otherwise obtained from the department, a license to
11 collect tax pursuant to section 42-5005, subsection L.
12 3. Three and one-eighth percent of the tax base as computed for the
13 business of every person engaging or continuing in this state in the
14 mining classification described in section 42-5072.
15 4. Zero percent of the tax base as computed for the business of
16 every person engaging or continuing in this state in the commercial lease
17 classification described in section 42-5069.
18 B. Except as provided by subsection J of this section, twenty
19 percent of the tax revenues collected at the rate prescribed by subsection
20 A, paragraph 1 of this section from persons on account of engaging in
21 business under the business classifications listed in subsection A,
22 paragraph 1, subdivisions (a) through (h) of this section is designated as
23 distribution base for purposes of section 42-5029.
24 C. Forty percent of the tax revenues collected at the rate
25 prescribed by subsection A, paragraph 1 of this section from persons on
26 account of engaging in business under the business classifications listed
27 in subsection A, paragraph 1, subdivisions (i) through (l) of this section
28 is designated as distribution base for purposes of section 42-5029.
29 D. Thirty-two percent of the tax revenues collected from persons on
30 account of engaging in business under the business classification listed
31 in subsection A, paragraph 3 of this section is designated as distribution
32 base for purposes of section 42-5029.
33 E. Fifty-three and one-third percent of the tax revenues collected
34 from persons on account of engaging in business under the business
35 classification listed in subsection A, paragraph 4 of this section is
36 designated as distribution base for purposes of section 42-5029.
37 F. Fifty percent of the tax revenues collected from persons on
38 account of engaging in business under the business classification listed
39 in subsection A, paragraph 2 of this section is designated as distribution
40 base for purposes of section 42-5029.
41 G. In addition to the rates prescribed by subsection A of this
42 section, if approved by the qualified electors voting at a statewide
43 general election, an additional rate increment is imposed and shall be
44 collected through June 30, 2021. The taxpayer shall pay taxes pursuant to
45 this subsection at the same time and in the same manner as under
46 subsection A of this section. The department shall separately account for

1 the revenues collected with respect to the rates imposed pursuant to this
2 subsection and the state treasurer shall distribute all of those revenues
3 in the manner prescribed by section 42-5029, subsection E. The rates
4 imposed pursuant to this subsection shall not be considered local revenues
5 for purposes of article IX, section 21, Constitution of Arizona. The
6 additional tax rate increment is levied at the rate of six-tenths of one
7 per cent of the tax base of every person engaging or continuing in this
8 state in a business classification listed in subsection A, paragraph 1 of
9 this section.

10 H. Any increase in the rate of tax that is imposed by this chapter
11 and that is enacted by the legislature or by a vote of the people does not
12 apply with respect to contracts entered into by prime contractors or
13 pursuant to written bids made by prime contractors on or before the
14 effective date of the legislation or the date of the election enacting the
15 increase. To qualify for the exemption under this subsection, the prime
16 contractor must maintain sufficient documentation, in a manner and form
17 prescribed by the department, to verify the date of the contract or
18 written bid.

19 I. For taxpayers **THAT ARE** taxable under this chapter other than
20 prime contractors taxable pursuant to section 42-5075:

21 1. Any increase in the rate of tax that is levied by this article
22 or article 2 of this chapter enacted by the legislature or by a vote of
23 the people does not apply for a period of one hundred twenty days ~~from~~
24 **AFTER** the date of the tax rate increase to the gross proceeds of sales or
25 gross income from the business of the taxpayer with respect to written
26 contracts entered into before the effective date of the tax rate increase
27 unless the taxpayer has entered into a contract that contains a provision
28 that entitles the taxpayer to recover from the purchaser the amount of the
29 additional tax levied.

30 2. The provisions of this subsection apply without regard to the
31 accounting method used by the taxpayer to report the taxes imposed under
32 article 2 of this chapter.

33 3. The provisions of this subsection shall not be considered in
34 determining the rate of tax imposed under chapter 6, article 3 of this
35 title.

36 J. Zero percent of the tax revenues that are collected at the rate
37 prescribed by subsection A, paragraph 1 of this section from persons on
38 account of engaging in business under the business classification listed
39 in subsection A, paragraph 1, subdivision (h) of this section, ~~and that~~
40 ~~are subject to any distribution required by section 42-5032.02,~~ is
41 designated as distribution base for the purposes of section 42-5029 until
42 the total amount subject to distribution pursuant to section 42-5032.02
43 has reached the maximum amount prescribed by section 42-5032.02,
44 subsection C. Thereafter, twenty percent of the remaining tax revenues is
45 designated as distribution base for the purposes of section 42-5029 as
46 provided by subsection B of this section.

1 Sec. 3. Section 43-1011, Arizona Revised Statutes, as amended by
2 Laws 2021, chapter 412, section 15, is amended to read:

3 43-1011. Taxes and tax rates

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

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

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

12 If taxable income is:

12 The tax is:

13 \$0 – \$10,000

13 2.90% of taxable income

14 \$10,001 – \$25,000

14 \$290, plus 3.30% of the excess
15 over \$10,000

16 \$25,001 – \$50,000

16 \$785, plus 3.90% of the excess
17 over \$25,000

18 \$50,001 – \$150,000

18 \$1,760, plus 4.80% of the excess
19 over \$50,000

20 \$150,001 and over

20 \$6,560, plus 5.17% of the excess
21 over \$150,000

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

24 If taxable income is:

24 The tax is:

25 \$0 – \$20,000

25 2.90% of taxable income

26 \$20,001 – \$50,000

26 \$580, plus 3.30% of the excess
27 over \$20,000

28 \$50,001 – \$100,000

28 \$1,570, plus 3.90% of the excess
29 over \$50,000

30 \$100,001 – \$300,000

30 \$3,520, plus 4.80% of the excess
31 over \$100,000

32 \$300,001 and over

32 \$13,120, plus 5.17% of the
33 excess over \$300,000

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

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

38 If taxable income is:

38 The tax is:

39 \$0 – \$10,000

39 2.88% of taxable income

40 \$10,001 – \$25,000

40 \$288, plus 3.24% of the excess
41 over \$10,000

42 \$25,001 – \$50,000

42 \$774, plus 3.82% of the excess
43 over \$25,000

44 \$50,001 – \$150,000

44 \$1,729, plus 4.74% of the excess
45 over \$50,000

1	\$150,001 and over	\$6,469, plus 5.10% of the excess
2		over \$150,000

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

5	<u>If taxable income is:</u>	<u>The tax is:</u>
6	\$0 – \$20,000	2.88% of taxable income
7	\$20,001 – \$50,000	\$576, plus 3.24% of the excess
8		over \$20,000
9	\$50,001 – \$100,000	\$1,548, plus 3.82% of the excess
10		over \$50,000
11	\$100,001 – \$300,000	\$3,458, plus 4.74% of the excess
12		over \$100,000
13	\$300,001 and over	\$12,938, plus 5.10% of the
14		excess over \$300,000

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

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

19	<u>If taxable income is:</u>	<u>The tax is:</u>
20	\$0 – \$10,000	2.87% of taxable income
21	\$10,001 – \$25,000	\$287, plus 3.20% of the excess
22		over \$10,000
23	\$25,001 – \$50,000	\$767, plus 3.74% of the excess
24		over \$25,000
25	\$50,001 – \$150,000	\$1,702, plus 4.72% of the excess
26		over \$50,000
27	\$150,001 and over	\$6,422, plus 5.04% of the excess
28		over \$150,000

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

31	<u>If taxable income is:</u>	<u>The tax is:</u>
32	\$0 – \$20,000	2.87% of taxable income
33	\$20,001 – \$50,000	\$574, plus 3.20% of the excess
34		over \$20,000
35	\$50,001 – \$100,000	\$1,534, plus 3.74% of the excess
36		over \$50,000
37	\$100,001 – \$300,000	\$3,404, plus 4.72% of the excess
38		over \$100,000
39	\$300,001 and over	\$12,844, plus 5.04% of the
40		excess over \$300,000

41 4. For taxable years beginning from and after December 31, 2005
42 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:

If taxable income is:

The tax is:

\$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:

If taxable income is:

The tax is:

\$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:

If taxable income is:

The tax is:

\$0 – \$20,000

2.59% of taxable income

\$20,001 – \$50,000

\$518, plus 2.88% of the excess over \$20,000

1	\$50,001 – \$100,000	\$1,382, plus 3.36% of the excess
2		over \$50,000
3	\$100,001 – \$300,000	\$3,062, plus 4.24% of the excess
4		over \$100,000
5	\$300,001 and over	\$11,542, plus 4.54% of the
6		excess over \$300,000

7 6. Subject to subsections D and E of this section, for taxable
8 years beginning from and after December 31, 2018 through December 31,
9 2021:

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

12	<u>If taxable income is:</u>	<u>The tax is:</u>
13	\$0 – \$26,500	2.59% of taxable income
14	\$26,501 – \$53,000	\$686, plus 3.34% of the amount
15		over \$26,500
16	\$53,001 – \$159,000	\$1,571, plus 4.17% of the
17		amount over \$53,000
18	\$159,001 and over	\$5,991, plus 4.50% of the amount
19		over \$159,000

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

22	<u>If taxable income is:</u>	<u>The tax is:</u>
23	\$0 – \$53,000	2.59% of taxable income
24	\$53,001 – \$106,000	\$1,373, plus 3.34% of the amount
25		over \$53,000
26	\$106,001 – \$318,000	\$3,143, plus 4.17% of the amount
27		over \$106,000
28	\$318,001 and over	\$11,983, plus 4.50% of the
29		amount over \$318,000

30 7. Subject to ~~subsections~~ SUBSECTION E ~~and F~~ of this section, for
31 taxable years beginning from and after December 31, 2021 through December
32 31 of the year in which notice is provided to the department pursuant to
33 section 43-243, subsection A or subsection B, paragraph 1:

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

36	<u>If taxable income is:</u>	<u>The tax is:</u>
37	\$0 – \$27,272	2.55% of taxable income
38	\$27,273 and over	\$695, plus 2.98% of the amount
39		over \$27,272

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

42	<u>If taxable income is:</u>	<u>The tax is:</u>
43	\$0 – \$54,544	2.55% of taxable income
44	\$54,545 and over	\$1,391, plus 2.98% of the amount
45		over \$54,544

8. Subject to ~~subsections~~ SUBSECTION E ~~and F~~ of this section, for taxable years beginning from and after December 31 of the year in which notice is provided to the department pursuant to section 43-243, subsection A or subsection B, paragraph 1 through December 31 of the year in which notice is provided to the department pursuant to section 43-243, subsection B, paragraph 2:

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

If taxable income is:

\$0 – \$27,272

\$27,273 and over

The tax is:

2.53% of taxable income

\$690, plus 2.75% of the amount over \$27,272

(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:

\$0 – \$54,544

\$54,545 and over

The tax is:

2.53% of taxable income

\$1,380, plus 2.75% of the amount over \$54,544

~~9. Subject to subsection F of this section, For taxable years beginning from and after December 31, of the year in which notice is provided to the department pursuant to section 43-243, subsection B, paragraph 2, 2022 THROUGH DECEMBER 31, 2025, the tax is 2.5% of taxable income.~~

10. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2025, THE TAX IS 2.47% OF TAXABLE INCOME.

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 through December 31, 2021, the department shall adjust the income dollar amount for each rate bracket prescribed by subsection A, paragraph 6 of

1 this section according to the average annual change in the metropolitan
 2 Phoenix consumer price index published by the United States department of
 3 labor, bureau of labor statistics. The revised dollar amounts shall be
 4 raised to the nearest whole dollar. The income dollar amounts for each
 5 rate bracket may not be revised below the amounts prescribed in the prior
 6 taxable year.

7 E. For each taxable year beginning from and after December 31, 2021
 8 **THROUGH DECEMBER 31, 2022**, the department shall adjust the income dollar
 9 amount for each rate bracket prescribed by subsection A, paragraphs 7 and
 10 8 of this section, as applicable, according to the average annual change
 11 in the metropolitan Phoenix consumer price index published by the United
 12 States department of labor, bureau of labor statistics. The revised
 13 dollar amounts shall be raised to the nearest whole dollar. The income
 14 dollar amounts for each rate bracket may not be revised below the amounts
 15 prescribed in the prior taxable year.

16 Sec. 4. Section 43-1311, Arizona Revised Statutes, is amended to
 17 read:

18 **43-1311. Tax imposed on estates and trusts; rates; annual**
 19 **adjustment**

20 A. Except for trusts that are taxable as partnerships or
 21 corporations under the internal revenue code, the income of estates or of
 22 any kind of property held in trust is subject only to the income tax
 23 imposed by subsection B of this section.

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

28 1. For taxable years beginning from and after December 31, 2020
 29 through December 31, 2021:

<u>If taxable income is:</u>	<u>The tax is:</u>
30 \$0 – \$27,272	2.59% of taxable income
31 \$27,273 – \$54,544	32 \$686, plus 3.34% of the amount 33 over \$27,272
34 \$54,545 – \$163,632	35 \$1,571, plus 4.17% of the 36 amount over \$54,544
37 \$163,633 and over	\$5,991, plus 4.50% of the amount over \$163,632

38 2. Subject to subsection C of this section, for taxable years
 39 beginning from and after December 31, 2021 through December 31 of the year
 40 in which notice is provided to the department pursuant to section 43-244,
 41 subsection A or subsection B, paragraph 1:

<u>If taxable income is:</u>	<u>The tax is:</u>
42 \$0 – \$27,272	2.55% of taxable income
43 \$27,273 and over	44 \$695, plus 2.98% of the amount 45 over \$27,272

3. Subject to subsection C of this section, for taxable years beginning from and after December 31 of the year in which notice is provided to the department pursuant to section 43-244, subsection A or subsection B, paragraph 1 through December 31 of the year in which notice is provided to the department pursuant to section 43-244, subsection B, paragraph 2:

If taxable income is:

\$0 – \$27,272

\$27,273 and over

The tax is:

2.53% of taxable income

\$690, plus 2.75% of the amount over \$27,272

4. For taxable years beginning from and after December 31, ~~of the year in which notice is provided to the department pursuant to section 43-244, subsection B, paragraph 2;~~ 2022 THROUGH DECEMBER 31, 2025, the tax is 2.5% of taxable income.

5. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2025, THE TAX IS 2.47% OF TAXABLE INCOME.

C. For each taxable year beginning from and after December 31, 2021 THROUGH DECEMBER 31, 2022, the department shall adjust the income dollar amount for each rate bracket prescribed by subsection B, paragraphs 2 and 3 of this section, as applicable, 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.

Sec. 5. Section 43-1711, Arizona Revised Statutes, is amended to read:

43-1711. Taxes and tax rate

If an Arizona small business taxpayer makes the election pursuant to section 43-302, there shall be levied, collected and paid for each taxable year on the Arizona small business taxable income taxes as determined in the following manner:

1. For taxable years beginning from and after December 31, 2020 through December 31, 2021, an amount equal to 3.5% of the Arizona small business taxable income.

2. For taxable years beginning from and after December 31, 2021 through December 31, 2022, an amount equal to 3.0% of the Arizona small business taxable income.

3. For taxable years beginning from and after December 31, 2022 THROUGH DECEMBER 31, 2025, an amount equal to 2.5% of the Arizona small business taxable income.

4. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2025, AN AMOUNT EQUAL TO 2.47% OF THE ARIZONA SMALL BUSINESS TAXABLE INCOME.