

JLBC Fiscal Note

BILL # HB 2273

SPONSOR: Martinez

PREPARED BY: Benjamin Newcomb

TITLE: ~~distributions; transportation projects; Pinal county~~
NOW: income tax rebate; net revenues

STATUS: House Engrossed

Description

The House Engrossed version of HB 2273 requires the Arizona Department of Revenue (DOR) to issue a one-time individual income tax (IIT) rebate to Arizona residents who 1) lived in Pinal County throughout the full period from tax year (TY) 2018 to 2024, and 2) file a full-year resident tax return for TY 2026. The rebate is \$300 per tax return filed. All rebates must be issued by DOR between October 15, 2027 and November 15, 2027 and are excluded from state income tax. The bill requires DOR to enter into an agreement with Pinal County to pay for the IIT rebates from an escrow account containing the excise tax revenue, as described below.

By way of background information, a new excise tax to fund a regional transportation plan was approved by Pinal County voters in November 2017, and this tax went into effect on April 1, 2018. Because the tax became the subject of a lawsuit filed in December 2017, excise tax revenues were deposited into an interest-bearing escrow account administered jointly by DOR and the Pinal Regional Transportation Authority (RTA). In March 2022, the Arizona Supreme Court ruled that the tax was unconstitutional. According to the Auditor General, between April 1, 2018 and February 28, 2024, DOR collected nearly \$87 million in excise tax revenues, which were deposited into the escrow account. An additional \$4 million has accrued in interest earnings. Under an agreement between Pinal County, Pinal RTA, and DOR signed in March 2024, businesses may apply for a refund through April 9, 2026 (which is distinct from the IIT rebate in the bill) for any excise tax that they have paid. According to legislative staff, recent data indicates that a little over \$41 million has been refunded so far and just over \$1 million has been used to offset other debt. This information suggests that the available balance in the escrow account is currently about \$49 million.

Estimated Impact

We estimate there will be \$23.8 million in rebates paid from the Pinal RTA-funded escrow account balance of approximately \$49 million. For this reason, the bill would not have any General Fund impact.

We do not have specific data on the number of residents who lived in Pinal County for the entirety of the period from 2018 to 2024, nor do we know how many filers lived in the county during that time frame but have since left the state. Therefore, this estimate is speculative and should be interpreted with caution.

We have asked DOR for their perspective on the bill but as of publication have not received a response.

Analysis

Our estimate assumes the following:

- 1) According to DOR, 130,960 Pinal County residents filed a full-year resident income tax return in 2018. This figure represents the maximum pool of taxpayers who potentially could qualify for the \$300 rebate under the bill.
- 2) The U.S. Census Bureau's American Community Survey (ACS) estimates that 87% of Pinal County households had lived in the county for at least a year and 5% were new residents that had moved from within the county in 2024.
- 3) Applying this 92% retention rate (87% plus 5%) to each year from 2018 to 2024, we estimate that only 79,408 taxpayers of the original pool of 130,960 resided in Pinal County continuously throughout that period
- 4) If each household files a 2026 tax return and receives a \$300 rebate, a total of \$23.8 million in rebates would be issued [= 79,408 taxpayers x \$300].

3/11/26