REFERENCE TITLE: individual income tax; rate; increase

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HB 2636

Introduced by
Representatives Sandoval: Abeytia, Aguilar, Austin, Connolly, Contreras L, Garcia, Liguori, Luna-Nájera, Márquez, Peshlakai, Simacek, Stahl Hamilton, Tsosie, Villegas

AN ACT

AMENDING SECTION 43-1011, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 412, SECTION 15; REPEALING SECTION 43-1011, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 411, SECTION 4; 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. Section 43-1011, Arizona Revised Statutes, as amended by Laws 2021, chapter 412, section 15, 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:

<u>If taxable income is:</u>	<u>The tax is:</u>
$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:

<u>If taxable income is:</u>	<u>The tax is:</u>
$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:

<u>If taxable income is:</u>	<u>The tax is:</u>
$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:

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
$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 subsections D and E of this section, for taxable years beginning from and after December 31, 2018 through December 31, 2021:

(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

7. Subject to ~~subsections~~ SUBSECTION E ~~and F~~ of this section, for taxable years beginning from and after December 31, 2021 through 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:

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

If taxable income is:	The tax is:
$0 – $27,272	2.55% of taxable income
$27,273 and over	$695, plus 2.98% 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:	The tax is:
$0 – $54,544	2.55% of taxable income
$54,545 and over	$1,391, plus 2.98% of the amount 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:	The tax is:
$0 – $27,272	2.53% of taxable income
$27,273 and over	$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:	The tax is:
$0 – $54,544	2.53% of taxable income
$54,545 and over	$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, 2026, the tax is 2.5% of taxable income.

10. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2026:

IF TAXABLE INCOME IS:	THE TAX IS:
$0 – $1,000,000	2.5% OF TAXABLE INCOME
$1,000,001 AND OVER	$25,000, PLUS 8% OF THE AMOUNT OVER $1,000,000

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 through December 31, 2021, 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~~ THE taxable year beginning from and after December 31, 2021, the department shall adjust the income dollar amount for each rate bracket prescribed by subsection A, paragraphs 7 and 8 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. 2. Repeal

Section 43-1011, Arizona Revised Statutes, as amended by Laws 2021, chapter 411, section 4, is repealed.

Sec. 3. Requirements for enactment; two-thirds vote

Pursuant to article IX, section 22, Constitution of Arizona, this act is effective only on the affirmative vote of at least two-thirds of the members of each house of the legislature and is effective immediately on the signature of the governor or, if the governor vetoes this act, on the subsequent affirmative vote of at least three-fourths of the members of each house of the legislature.