REFERENCE TITLE: income tax; additional rate; schools

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

# SB 1800

Introduced by
Senator Epstein

AN ACT

AMENDING TITLE 41, CHAPTER 56, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5706; REPEALING SECTION 43-1011, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 411, SECTION 4; AMENDING TITLE 43, CHAPTER 10, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1015; 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 56, article 1, Arizona Revised Statutes, is amended by adding section 41-5706, to read:

41-5706. K-12 infrastructure fund

A. THE K-12 INFRASTRUCTURE FUND IS ESTABLISHED CONSISTING OF MONIES DEPOSITED PURSUANT TO SECTION 43-1015. THE DIVISION SHALL ADMINISTER THE FUND. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

B. THE DEPARTMENT SHALL USE THE MONIES IN THE FUND TO PAY FOR PUBLIC SCHOOL BUILDINGS AND BUILDING RENEWAL PURSUANT TO THIS CHAPTER.

C. MONIES IN THE FUND SHALL BE USED TO SUPPLEMENT, NOT SUPPLANT, ANY EXISTING MONIES FROM ANY OTHER SOURCE FOR PUBLIC SCHOOL BUILDINGS AND BUILDING RENEWAL.

Sec. 2. Repeal

Section 43-1011, Arizona Revised Statutes, as amended by Laws 2021, chapter 411, section 4, is repealed.

Sec. 3. Title 43, chapter 10, article 2, Arizona Revised Statutes, is amended by adding section 43-1015, to read:

43-1015. Income tax; additional tax rate increment; adjustment

A. SUBJECT TO SUBSECTION C OF THIS SECTION, FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2026, IN ADDITION TO THE TAX RATE PRESCRIBED BY SECTION 43-1011, AN ADDITIONAL TAX RATE INCREMENT IS IMPOSED AND SHALL BE COLLECTED. THE ADDITIONAL TAX RATE INCREMENT IS LEVIED AT A RATE OF TWO AND SIX TENTHS PERCENT OF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME THAT EXCEEDS $1,000,000.

B. SUBJECT TO SUBSECTION C OF THIS SECTION, A TAXPAYER THAT PAID AN AMOUNT THAT IS EQUAL TO SIX AND TWO TENTHS PERCENT OF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME OR MORE IN TRANSACTION PRIVILEGE AND USE TAX UNDER TITLE 42, CHAPTER 5 DURING THE TAXABLE YEAR IS EXEMPT FROM THE ADDITIONAL TAX RATE INCREMENT PRESCRIBED BY SUBSECTION A OF THIS SECTION FOR THAT TAXABLE YEAR. A TAXPAYER CLAIMING THE EXEMPTION UNDER THIS SUBSECTION SHALL SUBMIT TO THE DEPARTMENT RECEIPTS AND OTHER SUPPORTING DOCUMENTATION DEMONSTRATING THE AMOUNT OF TRANSACTION PRIVILEGE AND USE TAX PAID PURSUANT TO TITLE 42, CHAPTER 5.

C. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2031 AND EVERY FIFTH YEAR THEREAFTER, THE DEPARTMENT SHALL ADJUST THE PERCENTAGE PRESCRIBED BY SUBSECTION B OF THIS SECTION TO MATCH THE PERCENTAGE OF TRANSACTION PRIVILEGE TAX PAID BY TAXPAYERS IN THE MEDIAN QUINTILE OF INCOME TAX BRACKETS IN THIS STATE AS REPORTED BY A NONPROFIT, NONPARTISAN TAX POLICY ORGANIZATION THAT SPECIALIZES IN TAX AND ECONOMIC POLICY.

D. NOTWITHSTANDING SECTIONS 42-1116 AND 43-206, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES COLLECTED PURSUANT TO THIS SECTION

AND DEPOSIT THOSE REVENUES IN THE K-12 INFRASTRUCTURE FUND ESTABLISHED BY SECTION 41-5706.

Sec. 4. Legislative intent

The legislature intends to:

1. Establish a dedicated revenue source to reach the goal of fully and consistently repairing all public school district buildings so they are structurally sound and equipped with fully operational heating, ventilation and air conditioning, plumbing and electrical and sound systems.

2. Support all public district schools in providing safe and appropriate rooms for learning physical education, music, art and laboratory science that are appropriate for the age of the students.

3. Help students meet the Arizona state learning standards.

4. Require taxpayers whose income is over $1,000,000 to pay the top income tax rate of five and one-tenths percent on income over $1,000,000, which was the income tax rate in effect in 1998. The base income tax rate of two and one-half percent prescribed by section 43-1011, Arizona Revised Statutes, plus the additional tax rate increment of two and sixth-tenths percent prescribed by section 43-1015, Arizona Revised Statutes, as added by this act, produces a total income tax rate of five and one-tenths percent.

Sec. 5. Short title

This act may be cited as the "Billionaires Should Pay for the Infrastructure They Use Act".

Sec. 6. 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.