



Census Data Reveal Arizona's Fundamental Tax Mismatch

Arizona is a Low Tax State, But Not for Families Living in Poverty

Data from the Census Bureau shows that overall, Arizona could be considered a “low tax state.”¹ However, families living near or below the poverty line generally do not experience Arizona as a low tax state -- instead, they pay more than their fair share of state and local taxes.

A Low Tax State With Above Average Sales Taxes

Arizona's state and local taxes are **13th** lowest in the nation as a share of personal income in 2009. At **9.3 percent** of personal income, Arizona's taxes were well below the national average of 10.4 percent. Arizona's property taxes are 8 percent below the national average and income tax collections are **47** percent below the national average.

However, the state's reliance on one tax in particular, sales and excise taxes, is dramatically above the national average (**21 percent** higher). Arizona ranks **12th** highest in terms of sales and excise taxes collected as a share of income. This heavy reliance on regressive sales and excise taxes means that Arizona isn't a low tax state for everyone.

A High Tax State for Low Income Taxpayers

Arizona's tax laws actually redistribute income away from ordinary families and towards the richest Arizonans. A November 2009 report by the Institute on Taxation and Economic Policy² found that the poorest twenty percent of Arizonans paid, on average, **12.5 percent** of their income in Arizona taxes, while the wealthiest one percent of taxpayers paid an average of only **4.6 percent** of their income in state and local taxes. In fact, taxes paid by the poorest 20 percent of non-elderly Arizonans (those with an average income of \$12,500) are **4th** highest in the nation. By this same measure, the taxes paid by Arizonans in the second quintile, with average incomes of \$27,500, were **5th** highest in the nation.

The primary reason for this mismatch is that Arizona's tax system is extremely imbalanced in its reliance on the “big three” taxes (income, sales, and property). Specifically, Arizona's tax system relies far too heavily on sales taxes, and far too little on income taxes. With poverty rates on the rise, Arizona's tax system is actually pushing families further into poverty. Reforming Arizona's unfair tax system to achieve greater fairness should be a top priority for state lawmakers. ■

¹ This brief reflects Census data for state and local tax collections for 2009, the most recent year available.

² Who Pays? A Distributional Analysis of the Tax Systems in All 50 State, 3rd Edition. (Institute on Taxation and Economic Policy, 2009). <http://www.itepnet.org/statereports/whopays.php>