



June 3, 2021

Dear Members of the Arizona Legislature:

The Arizona business community strongly supports the Fiscal Year 2022 budget framework recently released by the Office of Governor Doug Ducey and legislative leaders. On behalf of job creators large and small representing the many industries that comprise the Arizona economy, we believe adoption of this budget will make the state more competitive while also paying down debt and continuing to invest in core areas critical to our future economic growth.

We applaud the proposed reduction in the individual income tax rate that will result in a maximum rate of 4.5%. Arizona now has one of the top-10-highest individual income tax rates in the country at 8%, which is a drag on the state and local communities' ability to attract new employers, especially small businesses that pay their taxes via the individual tax code rather than the corporate tax code and its 4.9% tax rate. According to the U.S. Small Business Administration, 43.5% of private sector employment in the state is attributable to small businesses. The proposed tax reform will foster a tax environment more favorable to job growth and ease the tax burden on successful small businesses that are essential to our overall fiscal health while also meeting the expectations of voters to continue to fund K-12 education at a robust level.

We also support the plan to reduce to 17% the Class 1 commercial property tax assessment ratio. Arizona's current commercial property tax burden is comparatively high regionally and nationally and is among the country's highest for industrial property. Encouragingly, the proposed commercial property tax reform would not shift the tax burden to other types of property owners and, thanks to rising property values, would not negatively affect tax revenues. It would, however, positively impact economic development in the state and encourage new capital investment.

As you consider the various elements of the budget, keep in mind that state revenues are at record levels. That's in no small part because you have adopted policies that ensured the Arizona economy stayed open and operational during one of the most disruptive periods in the state and country's history. Furthermore, the Legislature's passage of our online sellers' law is resulting in millions in new revenue. Thanks to your commitment to keeping Arizona's economy strong, we are fortunate to be able both to make our tax code more competitive and position small businesses to hire more Arizonans and to make record-setting investment in core government responsibilities.

For example, the state's job creators are committed to working with the Legislature and Governor Ducey to ensure our talent pipeline is well positioned to fill the jobs of today and tomorrow. Our K-12 and

higher education systems are central to meeting that goal. This budget does not fall short, calling for more than \$130 million in new higher education investments and a K-12 budget that includes more than \$100 million in building renewal funding, new dollars to make sure our youngest students are learning to read, fully funding District and Charter Additional Assistance, and historically high per-pupil funding levels.

The budget is a prudent one, too, paying down more than \$500 million in debt and \$300 million in PSPRS pension shortfalls.

Arizona's economy is strong, but we can't grow complacent. States around the country are adopting policies to make themselves equally attractive to new job growth. Arizona can maintain its competitive edge by adopting a wise suite of tax reforms, reducing debt, and making key investments in core areas. We urge you to support this budget.

Sincerely,

American Council of Engineering Companies of Arizona (ACEC AZ)  
Arizona Chamber of Commerce and Industry  
Arizona Chapter of NAIOP, the Commercial Real Estate Development Association  
Arizona Farm Bureau Federation  
Arizona Lodging and Tourism Association  
Arizona Manufacturers Council  
Arizona Multihousing Association  
Arizona Restaurant Association  
Arizona Rock Products Association (ARPA)  
Arizona Small Business Association  
Arizona Tax Research Association  
Buckeye Chamber of Commerce  
Building Owners and Managers Association of Greater Phoenix (BOMA)  
Commercial Real-estate Executives for Economic Development (CREED)  
Fresh Produce Association of the Americas  
Greater Flagstaff Chamber of Commerce  
Greater Vail Area Chamber of Commerce  
InvisionAZ  
Marana Chamber of Commerce  
National Federation of Independent Business (NFIB)  
Tucson Metro Chamber  
United Dairywomen of Arizona