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Date: Tuesday, March 29, 2022 at 10:21 AM
To: Chad Heinrich <ch@chadheinrich.com>
Subject: Final Read - NFIB Key Vote - Support HB 2822

House members:

On behalf of National Federation of Independent Business (NFIB), representing thousands of Arizona small business owners, I ask you to support House Bill 2822 on the Final Read calendar. This bill reforms taxes in a key area impacting small businesses—that is, the business personal property tax.

As this is a top priority for Arizona's small business owners, House Bill 2822 will be considered a key vote for this legislative session.

From the latest research, NFIB members rank “property taxes” as their number two most pressing tax problem—second only to federal income taxes.

At its core, this tax is a form of *serial taxation*, because transaction privilege tax (sales tax) was paid when the property was acquired and then the same property continues to be taxed again and again for years following its purchase. This tax is also problematic for small businesses because it must be paid whether or not the business was profitable.

Further, the collection of this tax involves a complex system that seemingly stands as a compliance trap for small businesses. The tax collectors use a 76 page manual when administering the tax. With this level of complexity, the small business owner is at a great disadvantage and is likely to not correctly report this tax—which could lead to an audit and penalties. Worse still, only those businesses that attempt to comply are harmed. With little accountability, businesses that ignore the tax are able to avoid it altogether, while those attempting to comply can fall into the trap and end up in an audit.

House Bill 2822 would not abolish the business personal property tax, but by having just one tax rate of 2.5%, it would be a big step toward simplifying the tax. Currently the depreciation schedules vary by year and require complicated calculations to determine what tax is owed.

The goal of HB 2822 is to eliminate the sliding valuation factors and implement a standard valuation factor to simplify the tax code. Finally, as this change will only apply to newly-purchased property the impact is minimal.

Thank you for your support.

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