

NO on 208

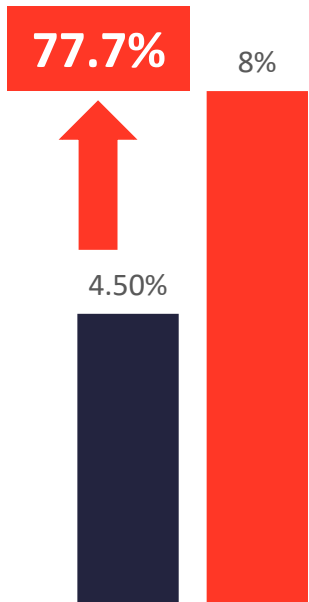
The WRONG plan at the WRONG time

WE CAN DO BETTER

Paid for by No on 208. Not authorized by any candidate.

What does Prop 208 do?

Nearly doubles top
income tax rate



TOP MARGINAL TAX RATE



- Small business killer
- Decrease in business relocation & expansion
- In first 10 years:
 - **124,00 jobs lost**
 - **(\$2.4B) hit to state & local tax revenue**
- No increase to base K-12 funding
- No base salary increases for teachers
- Volatile grants
- Less \$ for teachers than 20x2020
- No accountability

PROP 208 IS LARGEST TAX INCREASE IN ARIZONA'S HISTORY

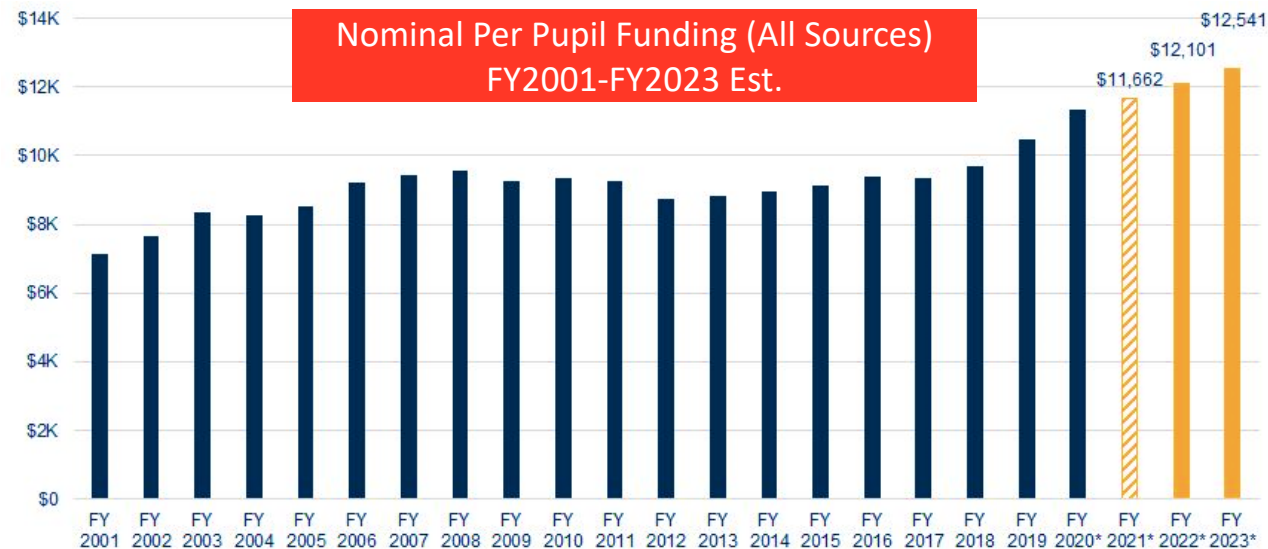
NO
208

The proponents of Prop 208 justify their crippling tax increase by suggesting state investment is lacking, but neglect to highlight the billions of dollars dedicated to K-12 in recent years.

Proponents wrongly cite cuts to K-12

Growth in AZ has increased funding

- Education funding has increased at a faster rate between FY2015 and FY2021 than at any other time in Arizona in the last 20 years.
- As of January, **\$4.5 billion NEW dollars have gone into K-12 public schools** since 2015. With the FY2021 budget this **will grow to \$6.4 billion**.
- Teachers started school a few weeks ago with **teacher pay up 20%**.
With the passage of this year's budget (not supported by the proponents of Prop 208) the State dedicated **\$645 million in permanent funding dedicated solely to teacher raises**.



Arizona used to be a high tax state

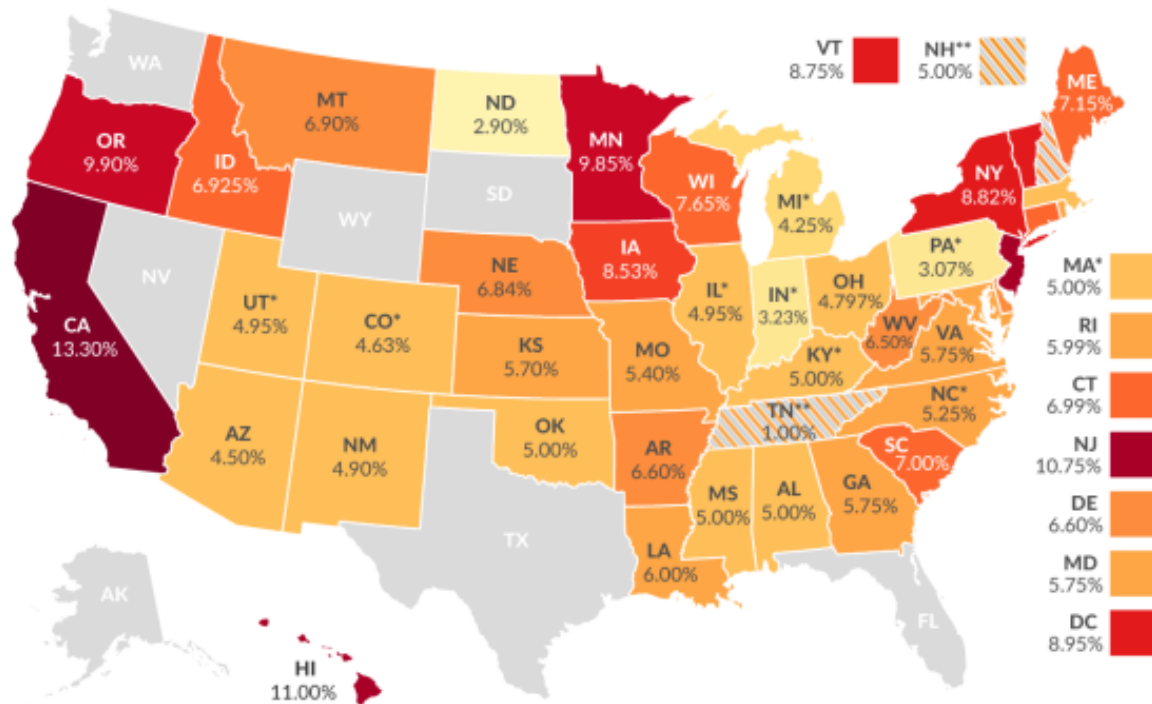
It wasn't working

- Prior to rate cuts in the 90s & 2000s, AZ was a high tax state, with a **top marginal individual rate of 7%** and a corporate income tax rate of 9%.
- Arizona was regionally uncompetitive and had few wealthy filers.
- High taxes DID NOT result in higher revenues.
- **Despite 36% rate reductions since then, Arizona's individual income tax produces 185% more revenue in 2019 than it did in 1991, adjusted for inflation. Revenue growth doubled populated growth!**
- Arizona's economic success story and sustained in-migration cannot be fully understood without appreciating its low-income tax burdens.

AZ Cannot Afford to be a Top 10 Tax State

How High are Individual Income Tax Rates in Your State?

Top State Marginal Individual Income Tax Rates, 2020



Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.

(*) State has a flat income tax.

(**) State only taxes interest and dividends income.

Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg BNA.

Top State Marginal Individual Income Tax Rates



- An 8% tax rate will catapult Arizona into the **TOP 10** highest in the country.
- Prop 208 undermines:
 - Economic recovery
 - Business friendly reputation
 - Local business expansion
 - Regional tax competitiveness
 - Business attraction
 - Retiree locations

Top Arizona Economists Agree Prop 208 is the wrong plan

“A competitive tax policy is critical to economic development. This includes reasonable, middle of the road, and what most people would consider equitable tax policies for businesses and individuals. These tenets have what has allowed us to do well for decades and even recover from some poor decisions. But our competitive tax position would be at risk under Arizona Proposition 208 otherwise known as the Invest in Ed tax increase.” – **Elliott D. Pollack**

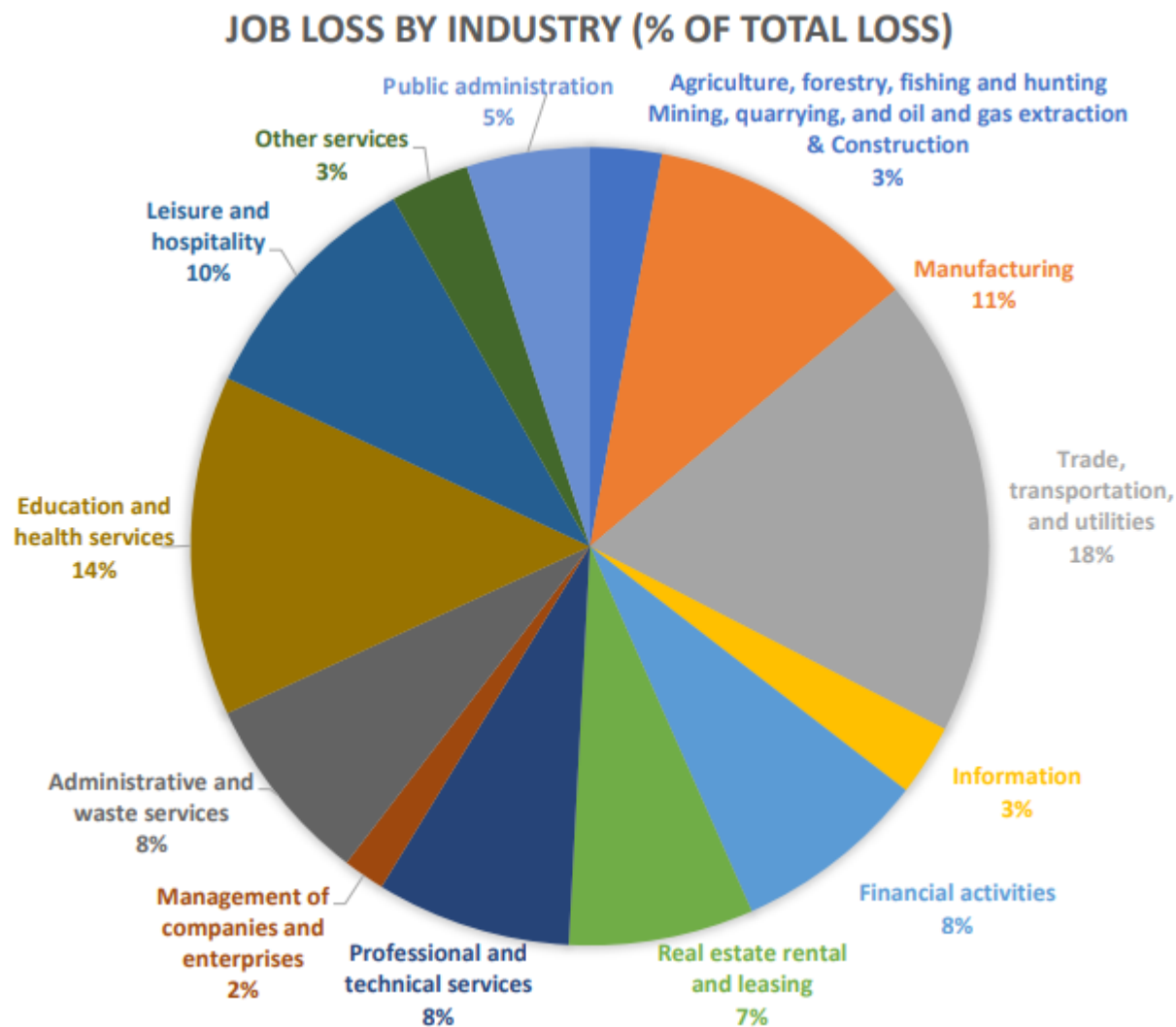
“With an economy already struggling, a massive tax increase will only depress our recovery. When the economy is healthy, there are more resources for public services, cops and firefighters, and teachers. But when we harm our economy with policies like Proposition 208, future teacher pay raises become less likely. If Proposition 208 passes, state law makes changing it nearly impossible, risking permanent damage. We should work to help the Arizona economy rebound and do more for teachers. But Proposition 208 is the wrong answer.” - **Jim Rounds**



Economic Impacts at a glance

- If passed, the combined economic impact over the first ten years would result in **124,000 jobs lost and a reduction of \$2.4 billion in state and local tax collection.**
- **REDUCED BUSINESS ATTRACTION** A competitive tax policy is critical for economic development. The most common comparison used for business location decisions is a comparison of the top marginal tax rate. The risk for new business attraction and expansion could be as large as a 25% reduction.
- **SLOWER JOB GROWTH** Will have a negative impact in growing the state's current base, resulting in economic and fiscal losses over time.
- **REDUCED WAGES** Negative impact the quality of the state's job growth overtime resulting in average wages of newly created base sector jobs falling by \$1,000 to 3,000 per year.
- **Lower base sector wages will reduce tax collections, increase social services costs, and result in fewer supplier jobs being created throughout the economy.**

Industry Wide Job Loss



**Bottom line, Prop 208
will impact everybody,
and not just high-
income individuals.**

Under Prop. 208, over 50% of those paying higher taxes will be small business owners, already struggling through COVID-19

Burden on Arizona Small Business

- Small businesses pay their taxes on the individual portion of the tax code, not on the corporate side.
- Many small businesses will have their tax rate nearly double overnight paying more than large corporations (8% vs. 4.9%).

Small Business, BIG Opposition



“Across Arizona, thousands of small businesses are struggling during a pandemic that has completely upended the economy and business environment. Twenty percent of small business owners expect they’ll have to close their doors if economic conditions do not improve in the next six months. Only 19% of owners expect conditions to get back to normal levels by the end of the year. Proposition 208’s huge 77.7% tax increase adds insult to injury to small business job creators already reeling during unprecedented economic conditions. The proposal is terrible for a host of reasons, but its timing is even worse.”

– **Chad Heinrich, Arizona State Director, National Federation of Independent Business**



“Proposition 208’s insensitive treatment of small business job creators risks long-term damage to the Arizona economy. Despite their claims to the contrary, Proposition 208’s authors demonstrate a shocking lack of understanding of how small business owners ensure sustained operations by reinvesting in their business and storing up working capital. Under the weight of a crushing tax increase, Proposition 208 punishes the enterprising small business owners who, through grit, determination, and risk-taking create thousands of jobs and power the Arizona and U.S. economies. Small business owners will be voting no on Proposition 208, and we’re urging voters across the state who care about small business jobs to do the same.”

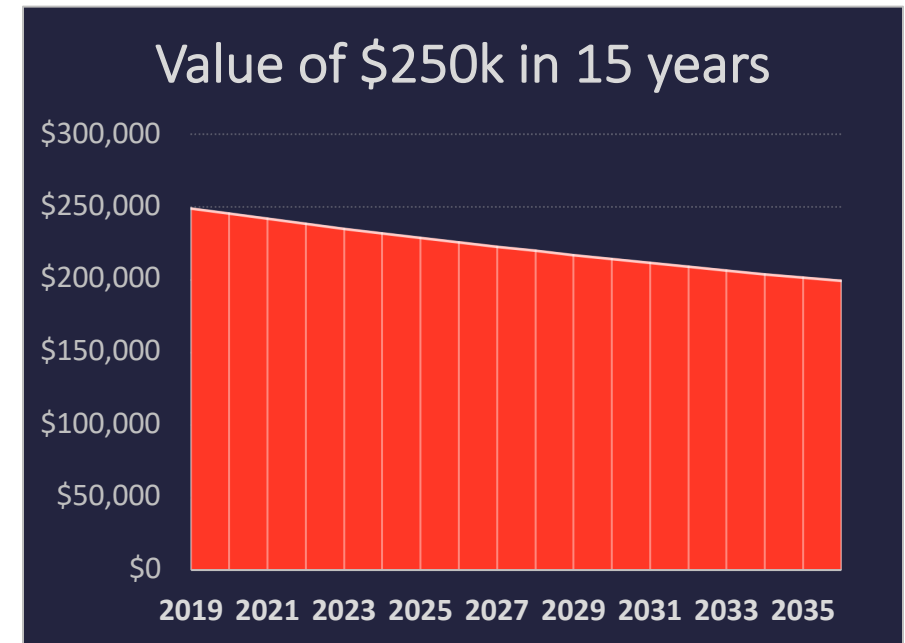
– **Jess Roman, President, Arizona Small Business Association**



The Small Business Destruction Act

Already high taxes will grow each year due to indexing omission

- **Prop 208 DOES NOT Adjust Tax Brackets for Inflation**
 - Both Federal & State income tax brackets *do* adjust
 - Adjustments avoid tax increases associated with normal inflation
- 15 years on: \$250k = \$200k
- Each year, new taxpayers & more business revenues will be impacted.
- **Effectively an annual tax increase.**
- Needless complication for filers: one tax adjusts while this tax is static.



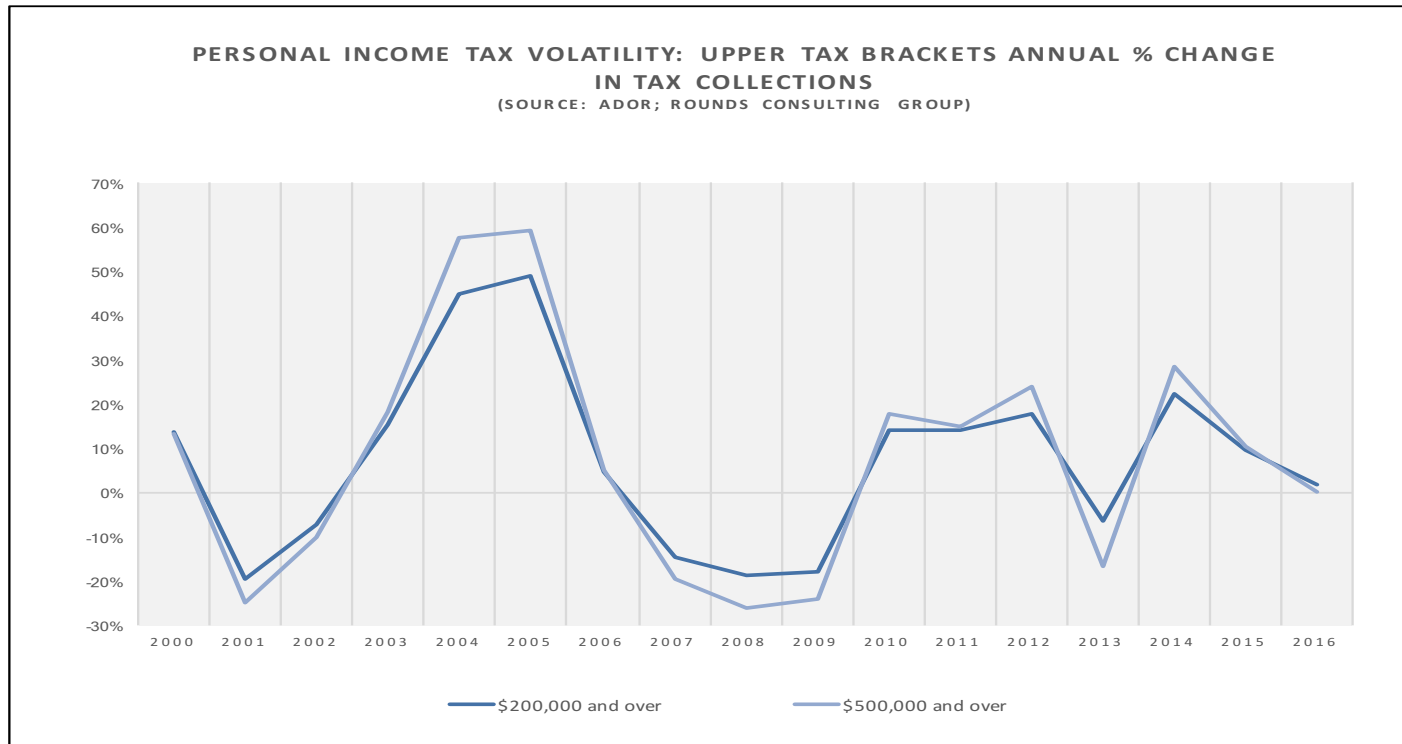
Strong economy is key to K-12 funding

Since 2015, Arizona has been able to **invest \$6.5 BILLION in K-12 education** and provide all public-school teachers with a **20% PAY RAISE** because of our pro-growth economic policies that created a thriving economy. If the economy contracts, so does funding for core government functions like education.

Increased funding for schools comes from a strong economy that generates tax revenue from creating jobs and paying workers. Not a tax increase.

Prop 208 Falls Short on Funds

Unreliable & Unstable Revenue Source

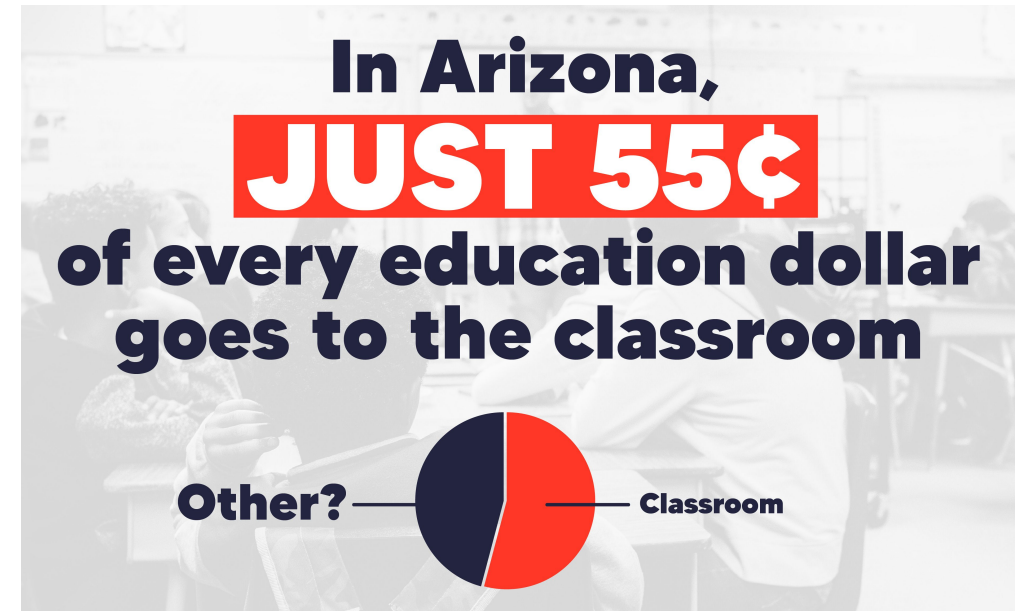


- Proponents claim to raise \$1B, but income tax is highly volatile.
- There will be **no guarantee on funding** from year to year.
- **Prop 208 won't raise base pay!** Staff will receive small bonuses only.
- Destabilizing teacher pay by tying it to a volatile source is **irresponsible & unfair to teachers**

No Strings Attached

No accountability or performance metrics

- Voters want transparency and accountability of what their taxpayer dollars are funding.
- K-12 \$ should benefit the children and teachers, NOT bureaucracy and overhead.
- Prop 208 has no mandate for accountable use of money, **no performance metrics.**
- Money can be used to simply increase staff: no guarantee teachers even get a bonus.
- Of the dollars collected, funding is first allocated for administrative costs to no fewer than four state agencies, **with no caps on administrative spending, before teachers even see a dime.**



Who Opposes?

Better Question: Who Actually Supports?

Opposition

- Entire Arizona business community
- Small business associations
- Taxpayer groups
- AZ's Top Economists
- Hundreds of Arizona elected officials

Proponents

- Out-of-state funded groups
- Teacher's Union

Who doesn't support?

- School Boards Association
- School Administrators Association
- School Business Officials Assn
- Superintendents Assn
- Charter School advocates

Prop 208 is bad policy and even worse timing: During a pandemic when thousands are out of work and small businesses are struggling the most is the wrong time to slam taxpayers with **the largest tax increase in Arizona's history while diluting the amount of revenue going directly to teacher pay increases.**

Arizona can do better for education funding.
Proposition 208 is not it.

Questions?
NoProp208AZ.com

Paid for by No on 208. Not authorized by any candidate.

