

Coalition Urges Support for Income Tax Phase Out

March 10, 2021



To: Members of the Arizona Senate
Arizona State Capitol Complex
1700 W Washington St
Phoenix, AZ 85007

Re: Support Senate Bill 1109, Income Tax Phase Out

Dear Senator,

We, the undersigned organizations dedicated to low taxes and limited government, urge you to support Senate Bill 1109, pro-growth legislation that would phase out the state income tax over time through the use of revenue triggers. If implemented, this bill would be a huge win for hardworking individual taxpayers, families, and small businesses across the Grand Canyon State, particularly if coupled with comprehensive tax reform that results in an immediate and significant tax cut.

Under the status quo, Arizona's income tax is not competitive, with a top rate of 8%. Nine states – including Arizona's neighbor Nevada and nearby Texas – do not impose taxes on wage income. Thirty-two more states – including Arizona's neighbors Colorado, New Mexico, and Utah – have top marginal individual income tax rates that are lower than Arizona's.

Putting Arizona's income tax on the path to zero would be a smart move. The Tax Foundation's *Business Tax Climate Index* consistently ranks states without individual income taxes as having friendlier business tax climates. In the [2021 edition](#), five of the top 10 best tax climates – Wyoming (1st), South Dakota (2nd), Alaska (3rd), Florida (4th), Nevada (7th) – are no income tax states. New Hampshire, which does not tax wage income and is looking to become a true no income tax state by eliminating its 5 percent tax on interest and dividend income, ranks 6th.

The American Legislative Exchange Council's [Rich States, Poor States](#) report continues to [find](#) that "states with lower taxes, especially those that avoid personal income taxes, have seen significantly better rates of in-migration than states with high income tax rates." Four of the top ten states in the *Rich States, Poor States* Economic Outlook Rankings avoid a personal income tax. For these reasons, more and more states, including Arkansas, Mississippi, and West Virginia, are looking to phase out their income taxes. Unless Arizona gets proactive, it will soon be a less attractive place to live, invest, and do business.

As such, lawmakers should prioritize SB 1109 and other efforts to provide additional and immediate income tax relief. Reducing and phasing out the income tax would promote a strong and speedy economic recovery by allowing individual taxpayers and families to keep more of their hard-earned paychecks. It would also allow small businesses, which overwhelmingly pay



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their income taxes on the personal side of the tax code, to invest more resources in additional jobs and higher wages.

Additionally, reducing and phasing out the income tax would enable Arizona to better compete with the likes of Nevada and Texas for businesses that are looking to expand, investors who are looking for opportunities to invest in growing economies, and families who are looking for greater prosperity. This would ultimately be a win for current Arizona residents as, in addition to allowing everyone to keep more of their hard-earned income, new businesses and investment would bring new jobs and higher wages to the state.

SB 1109 would responsibly phase out the state income tax over time, bringing new jobs and opportunities to the Grand Canyon State. This is sound policy, smart politics, and would make Arizona the model for other states to copy. For these reasons, we support SB 1109 and urge you to vote YES.

Sincerely,

Grover Norquist

President

Americans for Tax Reform

Lisa B. Nelson

CEO

ALEC Action

Stephen Shadegg

State Director

Americans for Prosperity Arizona

Scot Mussi

President

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