



Petitions turned in, apparently will force public vote on Arizona tax cut

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PHOENIX — It looks like Arizona voters will get the last word on a massive tax cut approved by Republican lawmakers and signed by Gov. Doug Ducey.

Education advocates and their allies turned in petitions Tuesday with what they said are 215,787 signatures to force a public vote on the GOP plan to scrap the state's progressive income tax structure in favor of a flat tax. That plan reserved the biggest benefits for individuals with a taxable income of more than \$159,000 a year.

Supporters of the ballot measure said their issue with the tax-cut plan is that the state would see a \$1.5 billion loss in revenues by 2025 when it is fully phased in. If voters reject the tax cut plan, they said, that would protect funding for education and other programs.

Secretary of State Katie Hobbs now has to send a random sample of the signatures to the recorders in each of the counties from which they came. That sampling will determine if the final tally is at least the 118,823 valid signatures necessary to force a public vote.

Business interests who trumpeted the change in tax law may file suit to try to keep the measure from going to the ballot.

But if the petition drive is upheld, it will immediately suspend the tax cut until it can go to voters to decide whether to ratify what lawmakers passed, or reject it. That cannot occur until November 2022.

Having that on the ballot could have ripple effects on other races.

Beth Lewis, co-founder of Save Our Schools Arizona, one of the organizers of the petition drive, said at a news conference Tuesday that volunteers will not just work “tirelessly” to get voters to reject the tax hike.

“They’re going to work for 13 months to finally elect a governor and a Legislature that will support and fund Arizona’s public schools,” she said.

That wouldn’t affect Ducey, who cannot run for a third term. But it could play a role in who replaces him.

Potentially more significant, it could determine whether Republicans hang on to their razor-thin majority in both the state House and Senate.

The focus, though, is on the changes GOP lawmakers and Ducey enacted in how taxes are assessed.

Under current law, the tax rate is based on net taxable income.

For individuals earning up to \$26,500 a year and couples earning \$53,000, that rate is 2.59%.

There are several interim steps before the tables top off at 4.5% for individual income of more than \$159,000; double that for married couples.

The legislation would phase in a flat 2.5% rate.

Ducey promoted the move as saving the average Arizonan about \$300 a year. But that figure is misleading.

An analysis of that change by legislative budget staffers put the savings for someone making between \$25,000 and \$30,000 a year at \$11. That increases to \$96 for those in the \$50,000 to \$75,000 taxable income range.

The bigger benefits kick in at the higher levels.

Taxpayers with income of between \$250,000 to \$500,000 would see an average \$3,071 reduction in what they owe. That increases to more than \$7,300 for those earning from \$500,000 to \$1 million.

Ducey defended the move after signing the measure, saying the state has a budget surplus and put what he called “record investments in K-12 education, infrastructure, strengthening the social safety net.”

He said the lower flat tax will make the state more competitive.

“Our economy is booming,” he said. Ducey said the reason the state has been able to put more money into education is “we’ve had people moving here, businesses growing here, and people making more money here.”

The Rev. Jeff Proctor-Murphy, representing the Arizona Interfaith Network, a member of the Invest in Arizona coalition that is working to refer the tax cut to the ballot, had a different take.

“They’ve decided to radically restructure to reward the very wealthy on the backs of everyone else,” he said. “This utter lack of political will to invest in our future generations has to stop.”

Rebecca Gau, executive director of Stand for Children Arizona, was more blunt. “Their efforts to roll back state revenues and education funding personally benefit Gov. Ducey and his wealthy political donors,” she said.

David Lujan, director of the Arizona Center for Economic Progress, one of the organizers of the petition drive, did not dispute that the state currently has a surplus. But he said Ducey and his allies are ignoring at least part of the reason.

“This last year has been a very unusual year in terms of a lot of federal dollars being pumped into our state,” most of that in grants to deal with the COVID-19 pandemic, he said. “Although we had these revenue surpluses last year, nobody knows if they’re going to continue.”

Lujan pointed out that it takes only a simple vote of the Legislature to cut taxes but a two-thirds vote of both the House

and Senate to increase them. That could prove to be an insurmountable hurdle, he said, if tax revenues slide, as they have multiple times in the past several decades, leaving the state without the cash to cover all of its needs.

And he said cash surplus or not, that there are other reasons not to forego \$1.5 billion a year in revenues.

“What we do know is that we have a public school system that is 48th in the country in per-pupil funding,” Lujan said. He argued that the claim about making Arizona more competitive is flawed.

“Arizona already has one of the lowest income tax rates in the country,” he said.

What particularly angered some referendum supporters is that the tax cuts were approved in the wake of a 2018 vote to impose a 3.5% tax surcharge on individual incomes of more than \$250,000 — double that for married couples — to add funding to public education.

Yet GOP lawmakers responded by approving two measures designed to help those affected escape all or part of the new levy. And then, business and Republican interests got the Arizona Supreme Court to effectively void the levy.

That Supreme Court ruling effectively moots efforts by Invest in Arizona to get a public vote on those two measures.