

# Flat Tax Referendum: #Invest in Arizona

Our petition drive will refer to the ballot the Flat Tax bill and two other measures that circumvent Prop 208.



## Three Dangerous Budget Bills

- A. Flat Tax
- B. Tax Cap
- C. New Tax Categories  
(Tax Shelters)

## What did the Legislature do?

In June 2021, the Legislature passed three bills as part of the budget that will erode the General Fund and subvert the will of the voters:

- A. **Flat Tax:** Senate Bill 1828 revamped our tax system, replacing graduated tax brackets with a 2.5% flat tax. **This measure permanently reduces the General Fund by \$1 billion annually.**
- B. **Tax Cap:** Senate Bill 1827 enacted a 4.5% cap on all income taxes paid, including the Prop 208 surcharge. This shields the wealthiest taxpayers\* from paying large amounts of regular income tax. They will still pay the Prop 208 surcharge on their taxable income, but will pay only 1.0% in regular income tax on those earnings to the General Fund (while everyone else pays 2.5%). **This measure permanently reduces the General Fund by \$489 million annually.**
- C. **New Tax Categories:** Senate Bill 1783 created an entirely new tax filing category that will allow some wealthy taxpayers\* to recategorize their income from pass-through business profits and avoid the Prop 208 surcharge altogether. **This measure permanently reduces the revenues from Prop. 208 by \$300 million annually.**

## Recap of Proposition 208

Prop 208 would raise up to \$1 billion in new funds earmarked for public schools.

### Who Pays?

The funding for Prop 208 comes from a 3.5% tax surcharge on:

- **Earnings over \$250,000 for Single Filers**
- **Earnings over \$500,000 for Married Filers**

(On Taxable Income only – after deductions)

### Prop 208 won with 51.75% of votes:

- ✓ **1.6 million voters voted “yes”**

## Who Really Benefits from this Tax Package?

Household Income	Average Annual Tax Benefit
Below \$0	\$ 4
\$0 - \$10,000	\$ 2
\$10,000 - \$20,000	\$ 4
\$20,000 - \$25,000	\$ 8
\$25,000 - \$30,000	\$ 11
\$30,000 - \$40,000	\$ 17
\$40,000 - \$50,000	\$ 39
\$50,000 - \$75,000	\$ 96
\$75,000 - \$100,000	\$ 231
\$100,000 - \$200,000	\$ 661
\$200,000 - \$500,000	\$ 3,201
\$500,000 - \$1,000,000	\$ 12,133
\$1,000,000 - \$5,000,000	\$ 46,624
> \$5,000,000	\$ 350,303

\*Wealthiest taxpayers = taxable earnings greater than \$250,000 (single) or \$500,000 (joint filers) annually.

## What is a referendum?

The Arizona Constitution gives the power to the people to refer an act of the Legislature to the ballot and allow the voters to decide on the bill themselves.

We have 90 days after the end of the Legislative session to collect a minimum 118,000 signatures.

Three petitions are required to overturn these three separate measures.