

ADOPTED BY THE  
MAYOR AND COUNCIL

May 4 , 2021

RESOLUTION NO. 23338

RELATING TO INCOME TAX CUT PROPOSALS AT THE ARIZONA LEGISLATURE; CALLING UPON THE ARIZONA LEGISLATURE TO OPPOSE INCOME TAX CUTS, INCLUDING THE “FLAT INCOME TAX” PROPOSAL AND SIMILAR PROPOSALS THAT WOULD SIGNIFICANTLY REDUCE VOTER-APPROVED FUNDING FOR PUBLIC SAFETY AND OTHER CRITICAL LOCAL GOVERNMENT SERVICES; AND DECLARING AN EMERGENCY.

WHEREAS, in 1972, Arizona voters approved Proposition 200, which mandated that the State of Arizona would collect individual income taxes and distribute a share of those revenues to Arizona cities and towns; and

WHEREAS, the purpose of Proposition 200 was to have a unified income tax system statewide, allowing each city and town to forego their own local income taxes but still receive a proportional share of the statewide income tax revenue, and making it easier for taxpayers to pay income tax to a single entity rather than to multiple entities; and

WHEREAS, according to the League of Arizona Cities and Towns, as much as 91% of all Arizona income is generated within Arizona’s 91 cities and towns, as cities and towns are the economic engines of our state; and

WHEREAS, the city and town share of these Voter-Approved Local Revenues, currently at 15% of the total individual income tax collected by the state, is far less than the 91% of statewide income generated for the state by and within our cities and towns; and

WHEREAS, cities and towns utilize these Voter-Approved Local Revenues for critical services such as law enforcement, fire suppression, emergency medical services, emergency communications, transportation, parks and recreation, housing and community development, waste and recycling, and other services required by residents and businesses for the maintenance of a high quality of life and a strong economy; and

WHEREAS, cities and towns also utilize these revenues to invest in infrastructure to support increased economic development, providing better jobs and higher wages to Arizona workers and their families; and

WHEREAS, the Arizona Legislature is considering a proposal to establish a 2.5% “flat income tax” rate, which would reduce Arizona’s estimated income tax revenues by \$1.5 billion per year; and

WHEREAS, this proposed \$1.5 billion reduction in revenue would mean a \$225 million annual reduction to the voter-approved local revenues to cities and towns, including an estimated \$21 million annual cut to the City of Tucson; and

WHEREAS, Governor Ducey has recommended a separate proposal that would lower income tax revenues by \$200 million in year one, \$400 million in year two, and \$600 million in year three and every year thereafter. Tucson would lose \$17 million over those three years, and \$8.5 million per year thereafter.

WHEREAS, a reduction of this magnitude would have a significant and negative impact on the critical and core services provided by the City of Tucson to our residents and local businesses, including in public safety; and

WHEREAS, cities across Arizona are experiencing significant economic development successes in the current environment, with substantial expansions and recruitments of multi-national corporations such as Apple, Microsoft, Lucid, Nikola, Taiwan Semiconductors, and Intel in cities such as Phoenix, Tucson, Chandler, and Casa Grande, demonstrating that Arizona's tax rates are competitive and fair, and provide sufficient funds for quality public services, and no radical income tax cuts are necessary; and

WHEREAS, large income tax reductions will place additional pressure on more regressive taxes that disproportionately affect lower-income Arizonans, such as sales and property taxes, to support critical public services; and

WHEREAS, the biggest beneficiaries of a 2.5% "flat income tax" would be upper income Arizonans, and these individuals have already disproportionately benefitted by lower federal income tax rate reductions in the 2017 Federal Tax Cuts and Jobs Act; and

WHEREAS, the current income tax cut proposals utilize one-time funding sources from the federal CARES Act and American Rescue Plan to offset permanent income tax cuts, which is not only fiscally responsible and contrary to basic budgeting practices, but potentially violates provisions in the American Rescue Plan that specifies that states cannot use funds they receive "to either directly or indirectly offset a reduction in the net tax revenue"; and

WHEREAS, Arizona law requires a 2/3 majority vote in each legislative body to increase taxes and only a simple majority vote to lower taxes, thereby making any radical

tax cuts difficult to undo in any future economic downturn, putting essential services at risk at the precise time they are especially needed by residents and businesses;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF TUCSON, ARIZONA, AS FOLLOWS:

SECTION 1. The Mayor and Council of the City of Tucson call on the Arizona Legislature to exercise its authority, and to carry out its self-assumed responsibilities, for the purpose of protecting and promoting the health, safety and welfare of Arizonans and protecting Arizona's economy by opposing all income tax cut proposals, including the "flat income tax" proposal and any others that would significantly reduce income tax revenues.

SECTION 2. If the Arizona Legislature, with the consent of the Governor of the State of Arizona, approve an income tax cut, the Mayor and Council call on the Legislature and Governor to utilize their budgeting authority to restore all reduced revenues to cities and towns in future years in keeping with the spirit of the 1972 Proposition 200's mandate that these Voter-Approved Local Revenues are allocated to the Arizona cities and towns that generate these revenues for our state.

SECTION 3. The various City officers and employees are authorized and directed to perform all acts necessary or desirable to give effect to this Resolution.

SECTION 4. WHEREAS, it is necessary for the preservation of the peace, health and safety of the City of Tucson that this Resolution become immediately effective, an emergency is hereby declared to exist, and this Resolution shall be effective immediately upon its passage and adoption.

PASSED, ADOPTED AND APPROVED BY THE MAYOR AND COUNCIL OF  
THE CITY OF TUCSON, ARIZONA, May 4, 2021.

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MAYOR

ATTEST:

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CITY CLERK

APPROVED AS TO FORM:

REVIEWED BY:

\_\_\_\_\_  
CITY ATTORNEY

\_\_\_\_\_  
CITY MANAGER

MR:dg

4/30/21