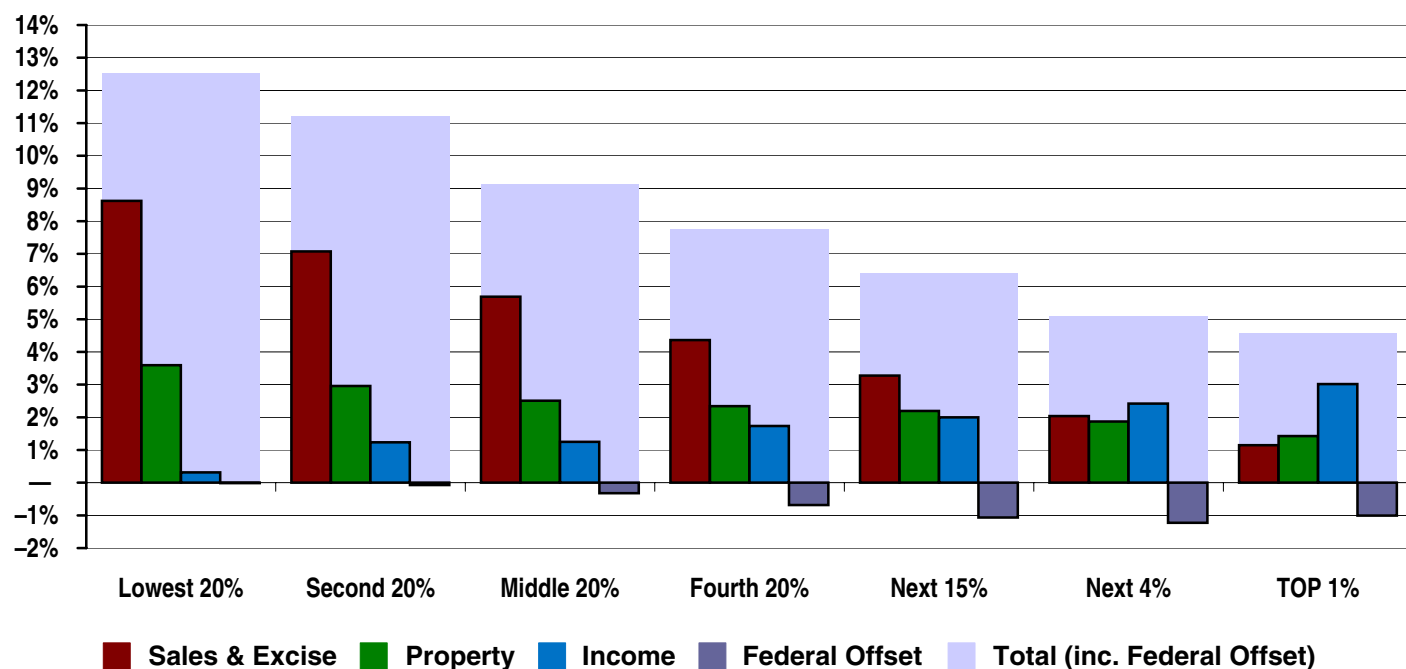


Arizona

State & Local Taxes in 2007

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$20,000	\$20,000 – \$33,000	\$33,000 – \$52,000	\$52,000 – \$86,000	\$86,000 – \$174,000	\$174,000 – \$437,000	\$437,000 or more
Average Income in Group	\$12,500	\$27,500	\$40,600	\$66,300	\$115,300	\$256,400	\$1,460,400
Sales & Excise Taxes	8.6%	7.1%	5.7%	4.4%	3.3%	2.0%	1.1%
General Sales—Individuals	3.9%	3.5%	2.9%	2.3%	1.8%	1.1%	0.7%
Other Sales & Excise—Ind.	1.4%	0.9%	0.6%	0.5%	0.3%	0.2%	0.1%
Sales & Excise on Business	3.3%	2.7%	2.1%	1.6%	1.2%	0.7%	0.4%
Property Taxes	3.6%	3.0%	2.5%	2.3%	2.2%	1.9%	1.4%
Property Taxes on Families	3.3%	2.7%	2.2%	2.1%	1.9%	1.6%	0.5%
Other Property Taxes	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.9%
Income Taxes	0.3%	1.2%	1.3%	1.7%	2.0%	2.4%	3.0%
Personal Income Tax	0.3%	1.2%	1.2%	1.7%	2.0%	2.4%	2.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%
TOTAL TAXES	12.5%	11.3%	9.4%	8.4%	7.5%	6.3%	5.6%
Federal Deduction Offset	-0.0%	-0.1%	-0.3%	-0.7%	-1.1%	-1.2%	-1.0%
TOTAL AFTER OFFSET	12.5%	11.2%	9.1%	7.8%	6.4%	5.1%	4.6%

Note: Table shows 2007 tax law updated to reflect permanent changes in law enacted through October 2009.

Arizona

State & Local Taxes

Features, Developments, and Comparisons

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides an income tax credit to reduce the impact of the sales tax
- ✓ Sales tax base excludes groceries

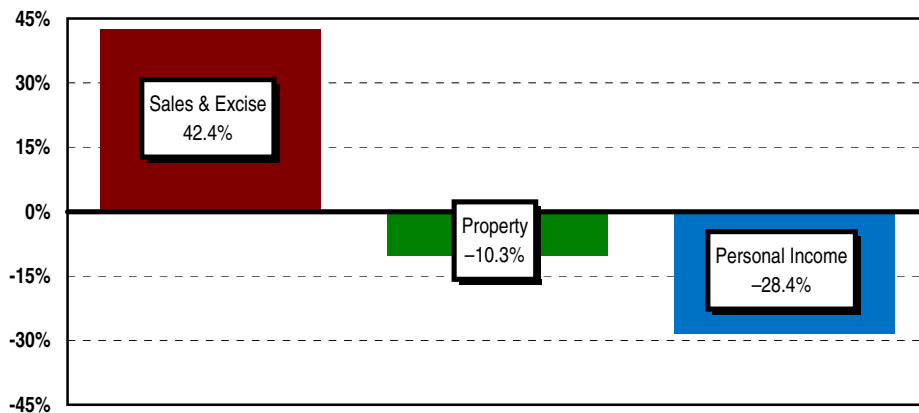
Regressive Features

- ✗ Comparatively high reliance on sales taxes
- ✗ Comparatively high cigarette tax rate
- ✗ Fails to provide an earned income tax credit (EITC)

Recent Developments

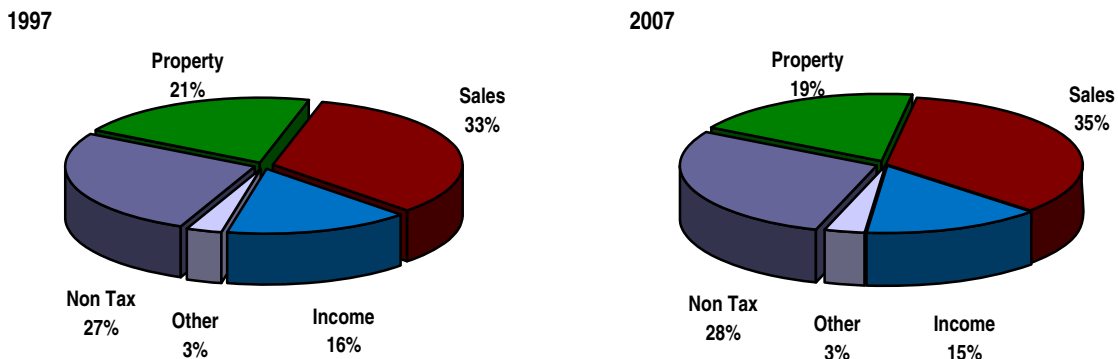
- ▲ Reduced all personal income tax rates by 10 percent
- ▲ Now indexes standard deduction to inflation

Select State and Local Taxes Relative to the National Average



Source: Government Finances, US Department of Census

Change in the Composition of Revenue



Source: U.S. Census Bureau, Government Finances