



News Release

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Gov. Napolitano Backs Two Tax Hikes as Arizona Economy Struggles

Sales tax increase would add \$1.2 billion and property taxes another \$250 million annually in new tax burden

Phoenix, AZ – Steve Voeller, president of the Arizona Free Enterprise Club, today warned Arizonans to brace for a heavy tax burden in 2010. Against the backdrop of a slowing economy, a \$1.5 billion deficit next year, and billions more in total state debt, Gov. Napolitano is supporting two major tax increases.

This year the governor vetoed a bill that would have prevented a statewide property tax increase from coming back on the books in 2009. Without further action, a property tax cut that passed in 2006 will return next year at a cost of \$250 million a year.

In her veto message, Napolitano said that making the tax cut permanent would “be the height of fiscal irresponsibility.” Soon thereafter, the governor signed a budget into law that added \$2 billion in new debt, including \$1 billion in university construction that is financed by a planned expansion of the Arizona lottery.

The governor is also the lead proponent of a new statewide sales tax increase for various transportation projects, grants to non-profit organizations, and wildlife habitat preservation (the TIME initiative). This tax would add \$1.2 billion annually to the Arizona tax burden beginning in 2010. The new state sales tax rate would be 6.6 percent (a 17.8 percent increase) and would give Arizona the fifth-highest sales tax rate in the country.

“Arizona’s economy just had one of the worst quarters in recent history and an unemployment rate jump not seen since 1991,” Voeller said. **“The last thing we need now is a tax increase.”**

According to the Joint Legislative Budget Committee, Arizona personal income grew by 3.8 percent in the first quarter, the slowest growth rate since October 2003. On an annualized basis, Arizona personal income growth ranked 42nd in the nation.

“You can’t tax your way to prosperity,” Voeller said. “What our economy needs now is a freeze on all tax increases and a serious dose of spending restraint.”

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