

## Prop. 100 raises questions about tax breaks

BY MIKE SUNNUCKS

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The May 18 vote on Proposition 100 is opening a political can of worms over existing tax breaks and exemptions.

Prop. 100 would raise the state's 5.6 percent sales tax by 1 point, bringing in \$3 billion over its three-year life span. It is aimed at helping the state close \$5 billion worth of deficits.

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**David Leibowitz**

"Yes on 100" campaign

But the sales tax increase will not raise one penny from services and items that aren't already subject to the existing sales tax — or from copper mining, which is taxed at a lower 3 percent rate.

Opponents of Prop. 100 say they will bring up these "loopholes" as part of the tax debate and are ready to point out business interests that are exempt from sales taxes, yet are supporting the "Yes on 100" campaign.

"I think it's all fair game," said Steve Voeller, president of the conservative, antitax Arizona Free Enterprise Club.

Voeller said anytime taxes — particularly sales taxes — are debated in Arizona, arguments arise over tax breaks throughout the state's system.

A January report by Arizona State University's Morrison Institute for Public Policy showed 200 state sales tax exemptions, including solar energy equipment, health club memberships, farm products, manufacturing materials, and personal and professional services ranging from nail salons to law and architecture firms.

The Legislature opted to increase the existing sales transaction privilege tax, or TPT, instead of following

rival plans that would have kept the rate the same or even lowered it, but eliminated some or all of the exemptions.

Business groups oppose extending the sales tax to items that now are exempt.

"One of the many problems with Prop. 100 is that it does not reform the existing TPT," said Tom Jenney, state director of Americans for Prosperity.

"The key to getting a more stable sales tax is to broaden the base and lower the rate until it's revenue-neutral," he said. "By some estimates, we could end up lowering the state rate from 5.6 cents per dollar to 3 cents per dollar. Instead, what Prop. 100 does is raise the rate on the products that are currently subject to the tax from 5.6 cents to 6.6 cents."

David Leibowitz, spokesman for the "Yes on 100" campaign, expects opponents to tap into Arizona's conservative antitax sentiments rather than make nuanced arguments about tax exemptions or rates.

"To them, any tax increase is a bad tax increase," Leibowitz said. "I suspect the people who vote 'no' are simply knee-jerk antitax folks."

Leibowitz and other backers of Prop. 100 — including Gov. Jan Brewer and chambers of commerce — say without the \$3 billion tax increase, the state will have to cut at least \$1 billion more from the state budget, including funds for education and public safety.

Business organizations supporting Prop. 100 include the **Greater Phoenix Chamber of Commerce** and Greater Phoenix Leadership. Opponents include Voeller, Jenney and Republican U.S. Sens. John McCain and Jon Kyl, who worry that raising the sales tax will hurt consumers and small businesses when Arizona's economy has been rocked by the recession.

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"Yes on 100" campaign: [www.yeson100.com](http://www.yeson100.com)

Americans for Prosperity: [www.americansforprosperity.org/arizona](http://www.americansforprosperity.org/arizona)

