



February 7, 2007

**An Open Letter to the Arizona Legislature:  
Support Economic Freedom and Reduce the Corporate Income Tax Rate**

Dear Legislator:

On behalf of the 10,100 Arizona members of the National Taxpayers Union, I urge you to reduce the income tax rate levied on businesses incorporated in your state. Arizona has enjoyed large budget surpluses in recent years, but that good fortune will not last unless the money is reinvested in the taxpayers who produced it rather than squandered on bigger government.

On January 29, the House Ways and Means Committee passed a bill (HB 2336) to reduce Arizona's income tax rate on incorporated businesses from 6.968 percent to 6.62 percent (retroactive to the beginning of the 2007 tax year). Passage of HB 2336 would likely keep over \$40 million in the hands of Arizona's taxpayers in fiscal year 2008 alone, and it would represent a 5 percent tax cut for businesses that provide jobs and allow citizens to prosper. If Arizona's tax climate (not to mention its economy) is to remain competitive with those of other states, the Legislature must act on fundamental changes to the tax system's structure.

While some argue for maintaining high corporate income taxes because it targets "deep pockets" that can "afford" to pay, in reality a large portion of corporate income tax costs are passed on to consumers and workers in the form of higher-priced goods and lower salaries. Of course, tax costs are also borne by business equity owners, but as an economist with the Tax Foundation points out, individuals far outside the fabled champagne-and-caviar crowd are often affected by this burden as well:

Lower and middle income individuals today own a large percentage of corporate America through pension funds, insurance plans, and other pools of savings. This means that even if the entire burden of the corporate income tax falls on capital, lower and middle income Americans pay a large share of the tax through reduced pensions and other returns to saving. Consequently, taxing corporations imposes a significant tax burden on all Americans.

As a member of the 48<sup>th</sup> Session of the Arizona Legislature, you've been presented with a variety of options to lower the state's tax burden, including bills to reduce the personal income tax rates and to eliminate the county equalization property tax rate. We encourage you to take a multi-pronged approach to lowering taxes in Arizona, and our members look forward to the advancement of corporate income tax cuts as one of many routes to greater economic freedom.

Sincerely,

Kristina Rasmussen  
Senior Government Affairs Manager