



STATE OF ARIZONA
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY
GOVERNOR

EXECUTIVE OFFICE

September 29, 2022

Robert Woods
Arizona Department of Revenue
1600 West Monroe Street
Phoenix, AZ 85007

RE: Accelerated Tax Relief for Arizona Families

Dear Mr. Woods:

It's no secret that Arizona's economy is booming. Over the last eight years, we've made responsible decisions to live within our means, reduce burdensome government regulations, lower taxes every year and ensure our state remains a great place to live.

Every year, as we've delivered on a promise to lower and simplify taxes, we've gained more tax payers. It's working. People and businesses are moving here in droves: we've added 400,000 jobs since 2015, our Rainy Day Fund sits at the highest level in state history at \$1.4 billion, and economists forecast Arizona will have a \$4 billion budget surplus through 2024. It's no surprise Arizona ranks #1 for economic performance, according to the most recent *Rich States, Poor States* report — the ALEC-Laffer State Economic Performance Ranking.

The result is a thriving economy with record revenues.

In July 2021, I signed a historic tax reform package that secures the lowest flat tax in the nation, reduces every Arizonans' tax rate no matter their income, eliminates income taxes on veterans' military pensions, increases the charitable contribution deduction to 100 percent, and protects small businesses from a 77.7 percent tax increase.

It's time to deliver lasting tax relief to Arizona families and small businesses so they can keep more of their hard-earned money.

The 2.5 percent flat tax was scheduled to phase in over three years. Due to Arizona's continued economic growth and record surplus, the flat tax has been unlocked ahead of schedule, indicated by a September 29 joint memo from the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting.

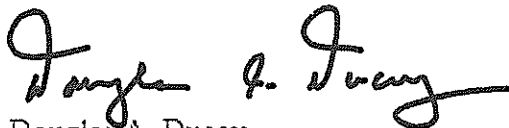
In the memo, JLBC and OSPB determined that General Fund revenues excluding the beginning balance in Fiscal Year 2022 were \$16.7 billion — exceeding the statutory thresholds required to immediately implement the 2.5 percent flat tax, in the coming tax year.

Thanks to unprecedented economic growth, we can deliver additional tax relief to Arizonans one year ahead of schedule.

Today, consistent with the law passed last year, I am directing the Arizona Department of Revenue to enact Arizona's 2.5 percent flat tax for tax year 2023.

In Arizona, we believe you deserve to keep the money you earn. This tax relief keeps Arizona competitive and preserves our reputation as a jobs magnet and generator of opportunity.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas A. Ducey". The signature is fluid and cursive, with a long horizontal stroke at the end.

Douglas A. Ducey
Governor
State of Arizona