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SPECIAL-INTEREST TAX BREAK WOULD HURT ARIZONA CITIES AND TOWNS

(PHOENIX)--A bill set to be debated at the Arizona House of Representatives on Wednesday seeks to give a special-interest tax break to the multifamily housing industry while harming Arizona cities' and towns' abilities to deliver critical services to residents.

HB2254, sponsored by Rep. Darin Mitchell (R-Litchfield Park) would completely eliminate the transaction tax on residential rentals—houses and apartments. This has been a major source of revenue for Arizona cities and towns for more than 50 years, which pays for things like police, firefighters, parks, libraries and other quality-of-life services.

HB2254 would be the largest hit to local revenues of any single piece of legislation in the last decade. "This bill strikes at the heart of municipal budgets, and is nothing more than a special-interest tax break for the well-funded multifamily and apartment industry," said Tempe Mayor Mark Mitchell, President of the League of Arizona Cities and Towns. "Furthermore, 80 percent of Arizonans live in cities and towns and rely on their local governments to provide quality services that attract jobs and provide a safe and vibrant community in which to work and live."

If HB2254 becomes law, it will have an impact on city services, either public safety or other quality of life services, since local elected officials—like state lawmakers—are reluctant to raise taxes on their citizens.

Unlike other tax break bills, this one has no performance benchmarks, no cost-benefit studies and no job creation requirements. Nothing in the bill requires the property owner to pass any savings on to the renter.

In most other states, local public services are financed by much higher property taxes than those in Arizona. Nearly half of all cities and towns in the state do not even have a local property tax, but 71 of the 91 municipalities have adopted the residential rental tax.

Mayors and other local officials from all parts of the state have been calling for the bill's defeat, particularly as many cities and towns have yet to recover from the recent recession.

HB2254 seeks to upend Arizona's decades-long policy of transaction taxes being the primary source of local revenue. Furthermore, our system taxes all business transactions – and renting a property is a business transaction.

"Cities and towns share the statewide vision of improving Arizona's fiscal outlook through aggressive economic development efforts," said Chandler Mayor Jay Tibshraeny, Vice President of the League of Arizona Cities and Towns. "All this bill does is hurt those efforts by hampering our ability to provide quality of life amenities that businesses look for when they make decisions to locate or expand their operations."

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