

Will my Taxes Go Up?

By Incorporate Vail AZ

Taxes are complicated and it's something we all love to hate! We also want good roads, safe neighborhoods, and abundant parks. Seldom do we connect the dots between taxes and government services but we all want the benefits as long as someone else pays for it. As Oliver Wendell Holmes said, "I hate paying taxes but I love the civilization they give me."

There are a lot of different types of taxes so to answer the question about potential tax increases through incorporation, we have to identify which taxes are relevant.

Under Arizona law, the State shares four different buckets of taxes with incorporated cities and towns. Counties are not eligible. These are taxes we already pay but without incorporation, we don't get. All of us pay State income Tax, State Sales tax, Highway Users Revenue Fund (HURF or Gas tax), and Vehicle License Tax (VLT). This collection of taxes is called State Shared Revenue and amounts to \$9.9 million annually based on the Incorporate Vail AZ Technical Advisory Committee analysis. If we do not incorporate, the \$9.9 million (about \$330 per capita) is distributed to other incorporated cities or towns in Arizona, most of which reside in Maricopa County. Incorporation will NOT increase our state taxes but rather allow us to use tax dollars that we already pay for local purposes. If we incorporate, this is a big WIN for Vail residents.

We already pay State Sales Tax at the rate of 5.1% and the Regional Transportation Authority of Pima County ("RTA") tax of .5%. In both cases, we have an opportunity to get some of this money back through incorporation. For the State Sales tax, it comes back to us through the State Shared Revenue formula and for the RTA, it comes back to us through transportation projects. Our voice at the RTA is currently through Pima County but if incorporated, we would have our own seat at the table. In fact, under state statute, the Town of Vail would be guaranteed at least 1% of RTA revenue – just over \$1m a year. We don't have this guarantee today because it's only available to cities and towns. This is a WIN for Vail.

Most cities and towns implement a local sales tax to help fund local government. For those of us who buy things at Walmart, Rancho Rustico, or Frys (all in the City of Tucson), we pay 8.7% sales tax, 2.1% of which goes to the City of Tucson – Vail residents paying City of Tucson taxes. To the extent that commercial enterprises open in Vail, we'd be able to keep the sales taxes we pay. If the newly incorporated Town of Vail were to implement a local sales tax (as assumed by the Technical Advisory Committee), we'd pay more at Walgreens (in the Town of Vail) but it would all come back to us. The additional local sales tax isn't ideal but the ability to keep our sales tax local is another WIN for Vail residents.

Finally, let's consider Property Tax. When most people ask the question about taxes going up, they are thinking about Property Tax. Our current property tax is comprised of multiple components such as taxes for the Vail Unified School District, the Rincon Valley and Corona Fire Districts, the Library District, Pima Community College, and the Pima County property tax. The Districts and PCC are unaffected by incorporation. They stay the same. The Pima County portion of our property tax provides the local government services such as Sheriff, sewer if connected, parks, transportation services (aka roads), etc. Because Pima County is NOT eligible for State Shared Revenue it must fund those services another way

such as higher property taxes on residents of unincorporated Pima County. It's set up this way because Cities and Towns are supposed to provide municipal services, not counties. The Town of Vail could implement a local property tax but most new towns don't and it would require a majority vote of Vail citizens. The assumption by the Incorporate Vail AZ Technical Advisory Committee does not include a property tax. Here's the *theoretical* irony. Because Counties don't get State Shared Revenue, the higher the population in unincorporated Pima County, the higher our property taxes will be. If we "Do Nothing" and population continues to increase, our property taxes will also go up! And if communities like Vail incorporate, our Pima County property tax will go down! Theoretically, this is another WIN for Vail.

Arizona legislators don't like taxes. As such, the State legislature has created laws prohibiting a town council from implementing a property tax without the vote of its constituents. If the Town of Vail wanted a property tax, it would have to be presented on a ballot to the Vail registered voters and approved by a majority of electors. It's a way to keep Cities and Towns accountable for tax increases.

In response to the question "will my taxes go up" it is dependent on the new town council. Based on the Technical Advisory Committee analysis and assumptions, sales tax would increase but property tax would not. If the question is "whether my taxes provide a greater benefit to Vail residents," the answer is empathically yes. Vail would receive more tax money back than any new taxes imposed, it would come from taxes that we already pay, and Vail would have direct control over how it would be spent. We'd probably still hate taxes but we'd love the local community it gives us.