

September 21, 2021

To the Members of the Arizona Congressional Delegation:

We - the undersigned chambers and business organizations from across the state and across all industry sectors - urge you to reject plans in Washington to increase taxes on businesses both large and small.

The proposed tax increases that will pay for the massive \$3.5 trillion reconciliation package will hurt Arizona businesses, employees, and consumers at a time when the state's economy continues to grapple with the ongoing effects of the pandemic and acute workforce shortages.

With a state corporate tax rate of 4.9%, the current proposal to increase the federal corporate rate from 21% to 26.5% will result in Arizona businesses having to pay a combined rate of 31.4% - that's more than five points higher than the weighted average rate of every other developed nation on Earth. A rate of 31.4% would be significantly higher than that of China's (25%) and the average rate in the European Union (21.7%). In other words, the proposal to increase the federal corporate tax rate will put Arizona businesses at a competitive disadvantage.

Raising the corporate rate will also result in higher utility bills for Arizona businesses and residents. Because utility providers are regulated by the Arizona Corporation Commission, they must pass along the increased costs resulting from the corporate rate increase directly to consumers.

The Arizona business community also opposes changes to the Global Intangible Low-Tax Income (GILTI) tax. Arizona's economic success relies on our ability to compete in a global marketplace. Changes to GILTI would not only result in large tax increases on many Arizona-based companies, but the combination of GILTI changes and the increase in the corporate tax rate will make Arizona an outlier, again putting our companies at a competitive disadvantage with their foreign competitors.

Congress is also considering significant tax increase on the pass-through business sector, including raising the top individual tax rate, lowering the top rate's threshold, imposing the 3.8 percent Net Investment Income Tax (NIIT) to all forms of business income, and capping the 199A deduction. Coupled with the Arizona's income tax, this package of rate hikes would increase the top rate on our state's pass-through businesses to over 40 percent of their taxable income.

Finally, Congress is considering raising the capital gains tax to 25 percent. The rate increase will affect approximately two-thirds of capital investment in the U.S. and could dampen investments in Arizona start-ups and hurt Arizona families as they save for retirement or look to buy a new home.

Arizona businesses are at a critical juncture as we attempt to survive and recover from the COVID-19 pandemic. We ask that you move our economy in the right direction by opposing these job-killing tax hikes that threaten to derail our economic recovery.

Sincerely,

Ahwatukee Foothills Chamber of Commerce

Americans for Prosperity Arizona

American Council of Engineering Companies
of Arizona

Apache Junction Area Chamber of Commerce

Arizona Bankers Association

Arizona Builders Alliance

Arizona Chamber of Commerce and Industry

Arizona Chapter National Safety Council

Arizona Farm Bureau Federation

Arizona Lodging & Tourism Association