

## Appendix A – Tax Structure Arizona

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Following is a description of the applicable tax categories that will be calculated for the Goodwill Arizona model:

- Sales Tax

The State charges a sales tax on retail goods and services. The sales tax rate for the State is 6.6%. Taxable sales result from the spending of direct and indirect employees. This spending includes all categories of taxable sales (retail, restaurant and bars, groceries, entertainment, utilities and rentals of personal property). Based on data from the U.S. Consumer Expenditure Survey, the projected extent of retail spending and resulting sales tax receipts is calculated.

State sales taxes will also be collected from two other sources.

- Local supplies and purchases.** A direct sales tax can be determined if the user inputs local supplies and purchases that are taxable and purchased within the region.
- Direct sales.** Some companies (primarily retail establishments) will also charge a sales tax on the goods or services they sell.

- State Income Tax

The State of Arizona collects taxes on personal. Personal income percentages are based on the latest income tax data from the State and the projected wage levels of jobs created by the project. This tax is applied to the wages and earnings of direct and indirect employment resulting from the operation of the company. Portions of this tax are redistributed through revenue sharing to cities throughout Arizona based on population.

- State Unemployment Tax

Unemployment insurance tax for employees is currently 2.7% on the first \$7,000 of earned income. This factor is applied to the projected wages and earnings of direct and indirect employees.

- Highway User Revenue Fund (HURF) Tax

The State of Arizona currently collects a motor vehicle fuel tax of \$0.18 per gallon of gasoline. The tax revenue is calculated based on the average vehicle traveling 12,000 miles per year at 20 miles per gallon. These factors are applied to the projected direct and indirect employee count supported by the company. Portions of this tax are distributed to cities and counties throughout Arizona based on a formula that includes population and the origin of gasoline sales.

- Vehicle License Tax

The vehicle license tax is a personal property tax placed on vehicles at the time of annual registration. This factor is applied to the projected direct and indirect employee count supported by the construction or operations. The average tax used in this analysis is \$325



and funds are shared between the cities, county and state in accordance with population based formulas.

- State Shared Revenues

Each city in Arizona receives a portion of State revenues from four different sources - State sales tax, State income tax, vehicle license tax and highway user tax. The formulas for allocating these revenues are primarily based on population. Counties also share in these revenues of the State (excluding income taxes). The fiscal impact table for the State of Arizona takes into account that the state-shared revenues are already accounted for in the city and county fiscal tables. This eliminates any double counting of revenues.

The above tax categories represent the largest sources of revenues that will be generated to governing entities.

