

The Revenue Impact of Corporate Tax Incentives

The Governmental Accounting Standards Board (GASB) is the professional organization that establishes standards of accounting and financial reporting for state and local governments. In 2015, GASB added “[Statement No. 77 on Tax Abatement Disclosures](#)” to its Generally Accepted Accounting Principles (GAAP). GASB 77 requires most state and local governments (including school districts) to report tax abatement programs (if they have such a program/s) in their annual comprehensive financial reports (ACFRs), specifying the **amount of revenue reduced or foregone** as a result of these tax abatements programs. This new rule, GASB 77, allows the public to see how much money for public services is lost to tax breaks given to corporations. This fact sheet summarizes that foregone revenue for the five most populous cities, counties, and school districts (where available) and the state itself in Arizona.

For fiscal years 2017 through 2021, the State of Arizona and two of its five largest cities that report tax abatements **lost over \$37 million** due to economic development tax breaks. The statewide total is presumably much higher; however, analyzing tax abatement trends for Arizona’s five most populous cities counties, and school districts is nearly impossible due to poor GASB 77 disclosures among most of the surveyed localities. With spending by Chandler and the State down and Phoenix’s costs up, the overall spending trend is modestly up: over the five years, total revenue losses grew from \$6,766,025 to \$7,078,568— a jump of 4.6%.

Foregone Tax Revenue, Five Most Populous School Districts in Arizona

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------------|---------------|---------------|---------------|---------------|
| Mesa Unified School District | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Chandler Unified School District | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Tucson Unified School District | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Peoria Unified School District | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Gilbert Unified School District | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Annual Total | Unknown | Unknown | Unknown | Unknown | Unknown |

Selected School Districts Five-Year Total: Unknown

Source: Annual Comprehensive Financial Reports for the reported jurisdictions

| Foregone Tax Revenue, Five Most Populous Cities and Counties in Arizona | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| City of Chandler | \$3,069,025 | \$2,235,512 | \$671,883 | \$695,406 | \$845,568 |
| City of Gilbert | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| City of Mesa | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| City of Phoenix | \$3,697,000 | \$4,830,000 | \$7,146,000 | \$6,325,000 | \$5,814,000 |
| City of Tucson | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Maricopa County | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Pima County | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Pinal County | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Yavapai County | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Mohave County | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| State of Arizona | No Disclosure | \$471,000 | \$419,000 | \$419,000 | \$229,000 |
| Annual Total | \$6,766,025 | \$7,536,512 | \$8,236,883 | \$7,439,406 | \$7,078,568 |
| All Jurisdictions Five-Year Total: \$37,057,394 | | | | | |

Source: Annual Comprehensive Financial Reports for the reported jurisdictions

Big localities in Arizona have poor GASB 77 disclosures — none of the five most populous counties and school districts include any tax abatement disclosures in their Annual Comprehensive Financial Reports (ACFRs), although all are required by state law to do so. It seems unlikely all of these localities had \$0 in losses, but there is no negative reporting requirement. The same is true of three of its five biggest cities.

Key findings

- From 2017 through 2021: **The City of Chandler lost over \$7.5 million in tax revenue** due to the Government Property Lease Excise Tax (GPLET) program and other unnamed economic development programs. GPLETs enable local governments to lease a public property to a developer, charging the developer an excise tax rather than property taxes, and then abating the excise tax for several years.
- **The City of Phoenix’s losses increased by 57.3%**, including \$23.7 million (85%) in GPLET agreements.
- **Although the State of Arizona’s reported tax abatement losses decreased by 11.0%**, they include significant tax breaks to two well-known hotel chains, Marriot and Hilton, through the state’s Tax Increment Financing (TIF) program. The Rio Nuevo TIF district captures sales tax revenue resulting from new development and then diverts that revenue away from public services to subsidize the development.

Again: these findings are only from two Arizona cities and the State which comply with GASB 77. The state has a total of 91 municipalities, 15 counties, and over 200 school districts.

For more information about these abatements, see taxbreaktracker.goodjobsfirst.org.
 For company-specific information, see subsidytracker.goodjobsfirst.org.