

- Parents would struggle to work and afford basic necessities
- More providers would be forced to close, reducing options for all families — even those not receiving assistance

WHO BENEFITS — AND WHO DOESN'T

HB 2785 also includes an amendment that extends a corporate tax break for large multinational corporations. The amendment allows companies to continue excluding certain foreign income from Arizona's tax base — a provision originally designed to curb corporate profit shifting. By keeping this loophole in place, Arizona stands to lose billions in corporate tax revenue, primarily benefiting multinational corporations with assets exceeding \$2.5 billion.

Despite claims of broad relief, tax conformity primarily benefits wealthy households and large corporations:

- Expansions of state and local tax deductions overwhelmingly benefit those earning over \$200,000.
- Business tax provisions favor large partnerships, private equity, and profitable corporations — potentially tied to activity outside Arizona.
- Wealthy taxpayers and corporations typically extend their tax filings, meaning the urgency argument does not match reality.

"Tax cuts are not magic beans," Palomino said. "They don't pay for themselves, and they don't magically grow the economy. Arizona has already tried this experiment — and the result has been decades of underinvestment."

A QUESTION OF PRIORITIES

If Arizona were to conform to federal tax law, lawmakers would still need to find a way to pay for it. Instead, this bill locks in permanent costs while Arizona's budget outlook remains uncertain — leaving families to pay the price through reduced services.

"We need revenue to rev up Arizona's economy," Palomino said. "Not policies that put it in neutral while pretending the math will somehow work itself out."

The Arizona Center for Economic Progress is a leader in advancing policies that create fairer tax codes which raise the revenue needed to invest in education, affordable housing, health care, infrastructure and other supports needed to build thriving communities and better economic opportunities for all Arizonans.

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