

Bond Case Briefs

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TAX - ARIZONA

Fann v. Arizona

Supreme Court of Arizona - August 19, 2021 - 51 Arizona Cases Digest 26 - 493 P.3d 246

Taxpayers brought action against State challenging constitutionality of a citizens' initiative imposing income tax surcharge on high-income taxpayers to provide direct funding to schools as violative of education expenditure and tax enactment clauses of State Constitution.

The Superior Court denied taxpayers' motion for preliminary injunction. Taxpayers appealed, and transfer was granted.

The Supreme Court held that:

- Case was ripe for decision;
- Initiative's provision stating that monies were not local revenues was facially unconstitutional under education expenditure clause;
- Initiative's allocation provision was unconstitutional to extent that the allocated revenues exceeded expenditure limits;
- Allocation provision could not be severed;
- Initiative's provision on revenue control limitations was unconstitutional to extent expenditures exceeded expenditure limits; and
- Initiative was not an "act" subject to requirements of tax enactment clause.

Direct funding to schools under a citizens' initiative imposing income tax surcharge on high-income taxpayers was not a "grant" under grant exception of education expenditure clause of State Constitution, which exempted grants from definition of local revenues, and therefore the initiative's local revenues provision, stating that monies from the initiative were not considered local revenues under the expenditure clause, was facially unconstitutional.

Allocation provision of citizens' initiative that imposed income tax surcharge on high-income taxpayers to provide direct funding to schools was unconstitutional to the extent that the allocated revenues exceeded expenditure limits set by education expenditure clause of State Constitution, under which the initiative's local revenues provision was facially unconstitutional in stating that monies from initiative were not local revenues for purposes of the education expenditure clause.