

## Fact Check #2

# Municipal tax breaks are illegal

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By Dr Bill Ullery

### Council gave \$25 million in tax breaks:

Quote from mayor Nexsen 12/10/13; *“Once again false. In accordance with AZ law the City has development agreements with new businesses that bring jobs to our town. In addition those businesses pay for new public infrastructure (water lines, sewer lines, roads, etc.) that is then deeded to the City. The agreements permit them to reimburse themselves if and when those businesses generate new sales tax dollars. **The taxpayer never advances a single penny.**”* Yup...Nexsen wrote that just a few days ago.

### Fact:

Today’s New-Herald, [April 19, 2007](#). Quote; *“Paying for city improvements and outlining options for developer incentives are two aspects of a policy being presented to City Council tonight.” “Developer incentives listed include: improvement districts, tax credits, reimbursement or waiver of certain fees, economic incentive zones and reimbursements for off-site improvements in exchange for collected sales taxes.”*

Today’s New-Herald, [February 23, 2011](#). Quote; *“The City Council approved a development agreement Tuesday night that could provide about \$220,000 in tax incentives...” “Mayor Mark Nexsen said he was pleased the city could offer incentives for the redevelopment.”*

### Spin:

Are sales taxes not "*taxpayer funds*"? Or, is it Nexsen’s contention they are somehow under the care, custody and control of the corporate entity paying the tax? If they are not taxpayer funds (more appropriately referred to as "*public funds*"), why are they paid to the city in the first place...only to be rebated back?

Sales tax paid to the city goes into the city's general fund. Which is where in past years, the city took the money from to pay the city's \$5 million annual contribution to reduce the sewer debt service. Nexsen terminated that sewer project Rate Stabilization Reserve contribution!

Nexsen does a form of acute dissembling...a false or misleading appearance to conceal the truth. A sales tax rebate is a subsidy just like a rose is a rose by any other name. Giving taxpayer funds to developers is illegal in Arizona and that’s why we don’t want the city doing it. (See Arizona Supreme Court, [Turken v. Gordon](#).)

### Conclusions:

Research proves that corporate retail tax subsidies distort competition and undermine locally owned small businesses, which are rarely given any sort of tax break. Elected officials justify these deals as job creation for economic growth. But, there are studies that prove subsidizing retail development does more economic harm than good! Just look at the shuttered stores about Havasu.

Following a huge uproar in the Valley over such practices, the legislature in 2007 outlawed retail tax incentives for Maricopa County; see [A.R.S. § 42-6010](#). A few weeks ago, I filed a voter initiative to adopt that legislation here in Havasu. My intent is to take the issue to the Havasu voters in November 2014.

This initiative must have petitions with over 5,000 valid signatures of Lake Havasu City registered voters. It’ll take a small army of volunteers to get it done.

I need your help with this effort. To volunteer, please contact me: Email [dbu@dbuhomes.com](mailto:dbu@dbuhomes.com) Cell 928.716.3014. **I need your help!**