

News**Phoenix gives OK to 2% tax on food****Move will help fix budget, save Police, Fire dept. jobs**

by **Scott Wong** - Feb. 3, 2010 12:00 AM  
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Desperate to save police, fire and other city jobs, a divided Phoenix City Council on Tuesday approved a sales tax on grocery items that will generate tens of millions of dollars a year.

The 2 percent food tax will take effect April 1 and expire after five years, though Mayor Phil Gordon said the council has the option of reversing its decision after it hears from the public during 15 budget hearings planned for this month.

The tax on milk, meat, vegetables and other food purchased by shoppers will generate an estimated \$12.5 million for the fiscal year that ends June 30. It will raise another \$50 million for fiscal 2011. Food purchased with food stamps will not be taxed.

The extra tax revenue means Phoenix will have more money in its coffers to help close a \$241 million general-fund budget deficit through June 2011. Last week, budget officials proposed cutting \$140 million in services. Other special funds for things like transit also could get money.

City Manager David Cavazos proposed eliminating 1,379 citywide positions, including nearly 500 police officers and firefighters. Among the dozens of targeted cuts, libraries and senior centers would be closed, an after-school program would be dismantled, and bus and light-rail service would be significantly reduced.

It's unclear exactly where the extra money would be allocated. On Feb. 9, Cavazos and other staff will offer options of how they can reverse proposed cuts using food-tax revenue.

Phoenix shoppers who buy paper towels, toothpaste and other non-food items at a grocery store already pay an 8.3 percent sales tax, 2 percent of which goes to the city. But Phoenix has not taxed food items since the early 1980s.

After Tuesday's vote, Mesa and Surprise are the only Valley cities that do not tax food items, though Surprise is eyeing a 1 percent food tax.

Elizabeth Van Wie told the council that the tax will be devastating for her family of six, which spends \$900 to \$1,300 a month on groceries. Business at the Van Wies' car wash has taken a 60 percent dive during the recession, and the family has begun growing vegetables to save money.

She suggested taxing fast food, cigarettes or alcohol, instead. "To tax a basic need for my family is disastrous," said Van Wie, her four young children in tow.

But union leaders argued the tax would keep more police officers and firefighters on the streets and emergency response times down.

Pete Gorraiz, president of the United Phoenix Firefighters Association, said city budget officials told him the food tax could provide a \$6.9 million boost to the fire budget, saving nearly 40 firefighters' jobs and up to eight civilian employees. The extra revenue would spare three engine companies and an ambulance.

"There are services, and there are critical services," Gorraiz said. "In our business, if you start taking away our ability to meet response times, it's literally the difference between life and death."

Council members approved the tax on a 6-3 vote, with council members Sal DiCiccio, Bill Gates and Peggy Neely dissenting.

DiCiccio called the tax regressive, saying it harms the working poor, seniors and others on fixed incomes. Gates and Neely said they objected to pushing the tax through without giving residents enough time to have their say. Gordon had called for a special meeting just 24 hours earlier so the council could vote on the tax.

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"We need to wait until everyone has had an opportunity to weigh in before we vote on this food tax. That is the Phoenix way of doing things," Gates said during the four-hour meeting. "I'm concerned this will enflame some people who will say, 'I didn't have the opportunity to be heard.' "

Gordon said that the sooner the council adopted the tax, the more money there would be to reduce proposed cuts. Implementing the tax in April means the city would have an extra \$12.5 million for the current fiscal year.

Added Councilman Michael Nowakowski, an early supporter of the tax: "We're investing in our kids, we're investing in our seniors, we're investing in our libraries and our parks. We're investing in our future."

But local grocers and shoppers said Phoenix's food tax will hit them in their pocketbooks at a time they can least afford it.

"You can't do that to people right now in this market. They're being crunched in every possible way, and this was the only area they were not being taxed on," said Ken Schnitzer, owner of Luci's Healthy Marketplace, a specialty grocery store that opened last year in Phoenix.

"We're a new business that is trying to make it," he added. "Obviously, this will hurt our sales because people can't spend much money, and these are essentials that people need on a daily basis."

Buying cookies and other snacks at Bashas' Supermarket at Seventh Avenue and Osborn Road, Mark Evertz, a snowbird from Montana, said he may start spending winters in Mesa or another community that doesn't tax food items.

"It doesn't take long before a few pennies here and a few pennies there start to add up," said Evertz, 59, a disabled veteran who relies on his fixed pension benefits.