

Arizona Incomes Rise with AP

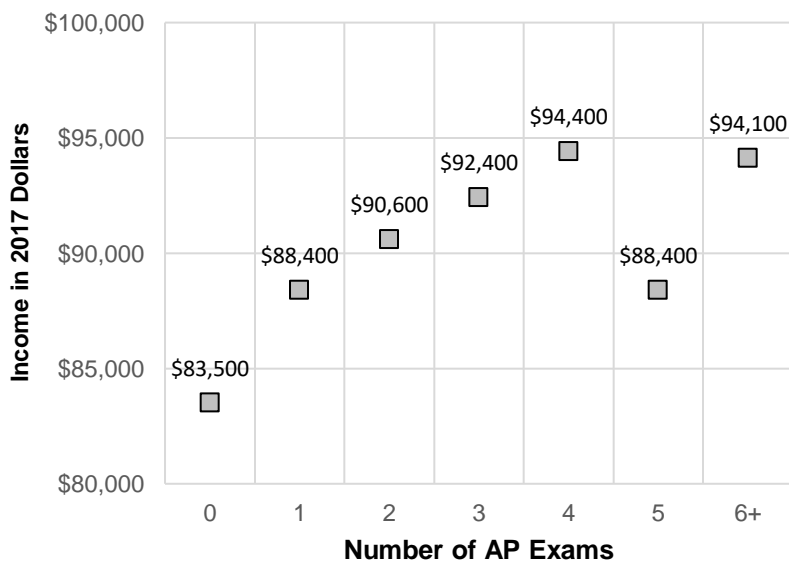
On average, Advanced Placement® (AP®) students in Arizona **earn \$4,900 to \$10,900 more per year** in their early-30s compared to individuals with similar demographic characteristics, academic preparation, and access to AP who did not take AP Exams. This income boost indicates that **AP can increase Arizona state income tax revenue by an estimated \$170 million over the lifetimes of each cohort of Arizona high school graduates.**

- **AP students experience higher early-career incomes** compared to non-AP students with similar demographic characteristics, academic preparation, and access to AP.
- **Early-career incomes are predicted to rise** with additional APs.

Predicted Income Gains from AP Participation

Figure 1 shows the predicted annual incomes of Arizona high school graduates in their early-30s based on the number of AP Exams they took during high school, inclusive of students who did and did not earn scores of 3, 4, or 5 on those exams. The largest marginal increase in predicted income – from \$83,500 to \$88,400 (or \$4,900) – is associated with students taking their first AP Exam and represents a 5.9% increase in predicted early-career income per year. Students taking four exams earn \$10,900 more than similar students who took no AP Exam.¹

Figure 1. AP and Estimated Early-Career Income in Arizona



Notes: Based on Arizona students in the 2004 high school graduating class with controls for PSAT/NMSQT scores, high school AP offerings, and student demographics. The sample comprises approximately 37% of students in the 2004 high school graduation cohort in the state.

¹ Additional information on the link between AP and financial well-being can be found in the following research paper available for download at <http://dx.doi.org/10.2139/ssrn.3622531>: Hsu, J., Hurwitz, M., & Mabel, Z. (2020). *Evaluating the Relationship between Advanced Placement and Financial Well-Being in Adulthood*. Washington, DC: College Board.

AP Lifts State Income Tax Revenues

The early-career income gains associated with AP are projected to boost lifetime state income taxes by \$170 million per cohort of high school graduates. This estimate is based on the number of APs taken by 76,620 high school graduates in Arizona in 2020. We extrapolate the one-year early-career income snapshot reported in Figure 1 over an individual's expected lifetime to estimate total lifetime earnings using lifetime earnings trajectories data from [Education Pays 2019](#). Based on these data, a student who took one AP Exam would be expected to generate \$5,492 more in state income tax revenue over the course of a lifetime relative to a similar student who took no AP Exam. A student who took six or more AP Exams would be expected to generate \$11,922 more over the course of a lifetime relative to a student who took none. To obtain the total increase in estimated tax revenues associated with AP Exams, we simply multiply the number of students in column 2 of Table 1 by the increase in individual tax revenues expressed in column 4.

Table 1: Projected Increases in Lifetime State Income Tax Revenues for the High School Class of 2020 Associated with AP

Number of AP Exams	Number of Students	Average Predicted Lifetime Income <i>per Student</i>	Increase in State Income Tax <i>per Student Compared to 0 AP (Using a 4.17% Marginal State Income Tax Rate)</i>	Total Increase in Lifetime State Tax Revenue <i>per High School Class</i>
0	55,863	\$2,251,500		
1	7,925	\$2,383,200	\$5,492	\$43,523,000
2	3,888	\$2,444,300	\$8,040	\$31,259,000
3	2,452	\$2,492,700	\$10,058	\$24,662,000
4	1,686	\$2,544,600	\$12,222	\$20,607,000
5	1,189	\$2,382,500	\$5,463	\$6,495,000
6+	3,617	\$2,537,400	\$11,922	\$43,122,000
Total	76,620			\$169,668,000

Notes: Lifetime earnings are projected assuming a 40-year full-time working life. The 4.17% marginal tax rate is for 2020 and is from <https://azdor.gov/news-events-notices/news/key-changes-2020-tax-year-individual-income-tax-returns>.

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