

## ARIZONA FINANCIAL INCENTIVES FOR BUSINESS AT A GLANCE

For additional information, visit [www.azcommerce.com/BusAsst/Incentives](http://www.azcommerce.com/BusAsst/Incentives) or call 602-771-1100

Revised April 2010

Program	Applicant (who should apply)	Incentives	Important Dates	Program Requirements	Additional Information
<b>"Angel Investment" Small Business Capital Investment Tax Incentive</b>  <u>Tax Credits</u>  A.R.S. § 41-1518	Small businesses in designated sectors and investors in AZ businesses	Tax credits based on the amount of the investment up to 30% over three years & up to 35% for rural or bioscience companies  3 year carry-forward period for unused tax credits	Applications accepted year round on a first-come, first-served basis	Qualified small businesses must: <ul style="list-style-type: none"> <li>▪ Operate in AZ</li> <li>▪ Have at least 2 full-time employees that are AZ residents</li> <li>▪ Have less than \$2 million in assets</li> <li>▪ Not be engaged in retail, RE, professional or health care services and/or human cloning or stem cell research</li> </ul>	<ul style="list-style-type: none"> <li>▪ Total tax credits allowed over life of the program is \$20 million</li> <li>▪ Minimum investment is \$25,000 cash</li> <li>▪ Tax credits may be earned on investments of up to \$250,000 per year</li> <li>▪ Maximum investment per business is \$2 million</li> <li>▪ Investments must be reported to Commerce within 30 days of investment</li> </ul>
<b>Arizona Job Training</b>  <u>Grant</u>	An employer*, a consortium of at least two employers**, a professional or trade association or a joint apprenticeship training committee or a Small Business Development Center***	Reimbursable grant for training net new employees or to supplement training programs for incumbent employees. A single employer can receive up to \$1,500,000 – 10% of the estimated annual fund amount. Award amounts range from \$2,000 to \$8,000 per position depending on company size and location.	Applications are accepted on a first-come, first serve basis, and grants are awarded based on the availability of funds.	Applicant must: <ul style="list-style-type: none"> <li>▪ Pay into the Arizona Job Training Fund, unless exempt, or:</li> <li>▪ Be a rural non-profit opting for unemployment tax reimbursement if the proposed training addresses an identified skilled worker shortage</li> <li>▪ Meet or exceed the average annual qualifying wage rate for trainees at the end of grant</li> <li>▪ Maintain or exceed current level of expenditures for training</li> </ul>	<ul style="list-style-type: none"> <li>▪ An employer with at least one business location in Arizona</li> <li>▪ A consortium of at least two employers with same or similar training needs</li> <li>▪ A Small Business Development Center on behalf of a consortium of employers</li> </ul>
<b>Commerce and Economic Development Commission (CEDC)</b>  <u>Loans, Grants</u>	Communities, counties, tribes, public and private universities economic development groups, and companies in operation for 2 yrs with good credit	Loans, grants, interest rate subsidies, loan guarantees; funding is limited to 50% of the increase in state and local tax revenues resulting from the project	Applications are accepted year-round	Projects requesting funding must: <ul style="list-style-type: none"> <li>▪ Create or retain jobs that pay at or above the average county wage</li> <li>▪ Have a cash match from the local community equal to or greater than the funding requested from the CEDC</li> </ul>	Focused on assisting projects in the Aerospace/Defense/Avionics, Bioscience, Environmental Sciences, Forestry, Industrial Machinery, Agricultural Technology, High Tech Instruments and other export-oriented industry sectors
<b>Enterprise Zone (EZ)</b>  <u>Property Reclassification</u>  A.R.S. § 41-1525.01	For-profit manufacturing & commercial printing businesses located in an Enterprise Zone	5-year reclassification of real and personal property for reduced primary property taxes;  Results in 40-60% property tax reductions	Applications for renewal and initial certification due on or before October 1 each year  Certified businesses must notify assessor by December 10	Eligible manufacturing & commercial printing businesses must: <ul style="list-style-type: none"> <li>▪ Invest \$500,000 - \$2 million in fixed assets (investment threshold depends on location of the business) <u>and</u></li> <li>▪ Be woman-owned, minority-owned <u>or</u> small, <u>and</u></li> <li>▪ Be independently owned and operated</li> </ul>	<ul style="list-style-type: none"> <li>▪ "Small" means fewer than 100 full-time employees at zone location <u>or</u> less than \$4 million total gross annual receipts for all locations</li> <li>▪ "Independently owned and operated" means <u>not</u> more than 50% owned by another entity unless ultimate ownership is family owned or closely held</li> <li>▪ Investment can be aggregated from 1/1/01 as long as the zone was in place at that time</li> </ul>

Program	Applicant (who should apply)	Incentives	Important Dates	Program Requirements	Additional Information
<b>Enterprise Zone (EZ)</b>  <b>Tax Credit</b>  A.R.S. § 41-1525	For-profit non-retail businesses and insurers located in an Enterprise Zone	Up to \$3,000 in tax credits over three years for each net new quality job created as follows: <ul style="list-style-type: none"> <li>1st year – up to \$500</li> <li>2nd year – up to \$1,000</li> <li>3rd year – up to \$1,500</li> </ul> Five year carry-forward period for unused tax credits	Tax credits must be reported by the earlier of: 6 months after the company's tax year end, or Before filing tax returns with the Arizona Department of Revenue	Jobs requirements: <ul style="list-style-type: none"> <li>* Work must be conducted primarily (more than 50%) at the zone location</li> <li>* Jobs must be new, full-time and permanent</li> <li>* Jobs must pay above the "Wage Offer by County" and</li> </ul> Employer must offer to pay at least 50% of employee health insurance costs	<ul style="list-style-type: none"> <li>No more than 10% retail activity at the zone location</li> <li>35% of credit-earning employees must live in a zone in the same county as the business on date of hire</li> <li>Eligible employees must be employed at least 90 days in the first tax year</li> <li>Maximum first year jobs in any tax year is 200</li> <li>EZ, HF and MRZ credits may not be claimed for the same employees</li> </ul>
<b>Healthy Forest Tax Incentives (HF)</b>  <b>Tax Credit, Property Reclassification, Transaction Privilege and Use Tax Exemptions and Use Fuel Tax Reduction</b>  A.R.S. § 41-1516	Businesses primarily (more than 50%) engaged in harvesting, transporting or processing forest products	<ul style="list-style-type: none"> <li>Use fuel tax reductions</li> <li>Transaction privilege tax exemptions on purchase, lease or rental of equipment and on construction contracts</li> <li>Use tax exemption on out-of-state purchases</li> <li>New job income tax credits with five years carry forward period for unused credits</li> <li>Reclassification of real &amp; personal property on primary and secondary property taxes for substantial savings</li> </ul>	Applications accepted year round  Annual reports must be submitted to Commerce by 03/01  Apply for re-certification 30 days prior to expiration of certification	Applicants must: <ul style="list-style-type: none"> <li>Employ at least 3 full-time people</li> <li>Have a valid eligibility letter from the state or federal foresters</li> <li>Enhance forest health, sustain watershed and improve safety</li> <li>For tax credits, jobs must: <ul style="list-style-type: none"> <li>Be full-time – 1,550 hours</li> <li>Pay above the "Wage Offer by County" <u>and</u></li> <li>Offer to pay a portion of employee health insurance based on year of operations: 25% in year 3; 40% in year 4; 50% in year 5</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>If a harvester or processor, 70% of forest product must be qualified products; and 75% must be harvested in AZ measured by weight</li> <li>If a transporter, 100% of forest product transported must be from AZ; and 75% of the miles must be to or from qualified projects measured by weight</li> <li>State or federal authorities determine eligibility of projects</li> <li>Eligible employees must be employed at least 90 days in the first tax year</li> <li>TPT exemption is available only on leases and rentals with a 5-year term or longer</li> <li>HF, EZ and MRZ credits may <u>not</u> be claimed for the same employees</li> </ul>
<b>Manufacturing Energy Efficiency Grant Assistance (MEGA)</b>  <b>Grant</b>  ARRA Funding	Business primarily (more than 50%) engaged in solar, hydro, wind, geothermal, biofuels and other renewable technology manufacturing	Grant awards up to \$500,000 for energy efficient fixed asset purchases (machinery & equipment only) for plant expansions/locates	Monthly project updates  Completion report 12 months after project is finalized	<ul style="list-style-type: none"> <li>Minimum of 2 years business operations</li> <li>75% matching/in-kind funds to be considered.</li> <li>Fix Assets must be installed an operational within 12 months following award</li> </ul>	<ul style="list-style-type: none"> <li>Competitive grants applications will be accepted on a first come, first served basis.</li> <li>Allocations will be made to eligible companies after being reviewed and scored by a committee.</li> <li>Equipment must demonstrate a minimum kWh annual savings or CO<sub>2</sub> annual reductions or utility cost savings.</li> </ul>
<b>Military Reuse Zone Program</b>  <b>Tax Credits, Property Reclassification and Transaction Privilege Tax Exemption</b>  A.R.S. § 41-1532	Aviation and aerospace businesses, insurers and airport authorities located in a Military Reuse Zone	Up to \$7,500 of income tax credits over five years for non-dislocated employees and up to \$10,000 for dislocated employees;  Five year carry-forward period for unused tax credits  Five year reclassification of real and personal property on primary and secondary property taxes for substantial savings;  Exemption of transaction privilege tax on approved construction contracts	Annual reports must be submitted to Commerce within 30 days of filing an Arizona tax return. County Assessor must be contacted by December 1 each year to initiate reclassification. Completion reports must be submitted no later than 30 days after completion of work under the contract.	Applicants must: <ul style="list-style-type: none"> <li>Provide aviation or aerospace services <u>or</u> manufacture, assemble or fabricate aviation or aerospace products</li> <li>If a prime contractors, request a Letter of Qualification issued by the Department of Revenue prior to beginning work under the contract</li> <li>If an insurer, have a valid Certificate of Authority issued by the Arizona Department of Insurance.</li> <li>For new job tax credits, show net increases in employment of either dislocated or non-dislocated employees</li> </ul>	<ul style="list-style-type: none"> <li>The former Williams Air Force Base and the former Goodyear Naval Facility are the two designated MRZs in Arizona</li> <li>Jobs relocated from elsewhere in AZ do <u>not</u> qualify for credits</li> <li>Property cannot be reclassified under this program for more than 5 years</li> <li>Additional property purchased after initial reclassification shall be given a separate 5-year term for benefits</li> <li>MRZ, HF &amp; EZ tax credits may <u>not</u> be claimed for the same employee</li> </ul>

Program	Applicant (who should apply)	Incentives	Important Dates	Program Requirements	Additional Information
<p><b>Motion Picture Production Tax Incentives (MoPic)</b></p> <p><b><u>Income Tax Credit and Transaction Privilege and Use Tax Exemptions</u></b></p> <p>A.R.S. §§ 41-1517 &amp; 41-1517.01</p>	<p>Businesses primarily (more than 50%) engaged in producing motion pictures in AZ or owner/operators of motion picture infrastructure projects</p>	<ul style="list-style-type: none"> <li>▪ Transaction privilege tax exemptions on qualified expenditures</li> <li>▪ Use tax exemptions on machinery, equipment and other tangible personal property</li> <li>▪ Income tax credits based on AZ production expenditures and infrastructure costs of either 15%, 20% or 30% of AZ expenses.</li> </ul> <p>Five year carry-forward period for unused tax credits</p>	<p>Applications accepted year round</p> <p>Pre-approval is valid for 24 months; Commercials and Music video pre-approval valid for 12 months</p> <p>A completion report must be submitted for each application</p>	<p>To earn credits on productions, companies must:</p> <ul style="list-style-type: none"> <li>▪ Invest \$250,000 in AZ in either 12 months (commercials &amp; music videos) or 24 months (all other productions)</li> <li>▪ Have the lawful right to produce the production</li> <li>▪ Employ 50% AZ personnel</li> <li>▪ Have AZ office &amp; bank account</li> <li>▪ Acknowledge AZ in credits</li> </ul> <p>To earn credits on sound stages, companies must invest at least \$5 million in AZ in 36 months;</p> <p>To earn credits on support/augmentation facilities, companies must invest at least \$1 million in 36 months</p>	<p>Tax credits pre-approved must not exceed \$70 million in a year</p> <p>Up to 5% of each year's cap is reserved for commercial advertisements and music videos</p> <p>Maximum tax credits of</p> <ul style="list-style-type: none"> <li>▪ \$7 million per production</li> <li>▪ \$5 million per soundstage</li> <li>▪ \$3 million per support/augmentation facility</li> </ul> <p>No credits for obscene or pornographic productions</p> <p>Tax credits can be used, sold or transferred</p>
<p><b>Private Activity Bonds (PAB)</b></p> <p><b><u>Tax Exempt Bond Financing</u></b></p> <p>A.R.S. § 35-901 <i>et seq.</i></p>	<p>Bond counsel or beneficiary of the bonds</p>	<p>100% financing; up to 30-year terms</p> <p>Interest on bonds is tax exempt to holder for federal tax purposes</p>	<p>Lotteries are held the first business day of January and July</p> <p>Applications accepted year round for Director's Discretion allocations</p> <p>Notice of Intent for carry-forward: on or before December 15</p> <p>Re-pooling for carry forward: December 16</p>	<p>Eligible projects are:</p> <ul style="list-style-type: none"> <li>▪ Manufacturing facilities</li> <li>▪ Utilities</li> <li>▪ Solid waste and other exempt facilities</li> <li>▪ Multifamily &amp; single family housing</li> <li>▪ Student loans</li> </ul>	<p>January &amp; July lottery requests are dated &amp; numbered by lot and allocations are issued in that order</p> <p>\$35 million maximum request except for: Directors Discretion, single family housing, student loans and carry forward; \$10 million for manufacturers</p> <p>\$20 million capital expenditure limitation for manufacturers in 3 years before and after the issue</p> <p>For Director's Discretion allocation, rural projects and manufacturing have priority</p> <p>Carry-forward requests are subject to allocation by the Director following re-pooling</p>
<p><b>Qualified Energy Conservation Bonds (QECB)</b></p> <p><b><u>Tax Exempt Bond Financing</u></b></p> <p>ARRA Funding</p>	<p>Cities, Towns, Counties &amp; Tribes</p>	<p>100% financing; flexible terms</p> <p>Interest on bonds is tax exempt to holder for federal tax purposes</p>	<p>April 30, 2010, jurisdictions need to communicate with Commerce if they plan on using their allocation or if they will be returning it to the state for re-allocation.</p>	<p>Can be used to finance retrofits to existing buildings through loans, grants or other repayment mechanisms.</p> <p>Programs and initiatives must reduce greenhouse gas emissions.</p>	<ul style="list-style-type: none"> <li>• 70% must be used for Government projects.</li> <li>• 30% maximum can be used on private activities.</li> <li>• Allocations are made on a first-come first-served basis via a competitive process.</li> <li>• Contact the local jurisdiction or Commerce for an allocation.</li> </ul>
<p><b>Recovery Zone Bonds: Economic Development Bonds &amp; Facility Bonds</b></p> <p><b><u>Tax Exempt Bond Financing</u></b></p> <p>ARRA Funding</p>	<p>Cities, Towns, Counties &amp; Tribes</p>	<p>100% financing; flexible terms</p> <p>Interest on bonds is tax exempt to holder for federal tax purposes</p>	<p>April 30, 2010, jurisdictions need to communicate with Commerce if they plan on using their allocation or if they will be returning it to the state for re-allocation.</p>	<ul style="list-style-type: none"> <li>• Economic Development Bonds - may be used for a wide array of purposes to stimulate economic development, including job training and education.</li> <li>• Facility Bonds - may be used to finance certain kinds of business development activities in areas of significant economic distress.</li> </ul>	<p>Recovery Zone Bonds are intended to lower the costs of borrowing for purposes of promoting job creation and economic recovery in areas designated as Recovery Zones.</p> <p>Contact the local jurisdiction for an allocation.</p>

Program	Applicant (who should apply)	Incentives	Important Dates	Program Requirements	Additional Information
<b>Renewable Energy Tax Incentive Program</b>  <u>Tax Credit</u>  ARS § 41-1511	Companies in the solar, wind, geothermal and other renewable energy industries who are expanding or locating a manufacturing or headquarters facility in Arizona.	10% refundable income tax credit.  Credits are refunded in five equal installments	Applications accepted year round on a first-come, first-served basis	<ul style="list-style-type: none"> <li>Is primarily (more than 50%) engaged in the manufacturing of or headquarters for producing systems and components that are used or useful in manufacturing renewable energy equipment</li> <li>Creates full-time employment positions of which at least 51% are paid at least 125% of the state's median wage</li> <li>The company offers to pay at least 80% of the employee's health insurance costs for all net new full-time employment positions at the facility.</li> <li>Spends at least \$250,000 in qualifying investments during each twelve-month period until post-approval is received</li> </ul>	Commerce may authorize up to \$70 million per calendar year in tax credits to qualified companies beginning January 2010 through December 2014  Qualified capital investment includes: purchases of land, building, machinery and equipment.
<b>Renewable Energy Tax Incentive Program</b>  <u>Property Reclassification</u>  ARS § 41-1511	Companies in the solar, wind, geothermal and other renewable energy industries who are expanding or locating a manufacturing or headquarters facility in Arizona.	Up to a 75% reduction on real and personal property taxes.  <ul style="list-style-type: none"> <li>10 years of property tax savings, if the company pays at least 51% of the net new full-time employment positions between 125% and 199% of the state's median wage.</li> <li>15 years of property tax savings, if the company pays at least 51% of the net new full-time employment positions 200% or more of the state's median wage.</li> </ul>	Applications for renewal and initial certification due on or before October 1 each year  Certified businesses must notify assessor by December 10	<ul style="list-style-type: none"> <li>Must make new qualifying investment of \$25 million or more.</li> <li>Is primarily (more than 50%) engaged in the manufacturing of or headquarters for producing systems and components that are used or useful in manufacturing renewable energy equipment</li> <li>Creates full-time employment positions of which at least 51% are paid at least 125% of the state's median wage</li> <li>The company offers to pay at least 80% of the employee's health insurance costs for all net new full-time employment positions at the facility.</li> <li>Spends at least \$250,000 in qualifying investments during each twelve-month period until post-approval is received</li> </ul>	Both the real and personal property can be reclassified to Class 6 property for both primary and secondary property tax purposes.
<b>Research &amp; Development</b>  <u>Tax Credit</u>  ARS § 43-1074.01	Companies conducting qualified research in Arizona; including research conducted at a state university and funded by the company.	Tax credit is a portion of the R&D expenses incurred  Fifteen year carry-forward period for unused tax credits	Arizona Department of Revenue Form 308 must be submitted with Arizona Income Tax return.	The credit is structured as follows: <ul style="list-style-type: none"> <li>If the allowable expenses do not exceed \$2,500,000, the allowable credit is 22% of this amount.</li> <li>If the allowable expenses exceed \$2,500,000, the allowable credit amount is \$600,000 plus 13% of the amount of expenses over \$2,500,000, subject to certain limitations.</li> </ul>	Qualified research, for purposes of the Arizona tax credit, means qualified research, as defined in IRC § 41, that is conducted in Arizona.  The amount of the credit is based on the federal regular credit computation method for Arizona qualified research expenses and Arizona basic research payments.
<b>"Solar Tax Credit" Commercial &amp; Industrial Solar Tax Credit</b>  <u>Tax Credit</u>  A.R.S. § 41-1510.01	Taxpayers who manufacture, install or finance the solar energy devices	Tax credits may equal up to 10% of the total installed cost of solar devices  Five year carry-forward period for unused tax credits	Applications for initial certification as well as completion reports are accepted year-round  Certifications are made on a first-come, first-served basis	<ul style="list-style-type: none"> <li>Businesses must receive initial certification and a credit certificate (once the device is operational) from Commerce to claim the credits.</li> <li>Installation costs must be documented</li> </ul>	Commerce may certify up to \$1 million in credits in any calendar year  Income tax credits: <ul style="list-style-type: none"> <li>Up to \$25,000 per location in one tax year and</li> <li>Up to \$50,000 per taxpayer per year</li> </ul>