



# The Arizona Renewable Energy Tax Incentive Program Details

## OVERVIEW

Arizona has passed landmark legislation that opens the door for renewable energy and solar companies to expand here. The Arizona Renewable Energy Tax Incentive Program is designed to stimulate new investments in manufacturing and headquarter operations of in-state and out-of-state renewable energy companies, including solar, wind, biofuel, geothermal and other renewable technologies. It is designed to generate net new revenue to the state. The benefits include:

1. Refundable corporate income tax credit.
2. Real and personal property tax reduction.

## REQUIREMENTS

Businesses making new investments in manufacturing and/or headquarter operations in Arizona in renewable energy industries are eligible for the program if they meet the following requirements:

- 51% of new jobs must pay a wage that is equal to or exceeds 125% of the state's median wage as determined by the Arizona Department of Commerce.
- Firm must offer health coverage for which the firm pays 80% or more of the premium for the employee or equivalent for alternative models.

## BENEFITS

### 1. Refundable corporate income tax credit up to 10% of the total capital investment of the project.

- Tax credit to be taken in equal installments over five years.
  - The amount of the tax credit is determined by a job to capital investment ratio as explained below.
- a. If the project meets the following job to capital investment ratio, the company would receive a state income tax credit equal to 10% of the total capital investment\* of their project:

Type	Criteria	Project example	Calculation
Manufacturing	Creates at least 1.5 jobs per \$500,000 in capital investment	<ul style="list-style-type: none"> <li>• \$150M in capital investment</li> <li>• 1,273 jobs</li> </ul>	$\$150M \times 10\% =$ <b>\$15M</b>
Headquarter	Creates at least 1 job per \$200,000 in capital investment	<ul style="list-style-type: none"> <li>• \$10M in capital investment</li> <li>• 50 jobs</li> </ul>	$\$10M \times 10\% =$ <b>\$1M</b>

- b. If the project does not meet the above job-to-capital investment ratio, the company would receive a reduced benefit as follows:

Type	Criteria	Project example	Calculation
Manufacturing	Creates less than 1.5 jobs per \$500,000 in capital investment	<ul style="list-style-type: none"> <li>• \$150M in capital investment</li> <li>• 150 jobs</li> </ul>	$150 \times \$500,000 / 1.5$ $= \$50M \times 10\% =$ <b>\$5M</b>
Headquarter	Creates less than 1 job per \$200,000 in capital investment	<ul style="list-style-type: none"> <li>• \$10M in capital investment</li> <li>• 35 jobs</li> </ul>	$35 \times \$200,000 / 1 =$ $\$7M \times 10\% =$ <b>\$700,000</b>

\*Capital investment is investment in facilities, equipment, land and infrastructure for a qualifying project.

**2. Real and personal property tax reclassification, effectively constituting a 77% reduction, for projects with a minimum of \$25M in capital investment.**

- Period of reclassification—either 10 or 15 years—is based on the following wage levels:
  - If project pays 51% of employees between 125% and 199% of the median state wage on average, the reclassification would exist for 10 years.
  - If project pays 51% of employees at least 200% of the median state wage on average, the reclassification would exist for 15 years.

**PROGRAM CAP**

- The program cap is for the income tax credit portion only.
- The state of Arizona may pre-approve \$70M in benefits per year.
- The program is effective until December 31, 2014, making the cap \$350M over five years.

**OVERSIGHT**

The Arizona Department of Commerce shall administer and provide oversight of the program in conjunction with the Arizona Department of Revenue.

**CLAWBACK PROVISIONS**

- If firms choose to leave before five years, any benefits received must be returned in full with annual interest.
- If firms' employment figures drop below the required number of full-time employees or established wage levels, all future benefits cease.