

Arizona Statutory Incentives

The incentives below are available to projects locating in Arizona. Please note that this is not a comprehensive list of all incentives available within the State of Arizona. It should additionally be noted that this document is only a guide for potential incentives. Actual incentives will depend on project parameters, and varying program qualifications and requirements as determined by the Arizona Commerce Authority.

Quality Jobs Tax Credit



\$9,000 Corporate income
tax credits per job
(\$3,000/employee/year)



Capped at
10,000
jobs per year



Employer must offer to pay
at least 65% of employee
health insurance premium

Urban¹

Min. New Jobs	County Median Wage	Maricopa	Min. Capex
25	100%	\$45,927	\$5,000,000
25	125%	\$57,409	\$2,500,000
25	150%	\$68,891	\$1,000,000
25	200%	\$91,854	\$500,000

Rural²

Min. New Jobs	County Median Wage	Pinal	Min. Capex
5	100%	\$38,712	\$1,000,000
5	125%	\$48,390	\$500,000
5	150%	\$58,068	\$100,000

Qualified Facilities Refundable Tax Credit

This refundable program is designed specifically for manufacturing companies³ or global, national or regional headquarters. The value of the incentive is equal to the lesser of 10% of the qualified capital investment OR \$20,000 per job created for companies investing less than \$2B. Companies investing \$2B or more will qualify for \$30,000 per job.

- Capital Investment of at least \$250K to establish or expand a Qualified Facility that devotes at least 80% of the property and payroll to qualified manufacturing, manufacturing-related research & development, or headquarters
- Requires wages of greater than 125% of the state median wage for production occupations in urban areas (\$47,138); 100% in rural areas (\$37,710)
- Offer to pay at least 65% of health insurance premiums for all net-net full time employees

Notes:

- 1 Metro area is defined as a location within a county that has a population of 800,000 or more, excluding cities or towns with a populations of less than 50,000.
- 2 Rural area is defined as location within a county that has a population less than 800,000 people as well as a location within a city or town that has a population less than 50,000 people or a location on tribal land.
- 3 Manufacturing for purposes of the Facility Program means fabricating, producing or manufacturing raw or prepared materials into usable products, imparting new forms, qualities, properties and combinations.

R&D Tax Credit Program

- Refundable and nonrefundable corporate income tax credits for qualified research and development done in Arizona, including company funded research at a state university
- Credit amount is 24% of first \$2.5 million in qualifying expenses plus 15% of the qualifying expenses in excess of \$2.5 million
- Qualifying small companies (less than 150 FTE) can apply to make their credit refundable (75% of nonrefundable credit value). A company can receive up to \$2M in refundable credits per year
- Additional non-refundable credit equal to 10% of the amount of basic research payments above base amount paid to state universities



4.9%

Corporate
Income Tax Rate
2017 - Present



17.0%

Commercial Property
Assessment Ratio
Will step down 0.5% annually
through 2027

Arizona is one of two states that have additional benefits for companies located within a foreign trade zone.

Foreign Trade Zone (FTZ) Benefits Unique to Arizona

- Lower assessment ratio on property taxes
- Real and personal property can be reclassified from Class 1 to Class 6 commercial property (decreasing the assessment ratio from 17.0% to 5%)
- Possible property tax savings up to 72% per year

Depreciation Factor

HB2822 sets the full cash value of business and agricultural personal property initially classified during or after Tax Year 2022 to 2.5% of the property's acquisition cost.

Properties that can benefit include shopping centers, golf courses, manufacturers, and other personal property devoted to commercial or industrial use that is not classified elsewhere, agricultural property, and personal property in a foreign trade zone or military reuse zone.

Additional Tax Information & Incentives

Arizona currently offers competitive operating cost advantages, and as a right-to-work state, its unionization rates are among the lowest in the nation. Arizona is free from:

- Corporate franchise tax
- Business inventory tax
- Income tax on dividends from out-of-state subsidiaries
- Worldwide unitary tax
- The first \$225,572 of personal property is exempt from taxation
- 100% of net operating loss may be carried forward for 20 years
- Tax reductions signed into law include corporate income tax reduction (decreased from 6.98% to 4.9%), increased sales factor service companies, and property tax reductions
- Electricity/natural gas used for manufacturing purposes is not subject to state sales tax
- 100% of sales factor for the purpose of calculating corporate income tax

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