

AMBASSADOR EVENT

State of the Region

Infrastructure Tools Shaping Greater Phoenix

Over the last two decades, Arizona has consistently enacted policies to facilitate investment and create a pro-business environment. Programs such as the Arizona Competitiveness package, which made significant enhancements to Arizona's property tax and corporate income tax structure, the Qualified Facilities tax credit, and the introduction of an optional 100% sales factor, allowed Arizona to be competitive on a national and global scale in attracting and growing businesses.

However, over this same time frame, other states have also been enhancing their policies to compete for projects. Arizona needs to continue to evolve its policies and support existing programs to maintain its competitive edge. Economic development programs are not simply incentives; they are core infrastructure tools that enable smart growth and innovation by helping companies de-risk critical investments and infrastructure needed to support growth. Outlined below are some of the most critical programs Arizona currently supports for this needed infrastructure investment.

Infrastructure Improvements for Manufacturing Facilities

The Infrastructure Improvements statute authorizes the state treasurer to pay prime contracting privilege tax revenues from qualifying projects to a municipality or county to fund 80% of the cost of public infrastructure and associated improvements to support manufacturing facilities. The company must make at least \$500 million in capital investments if the manufacturing facility is located in a county that has a population of 800,000 or more, and at least \$50 million in a county that has a population of less than 800,000. Payments cannot be made to the municipality until 10% of the certified capital investment has been made. In 2023, the program cap was raised to \$200 million for all cities, towns, and counties over the lifetime of the program, which is set to sunset September 30, 2033.

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Because of the success in attracting large-scale manufacturing to Arizona, the program is quickly reaching the maximum allowable cap. The program needs to be enhanced to continue developing the necessary infrastructure to support future manufacturing projects which can be done through multiple options to adjust the program cap. This is critical for communities to be able to fund public infrastructure that benefits both the residents and businesses impacted by these investments.



Quality Jobs and Qualified Facilities Tax Credits

Arizona offers a pair of income tax credits to companies that bring new jobs and capital investment to the state. The Qualified Facilities program is designed for manufacturing companies or global, national and regional headquarters. Qualifying companies must invest at least \$250,000 in a new or expanded facility, pay 125% of the state's median wage for production (100% in rural areas) to 51% or more of the new full-time jobs, and offer to pay at least 65% of health insurance premiums. The value of the incentive is a refundable credit of the lesser of 10% of capital investment or \$20,000 per job created, with companies investing \$2 billion or more receiving \$30,000 per job, and is spread over five years. This is a crucial program to support high-wage, next-generation manufacturing investments.

The Quality Jobs program is broader in scope and is not limited to specific industries. Companies making a minimum capital investment of \$5 million, creating 25 jobs and paying 100% of county median wage in urban areas (\$1 million and 5 jobs in rural areas) can receive a non-refundable income tax credit of \$9,000 per job allocated over 3 years. Modifications to the program allowed companies to lower the minimum capital investment by increasing wages paid. Companies qualifying for both programs can claim only one credit or the other per job.

The Quality Jobs program has sunset with the most recent legislative session, with companies needing to have established a presence in Arizona as of June 30, 2025 to qualify for the credit. Extension and modernization of the credit are of utmost importance in the upcoming legislation. If the program is extended in the 2026 legislative session and made retroactive, companies will not experience a gap in funding since they are filing for TY2025 credits in 2026. Modernization is also a critical component - the structure of the program combined with other tax change factors led to underutilization. This important tool should be modernized and reauthorized to ensure companies continue to create high-value jobs. While Qualified Facilities does not sunset until 2030, it is crucial to advocate for the continued support of this program to keep as a resource for companies locating to the region.



Arizona's tax credit programs are driving high-wage, next-generation manufacturing investment across the state."

Foreign Trade Zones

Foreign Trade Zones (FTZs) are locations in the United States that are considered outside of the customs boundaries and designed to support companies importing and exporting merchandise. Established by the FTZ Board and under the supervision of the U.S. Customs and Border Protection, companies within an FTZ can benefit from duty deferral, duty exemptions, and reduced fees; the importer also usually has the option of paying the duties at the rate of the original foreign material or the finished product when it leaves the zone. Subzones or user-driven sites can be established within a certain distance of a general-purpose zone. With three FTZs (Phoenix #75, Mesa #221 and Greater Maricopa FTZ #277) in metro Phoenix, the entire region is eligible for this benefit.

In addition to the federally offered FTZ benefits, Arizona currently offers a property tax benefit for companies located in a FTZ. Companies qualifying for the tax reduction have their properties reclassified from a Class 1 assessment ratio (16% in 2025) to Class 6 (5%), resulting in a property tax savings of up to 69%. This is critical for large-scale manufacturing operations and one of the most effective tools Arizona has to encourage high-tech investment. These investments, even with the reduction in property tax, typically increase property tax collections for associated taxing jurisdictions, generating more revenue for all areas of investment in our community.

Conclusion

Like the water and energy systems that power our economy, economic development programs form the foundational infrastructure that enables public and private investment. Strengthening these tools is vital to keeping Greater Phoenix and Arizona competitive for new opportunities while supporting the continued sustainability of businesses already invested in the state.

Additional Resources on Arizona's Leadership in Sustainability:



Arizona's Water Position

Scan the QR code to learn how Arizona is securing a sustainable water future.



Arizona's Energy Position

Scan the QR code to discover how Arizona is powering innovation through clean energy.

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