

# HEALTHY FOREST ENTERPRISE INCENTIVES

(ESTABLISHED UNDER A.R.S. §41-1516)

## SUMMARY

The primary goal of the Healthy Forest Enterprise Incentives Program is promote forest health in Arizona. The program achieves this goal by enhancing opportunities to certified businesses that are primarily engaged in harvesting or processing for commercial use or transporting of qualified forest products.

The Arizona Commerce Authority (ACA) accepts applications year round and determines eligibility for program incentives. A company may be qualified for a sixty-month period if it:

1. Is primarily (*more than 50%*) engaged in a qualifying project,
2. Employs at least one full-time employee, and
3. Enters into a Memorandum of Understanding with the ACA.

*The following is a brief summary of the incentives provided by the Healthy Forest Program.*

**Use fuel tax reduction** from September 1, 2012 through December 31, 2024. A certified business that transports qualified forest products from or to qualifying projects is offered a use fuel tax reduction. The use fuel tax imposed is reduced to nine cents per gallon for use-class motor vehicles. (A.R.S. §§28-5606 and 28-5614)

### Transaction privilege tax exemption on:

- **Equipment purchased** from and after June 30, 2004 through June 30, 2024 – a certified business is offered a transaction privilege tax exemption on qualifying equipment used for harvesting or processing qualifying forest products. (A.R.S. §42-5061)
- **Equipment leased or rented** from and after June 30, 2004 through June 30, 2024 – a certified business is offered a transaction privilege tax exemption on qualifying equipment used for harvesting or processing qualifying forest products. (A.R.S. §42-5071)
- **Construction contracts** if construction begins before January 1, 2024 – a certified business is offered a transaction privilege tax exemption on a contract for the construction of any building, or other structure, project, development or improvement that is owned by the certified business, used for harvesting or processing qualifying forest products and if a letter of qualification is received by the prime contractor prior to beginning work under the contract. (A.R.S. §42-5075)
- **Repair parts** - a certified business is offered a transaction privilege tax exemption for repair parts installed in equipment used directly by a qualified business in harvesting, processing or transporting qualifying forest products removed from qualifying projects. (A.R.S. §42-5061)

- **Motor vehicle and use fuel** - a certified business is offered a transaction privilege tax exemption on motor vehicle fuel and use fuel to qualified businesses for off-road use in harvesting, processing or transporting qualifying forest products removed from qualifying projects. (A.R.S. §42-5061)

**Use tax exemption on equipment purchased out-of-state** from and after June 30, 2004 through June 30, 2024 – a certified business is offered a use tax exemption on the storage, use or consumption in Arizona of qualifying equipment purchased out-of-state and used for harvesting or processing qualifying forest products. (A.R.S. §42-5159)

**Property tax reduction** on real and personal property and improvements constructed or installed from and after December 31, 2004 through December 31, 2024 – a certified business that owns and uses the property solely for the purpose of harvesting, transporting or processing qualifying forest products is offered a property tax reduction. All real and personal property can be reclassified to Class 6 property, changing the assessment ratio by 5% for both primary and secondary tax purposes. (A.R.S. §§42-12006(6) and 42-15006(1))

**Employment income tax credit** for taxable years beginning from and after December 31, 2004 through December 31, 2024 – a certified business can receive a tax credit for net increases in qualified employment positions, subject to the following requirements and restrictions: job duties must primarily involve or directly support the harvesting, transporting or processing of qualifying forest products removed from qualified projects into a product having commercial value; an employee must have been employed for at least 90 days in the first taxable year to generate a tax credit; an employee must not have been previously employed by the business within the 12 months prior to the current date of hire; and all of the net new eligible employees on whom the business is claiming a credit must be residents of Arizona on the date of hire; and three new employees must be hired in the first year a tax credit is claimed. (A.R.S. §§43-1076 and 43-1162)

Tax credits may total up to \$3,000 per qualified employment position over three years for a maximum of 200 employees in any given tax year. A qualified employment position:

- Is a full-time permanent job (*1,550 hours per year*),
- Pays an hourly wage above the “Wage Offer by County”



- Offers health insurance to employees for which the employer pays at least 25% – 50% of the cost depending on the year in which the credit is claimed. An employer shall not reduce the amount of existing coverage provided to employees after certification.

The tax credits for qualified employment positions are equal to:

**First year:** one-fourth of wages paid to an employee up to \$500

**Second year:** one-third of wages paid to each previously qualified employee up to \$1,000

**Third year:** one-half of wages paid to each previously qualified employee up to \$1,500

If the allowable tax credit exceeds the income tax liability, any unused amount may be carried forward for up to five taxable years. A business who claims a credit under the Military Reuse Zone, Qualified Facilities, Quality Jobs or Renewable Energy Tax Incentive Program cannot claim a credit under the Healthy Forest Enterprise Incentives Program with respect to the same employment position.

**Workforce training income tax credit** for taxable years beginning from and after December 31, 2011 through December 31, 2024 – a certified business can receive a tax credit for expenses incurred in training new employees in qualified employment positions. The amount of the credit is equal to the net cost of training not to exceed \$3,000 per year for three consecutive years of employment. (A.R.S. §§43-1076.01 and 43-1162.01)

