

QUALIFIED FACILITY TAX CREDIT

(ESTABLISHED UNDER A.R.S §41-1512)

SUMMARY

The primary goal of the Qualified Facility Tax Credit program is to stimulate the creation or expansion of manufacturing facilities, including manufacturing-related research and development or headquarters facilities. The program accomplishes this goal by providing a refundable Arizona income tax credit to qualified applicants.

The tax credit is equal to the *lesser* of either:

- 10% of the total qualified investment made at the facility; or
- \$20,000 per qualified job created at the facility; or
- \$30,000,000 per taxpayer.

PROGRAM QUALIFICATIONS

To qualify for program benefits, a company must:

- Invest in the location of or expansion of a Qualified Facility in Arizona. Measured by both the payroll and square footage of the facility, the qualified facility must be dedicated (*80% or more*) to manufacturing or manufacturing-related R&D or headquarters.
- Create net new full-time employment positions at the Facility of which at least 51% must be paid at least 125% of the Arizona median production wage if the Facility is in an urban area, or 100% of the median production wage if the Facility is in a rural area. Net new positions must be:
 - Permanent with a minimum of 1,750 hours per year.
 - Maintained for at least 90 days as of the date of Post-Approval and not be vacant for a cumulative period of time exceeding 150 days following the creation of the position.
 - Filled by an employee who has NOT been previously employed by the company within 12 months before the current date of hire.
- Offer to pay at least 65% of employee's health insurance premiums or membership cost.

A company who claims a credit under the Military Reuse Zone, Quality Jobs, Renewable Energy Tax Incentive or Healthy Forest Enterprise Incentives Program cannot claim a credit under the Qualified Facility program with respect to the same employment position.

APPLYING FOR TAX CREDITS

The Arizona Commerce Authority (ACA) may authorize up to \$70 million per calendar year in tax credits to qualified companies beginning January 2013 through December 2022. The tax credits will be authorized on a first-come, first-served basis, according to a priority placement number assigned by the ACA at the time of pre-approval. It is important to note that the program cap (\$70MM) is shared between the Qualified Facility program and the Renewable Energy Tax Incentive program.

If the company is eligible, the ACA will issue Pre-Approval and reserve tax credits for the applicant. Once the facility "begins operations," an applicant will need to enter into a Written Managed Review with the ACA and a third-party CPA. Following the managed review, the applicant may apply to the ACA for Post-Approval. If the applicant receives Post-Approval from the ACA, tax credits must be claimed with the Arizona Department of Revenue in five equal annual installments.

Contact us to learn about additional programs and the benefits of doing business in Arizona.

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