

Arizona's Advantage



ARIZONA
COMMERCE
AUTHORITY

Business Incentives

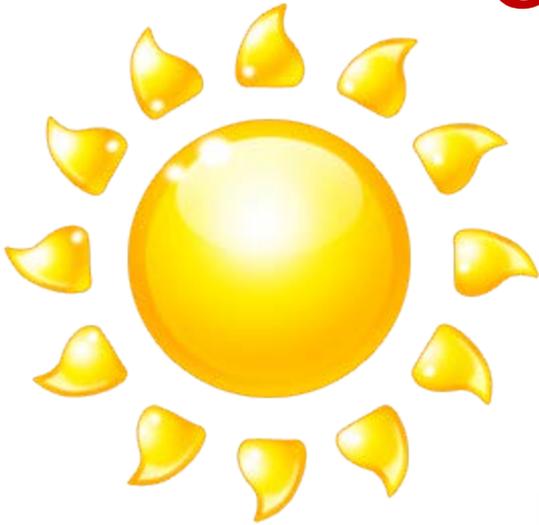
September 2012

Arizona Commerce Authority

- Annually administers **\$1Billion** of incentives
- Offers 5 types of incentives:
 - **Grants**
 - **Tax Credits**
 - **Property Reclassification**
 - **Exemptions of TPT and USE tax**
 - **Bonds**



Competitiveness



Arizona's Advantage

- **Pro-Business Climate**
 - Minimalist regulatory approach
 - Stable operating environment
 - 12 consecutive years of reduced taxes or legislation favorable to businesses



Arizona's Advantage

- **Cost reducing features of Tax Code**

- No Corporate Franchise or Business Inventory Tax
- No Income Tax on dividends from out-of-state subsidiaries
- No Worldwide Unitary Tax
- Virtually All Services Exempt from Sales Tax
- 100% of net operating loss may be carried forward for 20 subsequent years
- Arizona's "No Throwback" rule



Arizona's Advantage

- **Educated Workforce & Labor Market**

- Labor force of over 3million
- 2nd in overall workforce
- 4th in bachelor's degrees conferred per 1,000 individuals 18 – 24 years old
- 8th in science and engineer doctorates conferred per 1,000 employed science and engineer doctorate holders



Arizona's Advantage

- **Low Cost of Doing Business**

- Corporate income down to 4.9%
- 100% electable sales factor
- Accelerated Additional Depreciation schedules
- 2nd lowest in the nation in unemployment insurance tax
- 6th lowest in the nation in property taxes
- 7th lowest in the nation in average workers' compensation costs



Arizona's Advantage

- **Extensive Incentive Toolbox**
 - **\$25 Million Deal Closing Fund**
 - **Cash assistance** for business attraction projects that stimulate and promote industries that provide stable, high-wage jobs
 - Assistance will be performance-based and must result in a net benefit to the state



Arizona's Advantage

- **FAST Grant**
 - **Cash assistance** to initiate the technology commercialization process
 - Grant up to \$7,500 to provide select professional consulting services



Arizona's Advantage

- **Innovation Accelerator Fund Program**
 - **Loan participation program** to spur business expansion and job creation
 - Loans from \$50,000 - \$2 million for up to 49.9% of a financing package
 - Principle and interest payments may be deferred for up to 24 months



Arizona's Advantage

- **Innovation Challenge**
 - **Cash assistance** for promising technology ventures
 - Grants range from \$100,000 - \$250,000



Arizona's Advantage

- **Arizona STEP Grant**
 - **Cash assistance** to help develop international export opportunities
 - Reimbursable grants up to \$10,000



Arizona's Advantage

- **Commercial & Industrial Solar Energy Program**
 - \$1M available annually
 - **Tax credit** equal to 10% of the installed cost of the solar energy device
 - Up to \$25,000 per location per year
 - Not to exceed \$50,000 per taxpayer per year



Arizona's Advantage

- **Healthy Forest Tax Incentives**
 - Use **fuel tax** rate of 9¢ per gallon
 - Up to \$3,000 **tax credit** for each net new job created
 - **TPT exemptions** on qualifying equipment purchase or lease contracts & on construction contracts



Arizona's Advantage

- **Healthy Forest Tax Incentives (cont.)**
 - **Use Tax Exemption** on qualifying equipment purchased out-of-state
 - **Property tax reductions** of up to 75% for up to five years
 - Workforce training **tax credit** up to \$9,000 for each net new job created



Arizona's Advantage

- **Job Training Program**
 - **Cash assistance** up to \$1.5M per business
 - New jobs up to 75% of eligible training expenses can be reimbursed
 - Incumbent jobs up to 50% of eligible training expenses can be reimbursed



Arizona's Advantage

- **Military Reuse Zones**
 - **Tax credits** of up to \$10,000 for each new employee
 - **Property tax reductions** of up to 75% for up to five years
 - **TPT exemption** on certain types of construction



Arizona's Advantage

- **Private Activity Bonds**
 - Over \$600M available annually
 - Alternative **financing** mechanism
 - Interest on bonds is exempt from federal income tax for most bondholders



Arizona's Advantage

- **Quality Jobs Program**
 - **Tax credit** up to \$9,000 per new net qualified employee over a 3 year period
 - Basic eligibility requirements:
 - Metro: \$5M capital investment & 25 new jobs
 - Rural: \$1M capital investment & 5 new jobs

Arizona's Advantage

- **Qualified Facilities Tax Credit**
 - **Refundable tax credit** up to 10% of the company's investment or \$20,000 per new job, whichever is less
 - Basic eligibility requirements:
 - Must establish/expand a qualified facility
 - Company must pay 125% of AZ median wage
 - Company offers to pay 80% health insurance



Arizona's Advantage

- **Renewable Energy Tax Incentives**
 - **Refundable tax credit** up to 10% of the company's investment
 - Property tax reductions of up to 75% for up to fifteen years (ONLY if company invests \$25M+)
 - Basic eligibility requirements:
 - Must establish/expand a renewable energy facility
 - Company must pay 125% of AZ median wage
 - Company offers to pay 80% health insurance



Arizona's Advantage

- **Research & Development Program**

- **Tax credit** up to

- 24% of increased R&D expenses
 - \$600,000 plus 15% on the expenses in excess of \$2.5 million
 - 34% of expenses if made in conjunction with an AZ public university

- Up to 75% of the excess tax credit can be **refunded** to small businesses



Arizona's Advantage

- **Small Business Capital Investment Tax Credit (Angel Program)**
 - To be **certified** as a qualified small business:
 - Engage in qualified activities (retail, banking, and personal/professional service oriented businesses don't qualify)
 - Company must have 2 FT equivalent employees (non administrative)
 - Less than \$10M in assets



Arizona's Advantage

- **Angel Program (cont.)**
 - Investors receive a **tax credit** up to 35% of investment amount over 3 years
 - Minimum \$25k equity investment
 - Elimination of capital gains tax on income derived from investment in certified companies
 - Over \$6M remaining under program cap



Questions & Answers





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