

# MILITARY REUSE ZONE PROGRAM

**(ESTABLISHED UNDER A.R.S §41-1531 et seq.)**

## SUMMARY

In 1992, the Arizona legislature established the Military Reuse Zone Program to lessen the impact of military base closures. The program achieves this goal by providing tax incentives to aviation or aerospace (A&A) companies and airport authorities located within a Military Reuse Zone (MRZ).

There are two Military Reuse Zones designated in Arizona:

**Phoenix-Mesa Gateway Airport.** In 1996, the former Williams Air Force Base was designated an MRZ. Included in the zone are runways and buildings used by the Air Force and more than 1,000 undeveloped acres. The current zone designation expires in October 2026.

**Phoenix Goodyear Airport.** In 2002, the former U.S. Naval Air Facility in Goodyear was designated an MRZ for five years. Included in the zone are runways and infrastructure used by the Air Force and more than 800 acres. The current zone designation expires in December 2027.

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The Arizona Commerce Authority (ACA) accepts applications year-round and determines eligibility for program benefits. Only businesses and projects located in an MRZ are eligible for incentives.

### **A&A companies located within an MRZ may receive:**

- TPT exemption on a construction contract resulting in the provision of aviation or aerospace services or in manufacturing, assembling or fabricating aviation or aerospace products.
- Property tax reclassification if real or personal property is devoted to providing aviation or aerospace services or in manufacturing, assembling or fabricating aviation or aerospace products.

The following is a brief summary of the tax incentives provided by the MRZ program:

### **TRANSACTION PRIVILEGE TAX (TPT) EXEMPTION**

A&A companies and Airport Authorities are offered an exemption from the TPT on construction contracts performed at an MRZ. The exemption applies only to state and county taxes; cities impose their own taxes. A prime contractor must apply for a letter of qualification from the Arizona Department of Revenue prior to work beginning on the contract to receive the exemption. In addition, the A&A company or airport authority must submit a completion report to the ACA to maintain eligibility.

### **AIRPORT AUTHORITIES MAY RECEIVE A TPT EXEMPTION**

On a construction contract resulting in the provision of aviation or aerospace services or in manufacturing, assembling or fabricating aviation or aerospace products if work under the contract is completed at an MRZ.

### **PROPERTY TAX RECLASSIFICATION**

A&A companies are eligible for an assessment ratio of five percent on all personal and real property located in the MRZ, for both primary and secondary tax purposes. The reclassification runs for five years as long as the A&A company remains in the MRZ, maintains its certification, submits an annual report to the ACA and annually requests the County Assessor to reclassify the property. At the end of the reclassification period, the property reverts to the standard assessment ratio. Any addition or improvement to property qualifies separately for reclassification under the program for not more than five tax years.

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

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