

Renewable Energy Tax Incentives Program

- Calendar Year 2019 Annual Report

Prepared by the:

ARIZONA
COMMERCE AUTHORITY

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Incentive Overview

The goal of the Arizona Renewable Energy Tax Incentive Program (RETIP) is to encourage business investment that will enhance Arizona's position as a center for production and use of renewable energy products. The program accomplishes this goal by providing a property tax reclassification to businesses in the solar, wind, geothermal and other renewable energy industries expanding or locating in Arizona.

The following is a summary of the incentive provided under the RETIP program:

REAL AND PERSONAL PROPERTY TAX REDUCTION

All real and personal property primarily dedicated to renewable energy manufacturing and/or headquarters operations can be reclassified as Class 6 property, potentially constituting a greater than 72 percent annual savings in property taxes. Businesses making new qualifying investments of \$25 million or more in manufacturing and/or headquarters operations in Arizona in renewable energy industries are eligible for:

- **10 years** of property tax savings, if the business pays at least 51% of the net new full-time employment positions between 125% and 199% of the annual median wage, or
- **15 years** of property tax savings, if the business pays at least 51% of the net new full-time employment positions at least 200% of the annual median wage.

There is no limitation on the amount of property tax savings available to a qualified business in any calendar year under the RETIP program. Property tax benefits, however, cannot be claimed until a project is operational. The RETIP program will sunset on December 31, 2020.

Reporting Requirements

Pursuant to A.R.S. § 41-1511(O), Commerce is required to prepare and publish an annual report, not later than April 30 of each year, providing the following Program information in respect to the preceding calendar year:

1. The name of each renewable energy business receiving pre-approval,
2. A percentage comparison of (i) the annual amount of monies credited by Arizona to qualifying renewable energy businesses with (ii) the estimated amount of monies spent in Arizona in the form of qualifying investments and
3. Data on growth in Arizona of renewable energy businesses and industry employment and wages.

Calendar Year 2019 Program Activity

During calendar year 2019, no pre-approvals or post-approvals of Program income tax credits were issued by Commerce.

Comparison of Program Tax Credits with Qualifying Investments

No activity for the program occurred during calendar year 2019.

During the tenure of the Program, Commerce has issued one post-approval in which the post-approved tax credits represented approximately eight percent of the qualifying investment in new renewable energy facilities: \$1,633,333 in aggregate post-approved credits in relation to \$21,354,439 in aggregate qualifying investment.

Industry Developments

In 2019, Arizona ranked fourth in the nation for new installations by solar energy capacity, adding 909.53 MW (direct current) of new solar capacity in the year, according to GTM Research and the Solar Energy Industries Association's U.S. Solar Market Insight. 778,421 homes in Arizona are powered by Solar. The Arizona solar industry employs approximately 7,777 people, representing 3.1 percent of the nation's 249,983 total solar jobs, per the Solar Foundation.

Employment in Arizona's solar energy industry increased by 3.4 percent in 2019, and the Solar Foundation forecasts that employment in the industry will increase by 6.1 percent in 2020.

In 2006, the Arizona Corporation Commission adopted the Renewable Energy Standard and Tariff (REST). The REST rules require that regulated electric utilities generate a specified percentage of their total energy from renewable energy technologies. As reflected in the chart below, by 2025, regulated utilities must generate at least 15 percent of their total energy from renewable energy technologies. The REST rules also require a growing percentage of the total renewable energy resource portfolio to come from distributed generation (i.e., residential or on-site installation); as reflected in the chart below, beginning in 2011, at least 30 percent of the total renewable energy resource portfolio must come from distributed generation.

Requirements for ACC Regulated Electrical Utility Companies		
Year	Total Renewable Energy Requirement	Distributed Energy Requirement*
2010	2.50%	20%
2015	5%	30%
2020	10%	30%
2025	15%	30%

*Percentage of total renewable energy requirement
Source: Arizona Corporation Commission

Forecast:

Arizona Solar Employment Forecast		
Sector	2019 Employment	2020 Projected Employment
Total	7,777	8,251

Source: Arizona Solar Jobs Census 2019, March 2019

Wages:

U.S. Median Solar Installer Wages		
Wage Level	Unlicensed Installer	Licensed Installer
Entry-level wage	\$16.00	\$20.00
Mid-level wage	\$23.00	\$28.00
Senior/Crew-lead	\$30.00	\$37.50

Source: National Solar Jobs Census 2019, February 2020. Hourly wages.

* Arizona wage data has not been updated since the 2015 Arizona Solar Jobs Census.

Establishments:

Arizona Companies	
Total Solar Companies	473

Source: Solar Energy Industries Association, March 2020

ARIZONA COMMERCE AUTHORITY
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