

# 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 wage. Net new positions must be:
  - Full-time and permanent (1,750 hours per year).
  - Filled by either a U.S. citizen or employee having authorization to work legally in the U.S.
  - Filled for at least 90 days during the first taxable year, beginning with the date of hire. (A position filled during the last 90 days for the taxable year shall be considered a “new” position the next taxable year.)
  - Filled by an employee who has not worked for the taxpayer within 12 months from the current date of hire.
  - Positions where the job duties are performed at the location of qualifying investment.
- Offer to pay at least 80% 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 2019. 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.

The following **definitions** are set forth by statute A.R.S. §41-1512(X) or defined by the ACA:

“Manufacturing” means fabricating, producing or manufacturing raw or prepared materials into usable products, imparting new forms, qualities, properties and combinations. Manufacturing does not include generating electricity.

“Qualifying Investment” means investment in land, buildings, machinery, equipment and fixtures for expansion of an existing qualified facility or establishment of a new qualified facility in this state after June 30, 2012 for a taxable year beginning from and after December 31, 2011. Qualifying investment does not include relocating an existing qualified facility in this state to another location in this state without additional capital investment of at least two hundred fifty thousand dollars.

