

Qualified Facility Tax Credit Program

- Calendar Year 2022 Annual Report

Prepared by the:

ARIZONA
COMMERCE AUTHORITY

Table of Contents

Program Overview.....3
Reporting Requirements..... 4
Calendar Year 2022 Program Activity..... 5
Comparison of Program Tax Credits with Facility Investments..... 7
Industry Growth Data..... 7

Program Overview

The Qualified Facility Tax Credit Program (the “Program”) was established to promote the location and expansion of manufacturing facilities, manufacturing research and development facilities, and all business headquarters for the sake of i) generating high quality employment opportunities for Arizonans, ii) increasing Arizona’s property tax base and iii) enhancing Arizona’s position as a center for manufacturing and business headquarters. The Program achieves these goals by providing refundable income tax credits to businesses expanding or locating qualified facilities in Arizona.

The Arizona Commerce Authority (“Authority”) is authorized to pre-approve refundable income tax credits of up to \$125 million each calendar year.¹ Pre-approvals in respect to any taxpayer in any calendar year are limited to \$30 million.

Refundable income tax credits under the Program equal the lesser of:

- 10% of the qualified investment made at the facility;
- \$20,000 per net new job at the facility if the total qualifying investment is less than \$2,000,000,000, or \$30,000 per net new full-time employment position associated with the facility if the total qualifying investment is \$2,000,000,000 or more²; or
- \$30 million per taxpayer, per year.

A business is eligible for Program tax credits if it:

- 1) Makes a qualifying capital investment not greater than 36 months prior to submittal of an application for pre-approval to establish or expand a facility that devotes at least 80% of both the property and payroll at the facility to one or more of the following:
 - a. Qualified manufacturing if at least 65% of the manufactured products are sold outside of Arizona;
 - b. Qualifying research and development if conducted by a manufacturing business that derives at least 65% of its revenues from sales outside of Arizona; or
 - c. Qualified headquarters activities for a business that derives at least 65% of its revenues from sales outside of Arizona³; *and*
- 2) Creates net new employment positions associated with the facility at least 51% of which are paid a wage equal to or greater than 125% of the state’s annual median wage for production occupations if located in an urban area or 100% of the state’s annual median wage for production occupations if located in a rural area. The net new employment positions must be:
 - a. Full-time and permanent (1,750 hours per year);

¹ The Program commenced in 2013 and no further pre-approvals are permitted after December 31, 2030. The amount of credits the Authority can issue each year was increased from \$70 million to \$125 million annually effective September 29, 2021.

² The credit of \$30,000 for each net-new job for projects with capital expenditures of over \$2 billion was added effective September 29, 2021.

³ Effective September 29, 2021, any headquarters can qualify for the credit using their relevant capital expenditures and jobs provided they meet all other program requirements.

- b. Filled for at least 90 days by an employee who has not worked for the taxpayer within 12 months before the date of hire (other than an employee relocating to Arizona from another state); and
- c. Offered health insurance at least 65% of the cost of which is paid by the employer.

If a business satisfies the Program's eligibility requirements, the Authority will issue a certification of pre-approval and reserve tax credits for the applicant-business. After the qualified facility begins operations, the business can apply to the Authority for post-approval, at which point the applicant-business must submit a managed review report to the Authority, prepared by a third-party CPA, that confirms the extent of the business's investment and job creation. If the applicant-business receives "post-approval," the applicant-business may claim Program tax credits with the Arizona Department of Revenue in five equal annual installments.

Reporting Requirements

Pursuant to A.R.S. § 41-1512(U) and (V), the Authority 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 business receiving pre-approval and the amount of income tax credits pre-approved for each business's qualifying investment,
2. The amount of income tax credits post-approved with respect to each qualifying investment,
3. A percentage comparison of (i) the annual amount of monies credited by Arizona to qualified facilities with (ii) the estimated amount of monies spent in Arizona in the form of qualifying investments, and
4. Data on growth in Arizona of qualified facilities and related employment and wages.

Calendar Year 2022 Program Activity

I) Pre-Approvals

During calendar year 2022, the Authority issued twenty-nine pre-approvals to twenty-nine unique businesses. Three amendments to previous pre-approvals were also issued to account for additional jobs and capital expenditures. Additionally, a portion of the 2022 cap was allocated per statute at the end of calendar 2021 and is reflected as carryforward below. The names of the businesses and the amount of Program income tax credits pre-approved and amended for each business are reflected in the chart below.

Calendar Year 2022 Pre-Approvals	
Business Name	Pre-Approved Tax Credit Amount
2021 Cap Carryforward	\$1,130,186
Advanced Materials Technologies, LLC	\$665,749
Advantest America, Inc. Amendment	\$600,000
APEL Extrusions Inc.	\$3,500,000
Avanti Windows & Doors, LLC Amendment	\$662,000
Ball Metal Beverage Container Corp.	\$3,300,000
Benchmark Electronics, Inc.	\$1,600,000
Bristol Myers Squibb Company	\$3,000,000
Cardinal IG Company Amendment	\$740,000
Corning Optical Communications, LLC	\$5,000,000
Covetrus, Inc. and Subsidiaries	\$1,180,000
CP North America, LLC	\$780,000*
Edwards Vacuum, LLC	\$5,340,000
EMD Group Holding, Inc.	\$1,820,000
Fairlife, LLC	\$3,620,000
Georgia-Pacific Corrugated, LLC	\$1,000,000
Gold Bond Building Products, LLC	\$1,940,000
Heritage Battery Recycling, LLC	\$1,400,000
Huhtamaki, Inc.	\$820,000
Hyundai Transys Georgia Seating System, LLC	\$1,133,311
JX Nippon Mining & Metals, USA. Inc.	\$2,240,000
KORE Power, Inc.	\$30,000,000
Lucid Motors, Inc.	\$30,000,000*
Moog, Inc.	\$297,674
Nestle USA, Inc.	\$8,000,000

NXP USA, Inc.	\$660,000
Pulse Holding, LLC	\$80,000
Pure Guard, LLC	\$1,350,000
Rauch North America, Inc.	\$3,600,000
Rehrig Pacific Company	\$2,440,000
Solvay Holding, Inc.	\$600,000
The Reinalt-Thomas Corporation	\$5,000,000
Williams-Sonoma Direct, Inc.	\$1,010,730
Total	\$124,509,650

* credit amount reserved but application not yet finalized

II) Post-Approvals.

During calendar year 2022, the Authority issued sixteen post-approvals to fifteen unique businesses. The names of the business and the amount of Program income tax credits post-approved for each business are reflected in the chart below.

Calendar Year 2022 Post-Approvals	
Business Name	Post-Approved Tax Credit Amount
Advanced Circuits, Inc.	\$180,000
Align Technology	\$395,534
Benchmark Electronics, Inc.	\$1,069,278
Bestway USA, Inc.	\$703,316
Cardinal IG Company	\$6,100,000
EMD Electronics (Versum Materials)	\$1,200,000
Essai, Inc.	\$920,000
FabricTech 2000, LLC	\$253,863
Intel Corporation	\$2,160,000
Intel Corporation	\$360,000
Microchip Technology Inc.	\$1,200,000
Moog, Inc.	\$297,503
Rauch North America, Inc.	\$3,280,000
Raytheon Technologies	\$20,000,000
RJR Technologies, Inc.	\$373,049
TPI Composites	\$1,320,000
Total	\$39,812,543

Comparison of Program Tax Credits with Facility Investments

Based on data provided in the thirty-two applications that received pre-approvals, pre-approved tax credits in calendar year 2022 represented approximately four and eleven-hundredths percent (4.11%) of the 2022 projected qualifying investment in new and expanding facilities: \$123,379,464 in pre-approved tax credits in relation to \$2,999,958,419 of projected qualifying investment.

Industry Growth Data

Manufacturing represents a vital aspect of the Arizona economy. According to preliminary estimates from Lightcast,⁴ 186,514 people were employed by 5,474 manufacturing establishments in Arizona in 2022. Arizona's average annual wages and salaries in the manufacturing industry totaled \$89,119 in 2022. Furthermore, each manufacturing job in Arizona is estimated to support an additional 2.22 jobs, which means that, based on current 2022 employment estimates, manufacturing activities in Arizona supported an additional 414,061 jobs in Arizona.⁵

Based on 2022 employment⁶, Arizona's three largest manufacturing sectors were aerospace products and parts manufacturing, semiconductor and other electronic component manufacturing, and architectural and structural metals manufacturing.

In 2022, manufacturers in Arizona exported \$22.5 billion in manufactured goods, 24.1 percent more than in 2017.⁷ Manufactured goods exports also accounted for 82.6 percent of the state's total exports in 2022.⁸ Finally, according to the most recent Bureau of Economic Analysis statistics, manufacturing's contribution to Arizona's gross state product (GSP) totaled \$42.3 billion (current dollars, not adjusted for inflation), which represents 9.0% of the state's total GSP.⁹

⁴ Lightcast is a private data provider that uses publicly available data from federal statistical agencies in conjunction with a proprietary model to provide estimates for labor market information statistics. Estimates provided here are from Lightcast's 2023.1 QCEW & non-QCEW dataset and project employment levels for 2022.

⁵ Multiplier provided by Elliott D. Pollack & Company.

⁶ Using the North American Industry Classification System (NAICS) codes at the 4-digit level.

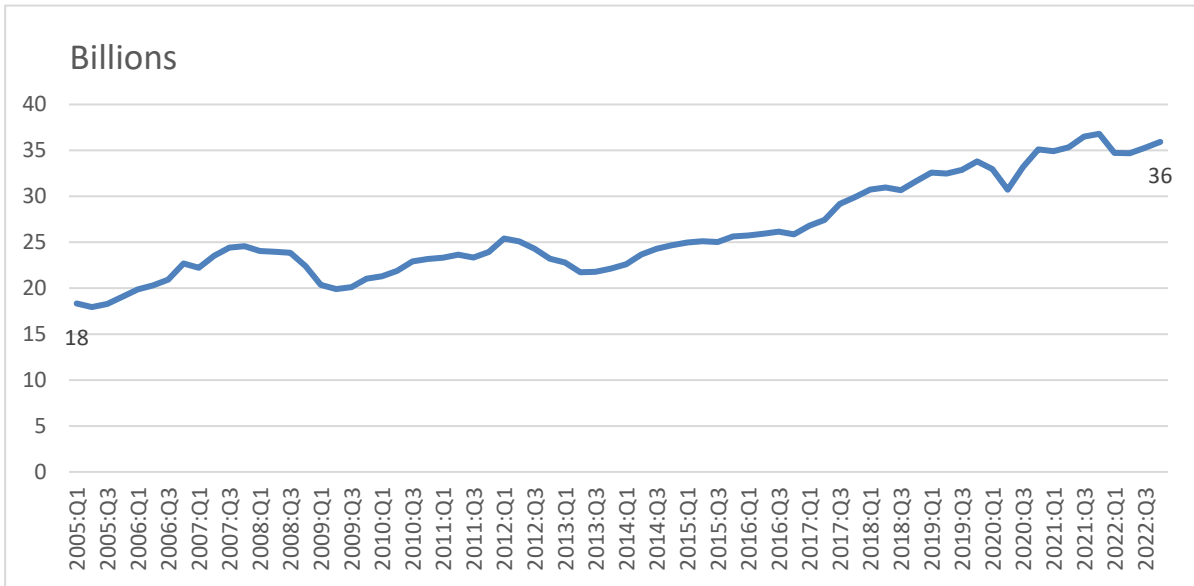
⁷ Not adjusting for Inflation.

⁸ WisersTrade, accessed April 18, 2023. Based on NAICS codes at the 3-digit level.

⁹ Bureau of Economic Analysis, GSP by state in current dollars. Most recent data are for Q4 2022. Accessed April 18, 2023.

The chart below shows Arizona’s manufacturing output over time, after adjusting for inflation. Since 2005, Arizona’s manufacturing output has nearly doubled in constant, inflation-adjusted dollars.

Arizona’s Manufacturing Output, 2005 to 2022



Sources: Bureau of Economic Analysis quarterly real gross domestic product by state. Figures in billions of chained 2012 dollars. Accessed 4/27/2023.

Arizona Commerce Authority

ARIZONA COMMERCE AUTHORITY
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