

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS

ARIZONA

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The Business Incentives Practice (“BIP”) strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project’s unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives (“Incentives”) opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

SERVICES

BIP’s mission is to develop a strategy that enhances business performance, while reducing a project’s up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W’s Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

ARIZONA’S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOB	INCENTIVES
Northern Trust	\$95.0	1,000	\$4.0
IRIS USA	\$40.0	100	\$0.5
Zenefits	\$13.0	1,300	\$1.5
General Motors	\$17.7	738	\$1.3
Silicon Valley Bank	\$3.5	250	\$1.0
Apple	\$1,500.0	700	\$10.0
ZocDoc	\$6.0	650	\$0.8
Hotchalk	\$3.3	595	\$1.3
Maxwell Technologies	\$13.0	150	\$1.5
GoDaddy	\$27.0	300	\$5.5
General Motors	\$21.0	1,000	\$1.3
American Furniture Warehouse	\$30.0	300	\$2.0

OVERVIEW OF MAJOR ARIZONA INCENTIVE PROGRAMS

QUALITY JOBS TAX CREDIT PROGRAM

This new program provides Arizona income tax credits for companies creating new jobs and investing in Arizona. The credit is valued at up to \$9,000 over a three-(3) year period per each new employee and offers a five-(5) year carry forward provision for any unused tax credits. Eligibility qualifications are different for rural and metro areas:

AREA DEFINITION	MIN JOB CREATION	MIN CAPITAL INVESTMENT	QUALIFIED JOB
Metro Area – Counties with a population of 800,000 or more, excluding municipalities of 50,000 or less	25	\$5M	Is a new full-time and permanent position paying 100% of median county wage and company offers to pay 65% of the health insurance costs
Rural Area – Counties with a population of less than 800,000 and municipalities of less than 50,000 within counties of more than 800,000	5	\$1M	

The Quality Jobs Tax Credit Program is capped at 10,000 jobs being claimed each year by all participants.

RESEARCH AND DEVELOPMENT TAX CREDIT

The Research and Development (R&D) tax credit provides an Arizona income tax credit for increased research and development activities conducted in this state, including research conducted at a state university and funded by the company. The goal is to encourage Arizona businesses to continue investing in research and development activities.

The amount of credit is based on the federal regular credit computation method for Arizona qualified research expenses and Arizona basic research payments. For tax year 2011 thru 2017, if the allowable expenses are \$2,500,000 or less, the credit is 24% of the allowable expenses. For tax year 2011 thru 2017, if the allowable expenses exceed \$2,500,000, the credit is \$600,000 plus 15% of the amount of expenses over \$2,500,000. A company may be eligible for a partial refund of its R&D tax credit, if:

- The Company employs no less than 150 full-time employees
- The current year's Arizona R&D tax credit exceeds the current year's tax liability
- Company must receive a "Certificate of Qualification" from Commerce

Arizona shows an average deal value of \$3.23 million with 381 new jobs created per deal

- Remits a non-refundable processing fee equal to 1% of the company's tax credit being refunded.

If a taxpayer elects to carry forward its R&D tax credit for the tax year, it is no longer eligible for a refund for that tax year. A taxpayer that files a return with Revenue without claiming a refund of the R&D tax credit is electing to carry the unused R&D credit forward for the tax year.

ENTERPRISE ZONE PROGRAM

Businesses located within a state-designated Enterprise Zone ("EZ") may claim state corporate income tax credits if they have created net new "qualified employment positions." In order to be considered a qualified employment position, the following criteria must be met:

- Position must require a minimum of 1,750 work hours per year;
- Employee in qualified position must be an Arizona resident; and
- Position must have been filled for at least 90 days during the first taxable year.
- Thirty-five percent (35%) of the net new eligible employees on whom the business is claiming a credit must live within an EZ within the same county as the business.

EZ credits for qualified employment positions are equal to:

- One-fourth of wages paid up to \$500
- One-third of wages paid to each previously qualified employee up to \$1,000
- One-half of wages paid to each previously qualified employee up to \$1,500

If the allowable credit exceeds a company's state income tax liability, then any unused credits may be carried forward for up to five taxable years provided that the business remains in the EZ.

ARIZONA JOB TRAINING PROGRAM (JTP)

The Arizona Job Training Program ("JTP") is a job-specific reimbursable grant program that supports the design and delivery of customized training to meet specific needs of employers, create new employment opportunities, and increase the skill and wage levels of employees in Arizona. JTP can provide grants to businesses for training both new and incumbent employees.

Once awarded, an employer may take up to two years to complete the approved training program. As soon as the training is complete, the employer may apply for a new grant for additional job-specific training. All applications are taken on a first-come first-serve basis, and grants are awarded based on the availability of funds at the time the application is approved.

- A single employer can receive up to \$1.5 million in JTP funding
 - Award amounts range from \$2,000 to \$5,000 per position for urban employers with 100 or more employees;
 - Award amounts range from \$5,000 to \$8,000 per position for rural or small; and
 - Grant amount will never exceed actual cost of training.

All JTP participants must make some level of matching contribution to support the Arizona Department of Commerce's investment:

- Match at least fifty percent (50%) of training costs for incumbent employee training,
- Match at least twenty-five percent (25%) of training costs for new employee training.

OTHER ARIZONA INCENTIVE PROGRAMS

- Arizona Innovation Accelerator Fund
- Arizona Innovation Challenge
- AZ Fast Grant
- AZ State Trade and Export Promotion Program
- Qualified Facilities Tax Credits Program
- Sales Tax Exemptions for Machinery and Equipment
- Computer Data Center (CDC) Tax Exemptions
- Angel Tax Credit
- Renewable Energy Tax Incentive Program
- Renewable Energy Production Tax Credit
- Commercial and Industrial Solar Tax Credit Program
- Military Reuse Zone
- Foreign Trade Zone
- Private Activity Bond

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