

QUALITY JOBS TAX CREDIT

(A.R.S. §41-1525; See Also S.B. 1416)

SUMMARY

The goals of the Quality Jobs Tax Credit Program (the “Program”) are to encourage capital investment and high-quality job creation in Arizona. The Program seeks to accomplish these goals by providing non-refundable income and premium tax credits to taxpayers satisfying applicable job creation and capital investment thresholds at a business location (the “Designated Location”) within the Initial Qualification Period.

Pertinent Definitions:

Urban Area – A location that is within the exterior boundaries of a city or town that has a population of 50,000 or more, and that is located in a county that has a population of 800,000 or more.

Rural Area – A location that is within the boundaries of tribal lands or a city or town with a population of less than 50,000, or a county with a population of less than 800,000.

Net New Qualified Employment Position (QEP): A net new full-time permanent position that pays the required percentage of the median county wage associated with a taxpayer’s capital investment threshold set forth below and pays at least 65% of health insurance premium costs. QEP’s must work a minimum of 1,750 hours of which 50% or more of the hours worked must be at the Designated Location. Affiliates of an Insurance Holding Company System (“IHCS”) may aggregate QEPs and Capital Investment at a single Designated Location .

The Program was recently updated to respond to market needs. For a project seeking final approval in 2017, a company in an urban area must make a qualifying capital investment of at least \$5 million and create at least 25 new Quality Jobs within a 12-month period. Alternatively, a company in a rural area must make a qualifying capital investment of at least \$1 million and create at least 5 QEPs within a 12-month period. However, the Arizona Commerce Authority (ACA) is currently accepting applications for preapproval of credits that may receive final certification starting the first business day of 2018 with the following qualifying thresholds:

Minimum Capital Investment	Minimum Number of Net New Jobs (QEP's) Added	Percent of County Median Wage
For Urban Locations:		
\$5,000,000	25	100%
\$2,500,000	25	125%
\$1,000,000	25	150%
\$500,000	25	200%
For Rural Locations:		
\$1,000,000	5	100%
\$500,000	5	125%
\$100,000	5	150%

The Quality Jobs Tax Credit program is capped at 10,000 new jobs for each calendar year for all participants. Taxpayers that claim tax credits under the Qualified Facility Tax Credit Program cannot claim tax credits under the Program with respect to the same employment positions. Income and premium tax credits (as applicable) are issued on a first-come, first-served basis, according to the date and time of receipt by the ACA of a Request for Pre-Approval. After receiving a Pre-Approval Letter, a taxpayer or IHCS is eligible to claim program credits if during the Initial Qualification Period, the taxpayer or IHCS satisfies both the job creation and capital investment thresholds within the established timeframe. Following preapproval, a taxpayer or IHCS must submit an application to the ACA to claim credits by the earlier of: (i) the date six months after the relevant tax-year end or (ii) before the original tax return is filed with the Arizona Department of Revenue or Arizona Department of Insurance for the taxable year (including extensions). An IHCS must, on or before March 1st following the calendar year for which credits are claimed, submit to Insurance a completed Premium Tax and Fees Report.

For more information please refer to the Program Guidelines, a copy of which may be accessed at www.azcommerce.com.

