

# Qualified Facility Tax Credit Program

- Calendar Year 2021 Annual Report

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**ARIZONA**  
COMMERCE AUTHORITY

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## 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.<sup>1</sup> 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 more than \$2,000,000,000<sup>2</sup>; 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 Arizona<sup>3</sup>; *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);

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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 2021 Program Activity

### I) Pre-Approvals

During calendar year 2021, the Authority issued pre-approvals to thirty pre-approvals to twenty-eight businesses. The names of the businesses and the amount of Program income tax credits pre-approved for each business are reflected in the chart below.

Calendar Year 2021 Pre-Approvals	
Business Name	Pre-Approved Tax Credit Amount
Advantest America, Inc.	\$4,200,000
Avanti Windows & Doors, LLC	\$4,197,094
Axon Enterprise, Inc.	\$3,260,000
Ball Metal Beverage Container Corp.	\$2,900,000
Benchmark Electronics, Inc.	\$2,300,000
Bestway USA, Inc.	\$750,000
Edmund Industrial Optics, Inc.	\$250,000
Essai, Inc.	\$1,180,000
FabricTech 2000, LLC	\$350,000
Foresight Technologies, Inc.	\$249,502
Heritage Battery Company*	\$280,000
Intel Corporation	\$420,000
Intel Corporation	\$2,300,000
International Technical Coatings, Inc.	\$1,600,000
ISCO Industries, Inc.	\$500,000
Kohler Company	\$8,500,000
La Mesa RV Center, Inc.	\$384,882
Lucid Motors, Inc.*	\$28,589,814
Microchip Technology, Inc.	\$1,200,000
Mitsubishi Chemical Advanced Materials, Inc.	\$600,000
Owens Corning Insulating Systems, LLC	\$900,000
Precision Aero, Inc.	\$863,880
Rauch North America, Inc.	\$3,980,000
Raytheon Company**	\$1,248,374
Raytheon Company	\$20,000,000
Seattle-Tacoma Box Company	\$700,000
TSMC Arizona Corporation	\$30,000,000
VirTra, Inc.	\$1,000,000
Wyandot, Inc.	\$2,220,000
Yampa Precision Manufacturing, Inc.	\$76,454
<b>Total</b>	<b>\$125,000,000<sup>4</sup></b>

\* credit amount reserved but application not finalized

\*\* portion of 2020 application applied to 2021 cap

<sup>4</sup> Per A.R.S 41-1512 (N), after October 31 of each year, if the Authority has preapproved the maximum calendar year income tax credit amount, the Authority may accept initial applications for the next calendar year. The total amount represented includes one pre-approval from 2020.

II) Post-Approvals.

During calendar year 2021, the Authority issued post-approvals to nineteen 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.

<b>Calendar Year 2021 Post-Approvals</b>	
<b>Business Name</b>	<b>Post-Approved Tax Credit Amount</b>
Arctic Slope Regional Corporation	\$250,411
Axon Enterprise, Inc.	\$2,291,106
Becton, Dickinson and Company	\$1,520,000
Benchmark Electronics, Inc.	\$2,600,000
Central Admixture Pharmacy Services, Inc.	\$1,861,450
Daicel Safety Systems Americas, Inc.	\$3,040,000
Foresight Technologies, Inc.	\$242,895
Georgia-Pacific, LLC	\$1,380,000
Intel Corporation	\$21,600,000
Intel Corporation	\$8,140,000
Nikola Motor Company	\$6,080,000
PAC Worldwide Corporation	\$1,040,000
Pacific Scientific Energetic Materials, Co.	\$778,912
Raytheon Company	\$25,265,000
Seattle-Tacoma Box Company	\$1,240,000
Semiconductor Components Industries, LLC	\$3,920,877
Silent-Aire USA, Inc.	\$3,487,103
ViaSat, Inc.	\$1,020,000
Yampa Precision Manufacturing, Inc.	\$75,305
<b>Total</b>	<b>\$85,833,059</b>

## Comparison of Program Tax Credits with Facility Investments

Based on data provided in the thirty applications that received pre-approvals, pre-approved tax credits in calendar year 2021 represented approximately one and five-tenths percent (1.5%) of the 2021 projected qualifying investment in new and expanding facilities: \$125,000,000 in pre-approved tax credits in relation to \$8,187,531,164 of projected qualifying investment.

## Industry Growth Data

Manufacturing represents a vital aspect of the Arizona economy. According to preliminary estimates from Emsi <sup>5</sup>, 177,974 people worked in 5,254 manufacturing establishments in Arizona in 2021. Arizona's average annual wages and salaries in the manufacturing industry totaled \$83,861 in 2021. Furthermore, each manufacturing job in Arizona is estimated to support an additional 2.27 jobs, which means that, based on current 2021 employment estimates, manufacturing activities in Arizona supported an additional 404,001 jobs in Arizona.<sup>6</sup>

Based on 2021 employment<sup>7</sup>, Arizona's three largest manufacturing sectors were aerospace products and parts manufacturing, semiconductor and other electronic component manufacturing and medical equipment and supplies manufacturing.

In 2021, manufacturers in Arizona exported \$20.2 billion in manufactured goods, 9.6 percent more than in 2016.<sup>8</sup> Manufactured goods exports also accounted for 83.9 percent of the state's total exports in 2021.<sup>9</sup> Finally, according to the most recent Bureau of Economic Analysis statistics, manufacturing's contribution to Arizona's gross domestic product (GDP) totaled \$36.6 billion (current dollars), which represents 8.5% of the state's total GDP.<sup>10</sup> The chart below shows Arizona's historical manufacturing output adjusted for inflation. In Q4 2021, Arizona's manufacturing GDP totaled more than \$33.4 billion in 2012 dollars.

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<sup>5</sup> Emsi 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 Emsi's 2022.1 QCEW & non-QCEW dataset and project employment levels for 2021.

<sup>6</sup> Multiplier provided by Elliott D. Pollack & Company.

<sup>7</sup> Using the North American Industry Classification System (NAICS) codes at the 4-digit level.

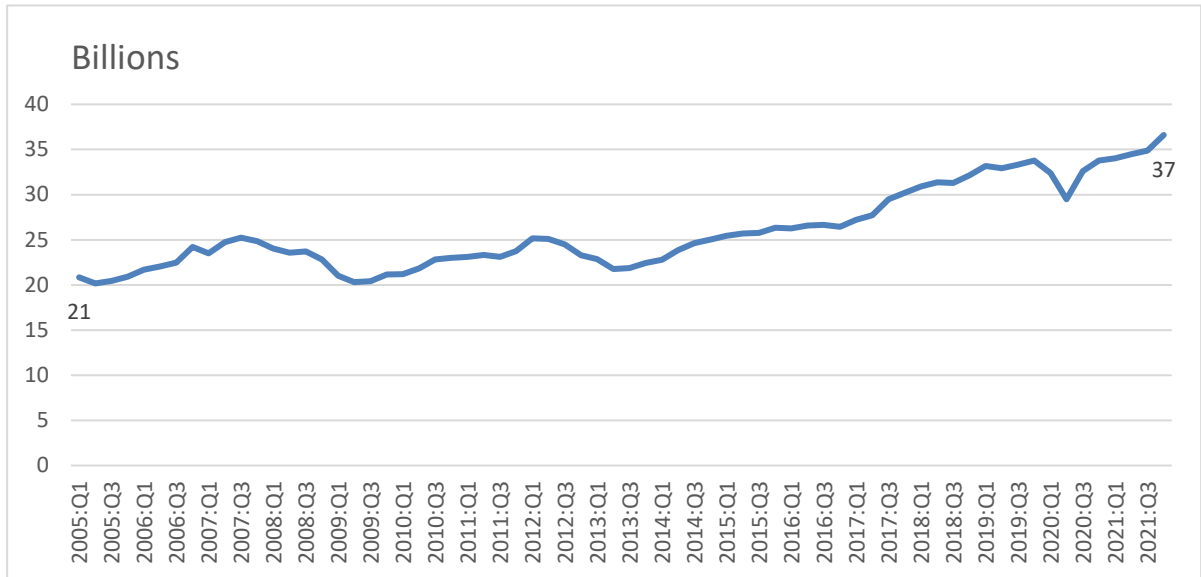
<sup>8</sup> Not adjusting for inflation.

<sup>9</sup> WiserTrade, accessed April 11, 2022. Based on NAICS codes at the 3-digit level.

<sup>10</sup> Bureau of Economic Analysis, GDP by state in current dollars. Most recent data are for Q4 2021. Accessed April 19, 2022.

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## Arizona's Manufacturing Output, 2005 to 2021



Sources: Bureau of Economic Analysis quarterly real gross domestic product by state. Figures in billions current dollars. Accessed 4/19/2022.

Arizona Commerce Authority

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