

Upcoming Changes to Select Arizona Tax Incentives: Part 2

by James G. Busby Jr.

Reprinted from *State Tax Notes*, August 21, 2017, p. 799

Upcoming Changes to Select Arizona Tax Incentives: Part 2

by James G. Busby Jr.



James G. Busby Jr.

James G. Busby Jr. is a state and local tax attorney at the Cavanagh Law Firm in Phoenix. Busby previously worked in the SALT departments at Arthur Andersen and Deloitte & Touche. Before entering private practice in 1999, Busby was the chief auditor in charge of transaction privilege (sales) tax audits at the Arizona Department of Revenue. He can be contacted at JBusby@Cavanagh Law.com.

In this edition of SALT From My Saddle, Busby highlights important changes that will extend Arizona personal property tax incentives to qualifying personal property located within a foreign trade or military reuse zone and change the state's mechanism for funding the cost of public infrastructure improvements that benefit manufacturing facilities.

© 2017 James G. Busby Jr.
All rights reserved.

Part 1¹ of this column focused on upcoming changes to Arizona tax credits for individuals, corporations, and insurance companies that make qualifying investments in new jobs, facilities, and research in Arizona. Such changes, required by S.B. 1416,² will go into effect on January 1, 2018.

Beginning on the same date, S.B. 1416 also extends an important personal property tax

incentive to qualifying property located within foreign trade or military reuse zones, and changes the mechanism Arizona uses to fund the cost of public infrastructure improvements that benefit manufacturing facilities.

Accelerated Depreciation For Qualifying Personal Property

In 2011 the Arizona Legislature provided additional accelerated depreciation for specific types of business personal property purchased during or after tax year 2012.³ The incentive applied primarily to class 1 personal property used by manufacturers, shopping centers, and golf courses, and to class 2 personal property used for agricultural purposes, or by particular types of nonprofit organizations or golf courses.

S.B. 1416 extends this incentive to personal property located in foreign trade and qualifying military reuse zones.⁴

Funding Public Infrastructure Improvements For Manufacturing Facilities

In 2012, after a leading global manufacturing company was unexpectedly saddled with paying the cost of the public infrastructure improvements necessary to support its major investment in a new manufacturing facility, the Legislature passed legislation requiring the state to pay up to 80 percent of the cost of public infrastructure improvements constructed for the benefit of new manufacturing facilities.⁵

This funding mechanism applies when a manufacturer agrees to make a minimum capital investment of \$500 million in a county with a

¹James G. Busby Jr., "Upcoming Changes to Select Arizona Tax Incentives: Part 1," *State Tax Notes*, July 10, 2017, p. 183.

²Laws 2017, ch. 182.

³Laws 2011, ch. 1.

⁴Laws 2017, ch. 182, section 6.

⁵Laws 2012, ch. 328.

population of 800,000 or more, or a minimum investment of \$50 million in a county with a population of less than 800,000.

The amount the state pays is limited to the amount of sales tax paid by contractors hired to construct the facility and any off-site improvements or public infrastructure improvements constructed for the benefit of the facility, and capped at \$50 million.

Before S.B. 1416, cities, towns, and counties that were required to make public infrastructure improvements to support these types of major investments by a manufacturer only had to commit a minimum of 20 percent of their state-shared sales tax revenue from contracts to construct the facility and any off-site improvements or public infrastructure improvements constructed for the benefit of the facility to help pay for the public infrastructure improvements.⁶

S.B. 1416 requires cities, towns, and counties that are required to make public infrastructure improvements to support these types of major investments by a manufacturer to commit all of their state-shared sales tax revenue from such contracts to help pay for the public infrastructure improvements.⁷ ■

⁶ Ariz. Rev. Stat. section 42-5032.02(F)(3).

⁷ Laws 2017, ch. 182, section 3.

taxanalysts®

Education | Debate | Fairness | Transparency



We're on a mission.

Shining a light on unfair tax policies and pushing for a level playing field, we work every day to strengthen open government and fairness in tax systems.

We publish world-class news and analysis, host and provide speakers for conferences on topics that matter, provide material for free on taxanalysts.org, and pursue the release of important public information through the Freedom of Information Act.

taxanalysts.org

501(c)(3) Non-Profit Organization

Publisher of Tax Notes