

Arizona Renewable Energy Tax Incentive Program
PROGRAM OVERVIEW
(Established under [A.R.S. §41-1511](#))

The goal of the new Arizona Renewable Energy Tax Incentive Program is to encourage business investment that will produce high quality employment opportunities and enhance Arizona's position as a center for production and use of renewable energy products. The program accomplishes this goal by providing tax incentives to companies in the solar, water, wind, geothermal, biomass, biogas, landfill gas and other nonfossil renewable energy industries who are expanding or locating in Arizona.

Administered by Arizona Commerce Authority (Commerce), this program offers two benefits; a refundable income tax credit and real and personal property tax reduction.

REFUNDABLE INCOME TAX CREDIT

Who is eligible? How does my company qualify?

Businesses making new qualifying investments in manufacturing and/or headquarter operations in Arizona in renewable energy industries are eligible for a tax credit if they meet the following requirements:

- At least 51% of the net new full-time employment positions at the facility are paid a wage that is 125% or more than the state's annual median wage.
- The company pays 80% of the employee's health insurance costs for all net new full-time employment positions at the facility.

How much can I receive?

Arizona's program offers a refundable income tax credit. Qualifying applicants may receive up to a 10 percent income tax credit on the company's total qualifying investment for projects that meet the following employment requirements.

- **For renewable energy manufacturing operations:** At least one and one-half new full-time employment positions created for each \$500,000 of capital investment. **1.5 new FTE / \$500,000**
- **For renewable energy business headquarters:** At least one new full-time employment position created for each \$200,000 increment of capital investment. **1 new FTE / \$200,000**

The amount for the income tax credit program is capped at \$70 million per year for five years beginning January 1, 2010.

- Applications are processed on a first come, first served basis.
- Once the project is operational the tax credits must be claimed over a five year period.
- The company must operate in Arizona for a minimum of 5 years after receiving post approval.
- An applicant may separately apply and qualify for facilities in separate locations and for separate expansions of a facility.

REAL AND PERSONAL PROPERTY TAX REDUCTION

Who is eligible? How does my company qualify?

All real and personal property can be reclassified to class 6 property effectively constituting a 75% savings in property taxes. Businesses making new qualifying investment of \$25 million or more in manufacturing and/or headquarter operations in Arizona in renewable energy industries are eligible for:

- **10 years** of property tax savings, if the company pays at least 51% of the net new full-time employment positions between 125% and 199% of the annual median wage.
- **15 years** of property tax savings, if the company pays at least 51% of the net new full-time employment positions at least 200% of the annual median wage.

There is no limitation on the amount of property tax savings available to a qualified business. Nor is there a limit on the total amount of property tax savings available in any calendar year under this program.

- Applications are processed on a first come, first served basis.
- Property tax benefits cannot be claimed until project is operational.
- The property must be primarily dedicated to renewable energy manufacturing and/or headquarter operations.
- The company must operate in Arizona for a minimum of 5 years after receiving post approval.
- An applicant may separately apply and qualify for facilities in separate locations and for separate expansions of a facility.

APPLICATION DETAILS

Applications will be available online at www.azcommerce.com/BusAsst/Incentives/renewable_benefit.htm. Applications are accepted year-round. A nonrefundable processing fee is required with each application.

DEFINITIONS

“Capital Investment” means an expenditure to acquire, lease or improve property that is used in operating a business, including land, buildings, machinery and fixtures.

“Headquarters” means a principal central administrative office where primary headquarters related functions and services are performed, including financial, personnel, administrative, legal, planning and similar business functions.

“Manufacturing” means fabricating, producing or manufacturing raw or prepared materials into usable products, imparting new forms, qualities, properties and combinations. Manufacturing does NOT include generating electricity for off-site consumption.

“Qualifying investment” means investment in land, buildings, machinery and fixtures for expansion of an existing renewable energy operation or establishment of a new renewable energy operation in this state after September 30, 2009. Qualifying investment does NOT include relocating an existing renewable energy operation in this state to another location in this state without additional capital investment of at least two hundred fifty thousand dollars.

“Qualifying renewable energy operation” means the facility where a qualifying investment was made.

“Renewable energy” means usable energy, including electricity, fuels, gas and heat, produced through the conversion of energy provided by sunlight, water, wind, geothermal, heat, biomass, biogas, landfill gas or other nonfossil renewable resource.

“Renewable energy business” means a person primarily engaged in the business of renewable energy manufacturing operations or renewable energy headquarters operations.

“Renewable energy operations” are limited to manufactures of, and headquarters for, systems and components that are used or useful in manufacturing renewable energy equipment for the generation, storage, testing and research and development, transmission or distribution of electricity from renewable resources, including specialized packaging for the renewable energy equipment manufactured at the qualifying renewable energy operation.

“Renewable energy resource” means a resource that is replaced by natural and assisted processes at a rate that is comparable to or faster than the rate of natural depletion and consumption by humans.