

## Jobs Bill Summary

### 1. 100% Sales Factor

- a. The electable sales factor for multi state corporations increases from 80% to 100% between FY 2014 and FY 2017
- b. The increase is proportional over the 4 years – 5% per year

**Update:** Brought forth the implementation date by one year, original proposal was FY 2015

### 2. Corporate Income Tax

- a. Reduce the corporate tax rate from 6.97% to 4.9% between FY 2014 and FY 2017
- b. Reduction to occur proportionally over 4 years

**Update:** (1) Brought forth the implementation date by one year, original proposal was FY 2015; and (2) we lowered the rate from 5% to 4.9%

### 3. Real Property Tax Reform

**Update:**

- (1) The package has been updated to include real property
- (2) Both class one (commercial real property) and class two (agriculture real property) will receive reductions in their assessment ratios
- (3) Class one will decrease from 20% to 18% and class two will decrease from 16% to 15%
- (4) Reductions will begin in TY 2013 and end in TY 2016
- (5) The home owner rebate reforms in Rep. Lesko's bill, HB2708, are part of the real property tax reforms in the Jobs Bill

### 4. Personal Property Tax Reform

- a. Accelerated Depreciation
  - i. Provides accelerated depreciation for prospective acquisitions of class one commercial personal property and class two agriculture personal property placed on the tax rolls on or after TY 2012 – this policy allows for quicker expensing of an asset, therefore, provides a lower tax basis for taxation

**Update:** (1) Included class-two agriculture personal property

- b. Personal Property Exemption

- i. Increases the exemption on class one commercial personal property and class two agriculture personal property. The exemption will increase from \$67K in TY 2010 to \$79K in TY 2011 by using the Employment Cost Index (ECI) rather than the Gross Domestic Product Implicit Price Deflator (GDP IPD)

**Update:** (1) Included class-two agriculture personal property to receive the increased exemption

- c. Personal Property Reclassification
  - i. This replaces the commercial personal property tax portion of the expiring enterprise zone and is statewide
  - ii. Reclassify class one commercial personal property (20% assessment ratio) to class four property (10% assessment ratio) –applies to manufacturing businesses only

#### **5. Small Business Investment Credit/Capital Gains**

- a. This is a current program that is receiving a five year extension
- b. The definition of small business has changed – the dollar value in assets has changed from \$2M to \$10M
- c. Investors receive tax credits on their investments – up to 13% a year in rural areas and 10% a year in urban areas
- d. Investors will not pay capital gains on their investment – minimum investment to qualify for program is \$25k

#### **6. R&D Tax Credit Enhancement**

- a. The proposal enhances the credit by 10% if expenditures are made in cooperation with an Arizona public and private University

**Update:** (1) Included all Arizona Universities rather than just the three state Universities – ASU, NAU, UofA

#### **7. Quality Job Tax Credit**

- a. Replaces Arizona's expiring enterprise zone program with a new quality job tax credit for new job creation statewide
- b. Establishes a net new quality jobs tax credit that is performance based with eligibility qualifications
- c. Tax credit per eligible job will be \$3k/year for 3 years (up to \$9k)
- d. Employer capped at 400 jobs per year
- e. Total program cap will be \$30M annually, for a total of \$90M reached in the 3<sup>rd</sup> year – if fully utilized
- f. Other criteria include:
  - i. Wage equal to the average county wage
  - ii. Minimum of number of jobs created: 5 Rural/ 25 Urban
  - iii. Minimum investment: \$1M Rural/ \$5M Urban
  - iv. 65% of health care costs covered by the employer

**8. Arizona Competes Fund – Deal Closing Fund**

- a. Grants from the Arizona competes fund will go to companies that are manufacturing, export oriented firms that will have a significant presence in Arizona
- b. Grants can be used for relocation, infrastructure, training, and start-up costs

**Update:**

- (1) Narrowed the definition of eligible grant recipients
- (2) Eliminated the annual growth inflator of 2%

**9. Job Training Program**

- a. Reauthorizing existing program – 10 year extension

**10. Eliminate Capital Gains on Qualified Investments**

**Update:**

- (1) Eliminate the capital gains for individuals on qualified investments in a business
- (2) No minimum requirement of investment in a business

**11. Arizona Commerce Authority**

**Update:**

- (1) Legislative appointments – 4 for the House and 4 for the Senate (17 total members)
- (2) Appointments to the rural business development advisory council
- (3) Rural representation
- (4) Sunset after 5 years instead of 10 years
- (5) Subject to open meeting laws
- (6) Will adhere to the state procurement code