

Arizona Competitiveness Package

One of our goals is to re-establish Arizona as a national economic leader. The Arizona Competitiveness Package gets the job done. This proposal includes a mix of targeted business incentives and broad tax reforms designed to reinvigorate Arizona's economy to create jobs. The tax reductions are a step in the right direction for attracting and retaining businesses. Because of the aggressive enactment dates in this proposal, businesses can engage in better decisions to relocate to or expand in Arizona.

Arizona Commerce Authority

- The Arizona Commerce Authority replaces the Arizona Commerce Department. The focus of the Authority will be business attraction, retention and expansion in key base industries—aerospace and defense, renewable energy and science and technology.
- The Authority will be overseen by a public-private board comprised of Arizona leaders including private sector business leaders, the Governor, legislative leaders, and university presidents

Arizona Competes – Deal Closing Fund

- *Arizona Competes* will attract high-impact base industry projects that will generate substantial economic activity throughout our state.
- Arizona will join the top-third of states with deal closing funds. This fund will replace the inactive Commerce and Economic Development Commission closing fund. The fund will be used to enhance Arizona's worldwide economic profile and to enable Arizona to become more competitive.
- The funds will only be used in highly competitive situations and only for projects that will generate substantial economic activity throughout our state.

Quality Jobs Program

- The Quality Jobs Program is a performance-based tax incentive program that enables us to measure and demonstrate job growth. Arizona is expected to rank in the top 10 nationally for business attraction.
- This is a broad-based, fair, statewide initiative will help our state overcome the nearly 300,000 jobs Arizona lost during this great recession.
- The Quality Jobs Program is capped at \$30 million and requires that adequate wages and health benefits be offered to employees.
- The Program establishes a tax credit for each new qualified job created.

- To receive the tax credit, businesses must create at least 25 jobs in urban areas and 5 jobs in rural areas and will require a minimum capital investment of \$5 million in urban areas and \$1 million in rural areas.

Arizona Job Training Program

- The Job Training Program is a job-specific, reimbursable grant program that supports the design and delivery of customized training plans for employers that create new jobs or increase the skill and wage levels of current employees. This program, which has been reauthorized, is recognized as one of the best program models in the nation.

Responsible, Targeted Tax Reform

100% Sales Factor

- Arizona calculates the tax liability of multi-state corporations by use of a formula that “apportions” the amount of property (25%), payroll (25%) and sales (50%) that are present in Arizona versus other locations. Arizona currently allows firms that sell much of their products outside of the state to choose an 80% sales factor (rather than 50%) to provide an incentive for the firm to maintain or establish a large property and payroll presence in Arizona.
- By increasing the sales factor from 80 percent to 100 percent between FY 2015 and FY 2018 will drive more export-based industries in Arizona.
- This change would make Arizona one of 18 states that have a 100 percent sales factor. Our competitiveness ranking will jump from 19 to one of the most competitive nationally.

Corporate Income Tax

- At nearly 7%, the Arizona corporate tax rate is among the highest in the western states. Corporate taxes are passed along to consumers, shareholders and employees. Arizona’s high corporate rate, combined with high business property taxes, creates ‘sticker shock’ and makes Arizona appear unfriendly to businesses.
- The Corporate Income Tax cut will increase Arizona’s ranking from 24th to 5th nationally and from 6th to 3rd in the mountain west region.
- The Corporate Income Tax cut will be phased down beginning in tax year December 31, 2013 from a rate of 6.9% down to 4.9% by December 31, 2016.
- This will increase cash flow for all Arizona businesses, which will stimulate economic activity.

Property Tax Reform

- Property tax burdens on Arizona businesses are among the highest in the nation. The Class 1 assessment ratio will be reduced from 20% to 18%. Once the class 1 assessment ratio is reduced to 18%, we will reduce the class 2 assessment ratio from 16% to 15%.
- The Homeowner's Rebate will be increased to offset the impact the assessment rate reduction would have on residential property, which is assessed at 10% - half as much as business property.
- There will be an additional 5% accelerated depreciation schedule for prospective acquisitions of commercial personal property initially placed on the tax rolls on or after 2012.
- The Personal Property Exemption is increased from approximately \$67,000 to \$78,000. Personal property (tangible and intangible property that is not real estate, and is generally unfixed property such as furniture and equipment) taxes are bureaucratic and create cost barriers to equipment purchases and upgrades. The increase in this exemption will benefit Arizona small businesses.

Small Business Benefit

- Because small businesses are the engine to Arizona's economy, we have created a tax package that benefits Arizona small businesses. This Small Business Capital Investment Program encourages investors to invest in Arizona small businesses. This proposal reforms an existing program and extends this program for five more years. It eliminates capital gains taxes on income derived from investments in qualified small businesses, as certified by the Arizona Commerce Authority. It will also expand eligibility criteria to increase the number of qualified small businesses.