



GPEC’s Enterprise Zone Jobs Incentives Proposal

January 28, 2010

Currently there is a proposal moving through the legislature with the goal to aid in Arizona’s Economic recovery. It is being proposed by Greater Phoenix Economic Council (GPEC), and is called the “Enterprise Zone Jobs Incentives” program.

General Information

Title	Enterprise Zone Jobs Incentives
Bill Number/ Sponsor	HB 2595/ Rep. Michele Reagan and Sen. Barbara Leff
Purpose	"Create Quality jobs with 80% of employee health care costs paid for by the employer, reduce the burden on state programs (AHCCCS, unemployment), absorb excess supply of vacant office and industrial space, promote new capital investments"

Economic Development /Enterprise Zones

Overview	The Arizona Enterprise Zone Program was designed to improve the economies of areas in the state with high poverty or unemployment. The program does this by enhancing opportunities for private investment in certain areas designated by the Arizona Department of Commerce ¹ . Includes income tax credits and property tax benefits for eligible businesses. The economic development portion of each proposal includes expanding the Enterprise Zone Incentives to the entire state while adding additional qualifications in order to receive incentives through June 30, 2016.
Eligibility Requirements	<ul style="list-style-type: none"> • Must relocate its operation from outside the state to a location inside the state or expand its in-state operation. • Create at least 25 new FTEs in a city with population of more than 50,000 and at least 15 new FTEs in any other location. • Creating new FTEs with gross wages at 175% of county wage offer (In Maricopa County, the county wage offer is \$18,410. 175% of the county wage offer is \$32,218.)² • Pays at least 80% of employee health insurance
Incentives	<ul style="list-style-type: none"> • New job tax credit of \$3000 per year for 3 years for each new FTE • Business Property Class Assessment Ratio reclassified as a class 6 rate of 5%³ • Business Property Class Assessment Ratio reclassified as class 9 rate of 1%⁴

¹ See **Appendix** for areas currently designated as Enterprise Zones

² The 175% Federal Poverty Level for an individual is \$18,953

³ Must have a capital investment within the first 3 years of \$5M if in an urban area of 50,000 or more. If in a rural area of less than 50,000, then capital investment must be at least \$2M. See **Appendix** for further details.

⁴ Must have a capital investment of at least \$250M and at least 150 new FTEs within 3 years. Reclassification available for 15 years.



Appendix

Definitions

Corporate Income Tax

- Any corporation, excluding exempt organizations, having taxable Arizona income is subject to the tax which is currently 6.968% of taxable income
- Your total corporate income tax is calculated by adding the federal tax rate to the state tax rate
- Corporate "taxable income" is that which remains after most business expenses have been deducted

Property Class Assessment Ratio

- Used to determine taxable property value for property taxes
- Per Arizona law the class 1 property assessment ratio will be phased down to 20% by 2012

Transaction Privilege Tax (TPT)

- A tax on the privilege of doing business in Arizona (loosely referred to as "sales tax")
- Types of business activities subject to the transaction privilege tax include, but are not limited to: retail sales, restaurants/bars, hotels, commercial leasing, advertising, amusements, some property rentals, construction contracting, manufactured building, severance (mining, timbering), transportation, printing, publishing, utilities, communications, air/railroad, private cars/pipelines and use tax

Specifics on Property Class Assessment Ratio Reclassification

A capital investment of at least \$5M in an urban area of 50,000 or more qualifies for class 6. The length of time eligible for reclassification is:

- For Capital investment between \$5M-\$15M within 3 years and employing at least 25 new employees, reclassification available for 5 years
- For Capital investment between \$15M-\$50M within 3 years and employing at least 50 new employees, reclassification available for 10 years
- For Capital investment more than \$50M within 3 years and employing at least 75 new employees, reclassification available for 15 years

A capital investment of at least \$2M in a rural area of less than 50,000 qualifies for class 6. The length of time eligible for reclassification is:

- For Capital investment between \$2M-\$4M within 3 years and employing at least 15 new employees, reclassification available for 5 years
- For Capital investment between \$4M-\$8M within 3 years and employing at least 30 new employees, reclassification available for 10 years
- For Capital investment more than \$8M within 3 years and employing at least 60 new employees, reclassification available for 15 years