



The Economic and Job Recovery Bill Proposal

February 9, 2010

There is currently a bill moving through the legislature with the goal to aid in Arizona’s Economic recovery. It has been proposed by the Arizona House of Representatives and is entitled “Arizona Economic and Job Recovery Bill”. It is a comprehensive program that includes incentives for job creation and job training.

General Information

Title	Arizona’s Job Recovery Act
Bill Number/ Sponsor	HB2250 Representative Kirk Adams
Purpose	"Create a more business friendly climate, attract and retain basic industries, create jobs with good pay and benefits, and provide needed tax relief to businesses and citizens"

Arizona Enterprise Development Program

Overview	The Arizona Enterprise Zone Program was originally 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 the 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 business operations from outside the state into the state or expand its in-state operation. • Create at least 25 new FTEs (Full-Time Employees) in an Urban area with a population greater than 50,000 or at least 15 new FTEs in a location with less than 50,000 • Create Jobs with gross wages at 175% of the county’s wage offer² • Pays 50% of employee health insurance
Incentives	<ul style="list-style-type: none"> • \$3000 for each FTE hired by an Arizona Basic Enterprise³ in each of the first 3 years of employment • \$1500 for FTE hired by any other taxpayer in each of the first 3 years of employment • Business Property Class Assessment Ratio reclassified at a class 6 rate of 5%⁴ • Business Property Class Assessment Ratio reclassified at class 9 rate of 1%⁵

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

² In Maricopa County, the county wage offer is \$18,410. 175% of the county wage offer is \$32,218.

³ A Basic Enterprise is defined as mining, manufacturing, any business that exports at least 65% of its goods or services out of state, any research and development of new products or processes, or industries identified by North American Industry classification system code sectors 31, 32, and 33.

⁴ 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.

⁵ Must have a capital investment of at least \$250M and at least 150 new FTEs within 3 years. Reclassification available for 10 years.



Job Training/Impact Program

Overview

Several programs are created to replace the current Arizona Job Training Program funded by the Job Training Employer Tax. Programs are established through July 1, 2020 and revolve around Impact Projects in which educational institutions provide services to employers including job training, adult-based education and job-related instruction, and vocational and skill-assessment services and testing. Funding for Arizona Job Training Program and Arizona Quality Jobs Program comes from withholding taxes on compensation paid by the employer for each new FTE.

Eligibility Requirements

- Employer must pay an average annual wage equal to 135% of the county’s wage offer⁶
- Pays 50% of employee health insurance
- Must be a Basic Enterprise

Incentives

- Arizona Job Training Program: Allows educational institutions to enter into agreements to establish an impact project and provide services to an employer as part of an impact program, including new job training, adult-based education and job-related instruction, and vocational skill-assessment services and testing
- Arizona Quality Jobs Program⁷: Quarterly incentive payments equal to 50% of the withholding tax on compensation paid by the employer for new jobs for entering into an Impact Project Agreement
- Funding for Impact Projects comes from the Job Recovery Withholdings Clearing Fund consisting of up to 50% of the withholding tax revenues from new jobs created by the Arizona Job Training Program and Arizona Quality Jobs Program

Arizona Opportunity Fund

Overview

- Funded through July 1, 2020 from a dedicated account consisting of monies appropriated by the Legislature, income earned on investments, gifts, grants, other donations, and other monies from the federal government and the American Recovery and Reinvestment Act
- Grants awarded from the fund are for purposes of attracting Arizona Basic Enterprises, economic development, infrastructure development, and community development

Eligibility Requirements

- Employers must pay an average annual wage equal to 135% of the county wage offer
- Pay at least 50% of the employer health insurance

⁶ 135% of the county wage offer is \$24,853.

⁷ Available if annual gross payroll for new jobs is at least \$2M within 12 months and the number of new FTEs is at least 25% of all employee positions or 75 positions.



Overview

- Reduces corporate income tax rate from 6.968% to 4.5% over 4 years beginning in TY 2011
- Reduce Business property Class Assessment ratio from 20% to 15% in 1% increments over a 5 year period beginning in TY 2012
- Phases out the *State Equalization tax* by 25% each year beginning in TY 2011 and reaching zero in TY 2014
- Repeals the *Job Training Tax*
- Reductions in Individual Income taxes over 4 years beginning in 2011⁸

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

State Equalization Tax

- Formerly known as the county equalization assistance for education tax rate
- Monies go to School Districts in the county to fund education
- For tax years 2007, 2008 and 2009, the state equalization tax rate has been set at zero
- The tax returned October 1, 2009 and is currently set at \$0.3306 per \$100 of Net Assessed Value

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
- Money goes to the department of revenue

Job Training Tax

- 0.10% tax on the first \$7,000 in gross wages paid to each employee in a calendar year
- Some employers exempt from paying tax
- Funds the Arizona Job Training Program administered by the Arizona Department of Commerce

⁸ See Appendix for specific reductions.



Specifics on Property Class Assessment Ratio Reclassification

A capital investment of at least \$5M in an urban area of 80,000 or more qualifies for class 6. The length of time eligible for reclassification is:

- For Capital investment between \$5M-\$15M within 12 months and employing at least 25 new employees, reclassification available for 3 years
- For Capital investment between \$15M-\$50M within 18 months and employing at least 50 new employees, reclassification available for 5 years
- For Capital investment more than \$50M within 18 months and employing at least 75 new employees, reclassification available for 10 years

A capital investment of at least \$2M in a rural area of less than 80,000 qualifies for class 6. The length of time eligible for reclassification is:

- For Capital investment between \$2M-\$4M within 12 months and employing at least 15 new employees, reclassification available for 3 years
- For Capital investment between \$4M-\$8M within 18 months and employing at least 30 new employees, reclassification available for 5 years
- For Capital investment more than \$8M within 18 months and employing at least 60 new employees, reclassification available for 10 years

Reductions In individual Income Taxes

Single/Married Filing Separate	Head of Household/Married Filing Joint	Current Tax Rates	Proposed Tax Rates TY 2011	Proposed Tax Rates TY 2012	Proposed Tax Rates TY 2013	Proposed Tax Rates TY 2014
\$0-\$10,000	\$0-\$20,000	2.59%	2.53%	2.46%	2.40%	2.34%
\$10,001-\$25,000	\$20,001-\$50,000	2.88%	2.81%	2.74%	2.67%	2.60%
\$25,001-\$50,000	\$50,001-\$100,000	3.36%	3.28%	3.19%	3.11%	3.04%
\$50,001-\$150,000	\$100,001-\$300,000	4.24%	4.13%	4.03%	3.93%	3.83%
\$150,001 and over	\$300,001 and over	4.54%	4.43%	4.32%	4.21%	4.10%