

# Qualified Facility Tax Credit Program

- Calendar Year 2023 Annual Report

Prepared by the:

**ARIZONA**  
COMMERCE AUTHORITY

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## Program Overview

The Qualified Facility Tax Credit Program (the “Program”) was established to promote the location and expansion of manufacturing facilities, manufacturing research and development facilities, and all business headquarters for the sake of i) generating high quality employment opportunities for Arizonans, ii) increasing Arizona’s property tax base and iii) enhancing Arizona’s position as a center for manufacturing and business headquarters. The Program achieves these goals by providing refundable income tax credits to businesses expanding or locating qualified facilities in Arizona.

The Arizona Commerce Authority (“Authority”) is authorized to pre-approve refundable income tax credits of up to \$125 million each calendar year. Pre-approvals in respect to any taxpayer in any calendar year are limited to \$30 million.

Refundable income tax credits under the Program equal the lesser of:

- 10% of the qualified investment made at the facility;
- \$20,000 per net new job at the facility if the total qualifying investment is less than \$2,000,000,000, or \$30,000 per net new full-time employment position associated with the facility if the total qualifying investment is \$2,000,000,000 or more; or
- \$30 million per taxpayer, per year.

A business is eligible for Program tax credits if it:

- 1) Makes a qualifying capital investment not greater than 36 months prior to submittal of an application for pre-approval to establish or expand a facility that devotes at least 80% of both the property and payroll at the facility to one or more of the following:
  - a. Qualified manufacturing if at least 65% of the manufactured products are sold outside of Arizona;
  - b. Qualifying research and development if conducted by a manufacturing business that derives at least 65% of its revenues from sales outside of Arizona; or
  - c. Qualified headquarters activities for a business that derives at least 65% of its revenues from sales outside of Arizona; *and*
- 2) Creates net new employment positions associated with the facility at least 51% of which are paid a wage equal to or greater than 125% of the state’s annual median wage for production occupations if located in an urban area or 100% of the state’s annual median wage for production occupations if located in a rural area. The net new employment positions must be:
  - a. Full-time and permanent (1,750 hours per year);
  - b. Filled for at least 90 days by an employee who has not worked for the taxpayer within 12 months before the date of hire (other than an employee relocating to Arizona from another state); and
  - c. Offered health insurance at least 65% of the cost of which is paid by the employer.

If a business satisfies the Program’s eligibility requirements, the Authority will issue a certification of pre-approval and reserve tax credits for the applicant-business. After the qualified facility begins operations, the business can apply to the Authority for post-approval, at which point the applicant-business must submit a managed review report to the Authority, prepared by a third-party CPA, that confirms the extent of the business’s investment and job creation. If the applicant-business receives “post-approval,” the applicant-business may claim Program tax credits with the Arizona Department of Revenue in five equal annual installments.

## Reporting Requirements

Pursuant to A.R.S. § 41-1512(U) and (V), the Authority is required to prepare and publish an annual report, not later than April 30 of each year, providing the following Program information in respect to the preceding calendar year:

1. The name of each business receiving pre-approval and the amount of income tax credits pre-approved for each business’s qualifying investment,
2. The amount of income tax credits post-approved with respect to each qualifying investment,
3. A percentage comparison of (i) the annual amount of monies credited by Arizona to qualified facilities with (ii) the estimated amount of monies spent in Arizona in the form of qualifying investments, and
4. Data on growth in Arizona of qualified facilities and related employment and wages.

## Calendar Year 2023 Program Activity

### I) Pre-Approvals

During calendar year 2023, the Authority issued twenty-five pre-approvals to twenty-four unique businesses. Six amendments to previous pre-approvals were also issued to account for additional jobs and capital expenditures. The names of the businesses and the amount of Program income tax credits pre-approved and amended for each business are reflected in the chart below.

<b>Calendar Year 2023 Pre-Approvals</b>	
<b>Business Name</b>	<b>Pre-Approved Tax Credit Amount</b>
Applied Materials, Inc.	\$440,000
Applied Materials, Inc.	\$4,800,000
ArmorWorks Enterprise, Inc.	\$1,000,000
Ball Metal Beverage Container Corp. [Amendment]	\$3,100,000
Ball Metal Beverage Container Corp. [Amendment]	\$1,700,000
Bar S Foods, Co.	\$240,000
Consumer Cellular, Inc.*	\$549,999
Dexcom, Inc. and Subsidiaries	\$7,800,000
Edwards Vacuum, LLC	\$7,000,000
EnPro Industries, Inc.	\$3,900,000
Healthcare US Holding, Inc.	\$3,689,274
Intel Corporation - Chandler [Amendment]	\$14,580,000
Intel Corporation - Dobson [Amendment]	\$7,290,000
L & H Industrial, Inc.	\$220,000
Lawrence Semiconductor Research Laboratory, Inc.	\$330,000
Mark Anthony Brewing, Inc.	\$1,540,000
MiTek, Inc. [Amendment]	\$500,000
Nextiva, Inc.	\$2,000,000
Nikola Motor Company	\$3,740,000
Olam Farming, Inc.	\$3,220,000
Parker Fasteners, LLC	\$700,000
Parker Hannifin Corp.	\$550,000
Premiere Manufacturing, Inc.	\$1,500,000

Rauch North America, Inc. [Amendment]	\$672,882
Republic Services, Inc.	\$12,000,000
Saras Micro Devices, Inc.	\$1,000,000
Sunstate Equipment Co., LLC	\$652,563
The Vanguard Group, Inc.	\$2,205,282
TSMC Arizona Corporation	\$30,000,000
United Foods International (USA), Inc.	\$920,000
West Pharmaceutical Services AZ, Inc.	\$7,160,000
<b>Total</b>	<b>\$125,000,000</b>

\* credit amount reserved but application not yet finalized

## II) Post-Approvals.

During calendar year 2023, the Authority issued fifteen post-approvals to thirteen unique businesses. The names of the businesses and the amount of Program income tax credits post-approved for each business are reflected in the chart below.

Calendar Year 2023 Post-Approvals	
Business Name	Post-Approved Tax Credit Amount
Ball Metal Beverage Container Corp.	\$4,720,000
Covetrus, Inc. and Subsidiaries	\$1,076,905
FM Industries, Inc.	\$2,000,000
Healthcare Arizona, LLC	\$3,437,369
Intel Corporation	\$16,880,000
Intel Corporation	\$7,710,000
Lawrence Semiconductor Research Laboratory, Inc.	\$311,590
Lucid Motors	\$29,840,000
Mitsubishi Chemical Advanced Materials, Inc.	\$600,000
Nextiva, Inc.	\$1,960,000
Nikola Motor Company	\$3,740,000
NXP (FKA Freescale Semiconductor, Inc.)	\$660,000
Precision Aero, Inc.	\$377,564
TSMC North America	\$20,490,000
TSMC North America	\$30,000,000
<b>Total</b>	<b>\$123,803,428</b>

## Comparison of Program Tax Credits with Facility Investments

Based on data provided in the thirty-one applications that received pre-approvals, pre-approved tax credits in calendar year 2023 represented approximately nine-tenths of one percent (0.9%) of the 2023 projected qualifying investment in new and expanding facilities: \$125,000,000 in pre-approved tax credits in relation to \$13,391,962,094 of projected qualifying investment.

## Industry Growth Data

Manufacturing represents a vital aspect of the Arizona economy. According to estimates from Lightcast<sup>1</sup> 194,958 people were employed by 5,464 manufacturing establishments in Arizona in 2023. Arizona's average annual wages and salaries in the manufacturing industry equaled \$91,187 in 2023. Furthermore, each manufacturing job in Arizona is estimated to support an additional 2.32 jobs, which means that, based on current 2023 employment estimates, manufacturing activities in Arizona supported an additional 452,303 jobs in Arizona.<sup>2</sup>

Based on 2023 estimated employment<sup>3</sup>, Arizona's three largest manufacturing sectors by employment were aerospace products and parts manufacturing, semiconductor and other electronic component manufacturing and architectural and structural metals manufacturing.

In 2023, manufacturers in Arizona exported \$24.5 billion in manufactured goods, 26.1 percent more than in 2018.<sup>4</sup> Manufactured goods exports also accounted for 85.3 percent of the state's total exports in 2023.<sup>5</sup> Finally, according to the most recent Bureau of Economic Analysis statistics, manufacturing's contribution to Arizona's gross state product (GSP) totaled \$41.3 billion (current dollars, not adjusted for inflation), which represents 8.1% of the state's total GSP.<sup>6</sup>

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<sup>1</sup> Data from U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW) via Lightcast, 2024.1 datarun. QCEW data are updated each quarter and revised annually. Lightcast's 2024.1 data run includes QCEW 2023 Q2 data.

<sup>2</sup> Multiplier provided by Elliott D. Pollack & Company

<sup>3</sup> Using the North American Industry Classification System (NAICS) codes at the 4-digit level

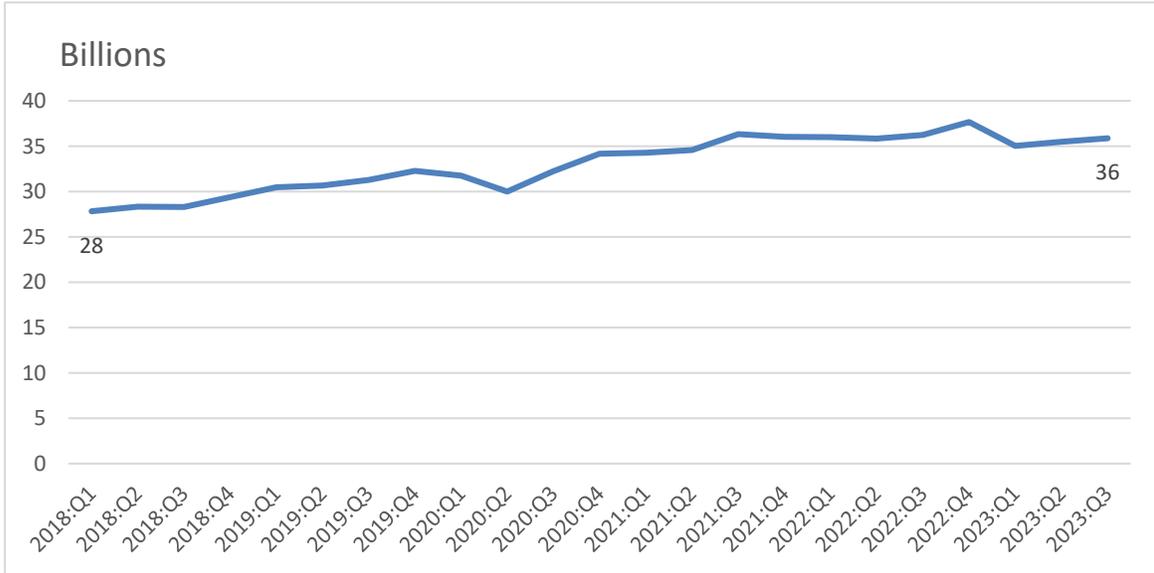
<sup>4</sup> Not adjusting for inflation.

<sup>5</sup> WiserTrade, accessed March 19, 2024. Based on NAICS codes at the 3-digit level

<sup>6</sup> Bureau of Economic Analysis, GSP by state in current dollars. Most recent data are for Q3 2023. Accessed March 20, 2024.

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## Arizona's Manufacturing Output, 2018 to 2023



Sources: Bureau of Economic Analysis quarterly real gross domestic product by state. Figures in billions of chained 2017 dollars. Accessed 3/20/2024.

Arizona Commerce Authority

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