

# Qualified Facility Tax Credit Program

- Calendar Year 2020 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, including manufacturing-related headquarters and research and development facilities, 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. 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 \$70 million each calendar year.<sup>1</sup> Preapprovals 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 qualified job created at the facility; or
- \$30 million per taxpayer, per year.

A business is eligible for Program tax credits if it:

- 1) Makes a qualifying capital investment, on or after July 1, 2012, but 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 manufacturing 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 to and reserve tax credits for the applicant-business. After the qualified facility

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<sup>1</sup> The Program commenced in 2013 and no further preapprovals are permitted after December 31, 2030.

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 and a post-approval application. 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 2020 Program Activity

### I) Pre-Approvals

During calendar year 2020, the Authority issued pre-approvals to twenty-four businesses. The names of the businesses and the amount of Program income tax credits pre-approved for each business are reflected in the chart below.

Calendar Year 2020 Pre-Approvals	
Business Name	Pre-Approved Tax Credit Amount
Align Technology, Inc.	\$410,000
ASRC Industrial Services, LLC	\$344,827
Auer Precision Company, Inc.	\$860,000
Bubbies Homemade Ice Cream & Desserts, Inc.	\$678,000
CMC Steel Fabricators, Inc.	\$3,400,000
Comtech EF Data Corporation	\$2,000,000
Contractors Steel Company, LLC *	\$609,500
Daicel Safety Systems Americas, Inc.	\$4,000,000
Georgia Pacific Corrugated, LLC	\$1,520,000
Intel Corporation - Dobson Rd.	\$28,900,000
MiTek, Inc.	\$800,000
MPW Manufacturing Services, LLC	\$420,000
Nikola Corporation	\$7,149,538
NuvOx Pharma, LLC	\$80,000
PAC Worldwide Corporation	\$1,040,000
Pacific Scientific Energetic Materials Co.	\$781,707
Raytheon Company	\$7,016,626
Rohrer Corporation	\$340,000
Silent-Aire USA, Incorporated	\$3,487,103
Thermal-Vac Arizona, Inc.	\$250,000
TPI Composites, Inc.	\$1,400,000
TYR Tactical, LLC	\$640,000
ViaSat, Inc.	\$1,020,000
Z-Modular, LLC	\$2,852,699
<b>Total</b>	<b>\$70,000,000</b>

\* credit amount reserved but application not finalized

II) Post-Approvals.

During calendar year 2020, the Authority issued Post-approvals to eight businesses. The names of the business and the amount of Program income tax credits post-approved for each business are reflected in the chart below.

<b>Calendar Year 2020 Post-Approvals</b>	
<b>Business Name</b>	<b>Post-Approved Tax Credit Amount</b>
Abbott Laboratories	\$1,820,000
Ball Metal Beverage Container Corp.	\$3,400,000
Hop Knot Brewing, LLC	\$760,000
Northrop Grumman Innovation Systems, LLC (formerly Orbital ATK, Inc.) - Mesa	\$440,000
Northrop Grumman Innovation Systems, LLC (formerly Orbital ATK, Inc.) - Chandler	\$10,000,000
Raytheon Company	\$24,000,000
ViaSat, Inc.	\$6,700,000
Vinyl Visions, Inc.	\$800,485
<b>Total</b>	<b>\$47,920,485</b>

## **Comparison of Program Tax Credits with Facility Investments**

Based on data provided in the twenty-four applications that received pre-approvals, pre-approved tax credits in calendar year 2020 represented approximately one and seven-tenths percent (1.7%) of the 2020 projected qualifying investment in new and expanding facilities: \$70,000,000 in pre-approved tax credits in relation to \$4,109,159,580 of projected qualifying investment.

## Industry Growth Data

Manufacturing represents a vital aspect of the Arizona economy. According to preliminary estimates from Emsi,<sup>2</sup> 178,222 people worked in 5,224 manufacturing establishments in Arizona in 2020. Arizona's average annual wages and salaries in the manufacturing industry totaled \$79,821 in 2020. Furthermore, each manufacturing job in Arizona is estimated to support an additional 1.33 jobs, which means that, based on current 2020 employment estimates, manufacturing activities in Arizona supported an additional 237,035 jobs in Arizona.<sup>3</sup>

Based on 2020 employment<sup>4</sup>, Arizona's three largest manufacturing sectors were aerospace products and parts manufacturing, semiconductor and other electronic component manufacturing and navigational, measuring, electromedical and control instruments manufacturing.

In 2020, manufacturers in Arizona exported \$16.8 billion in manufactured goods, 9.0 percent less than in 2016.<sup>5</sup> Manufactured goods exports also accounted for 85.1 percent of the state's total exports in 2020.<sup>6</sup> Finally, according to the most recent Bureau of Economic Analysis statistics, manufacturing's contribution to Arizona's gross domestic product (GDP) totaled \$31.1 billion (current dollars), which represents 8.4% of the state's total GDP.<sup>7</sup> The chart below shows Arizona's historical manufacturing output adjusted for inflation. In Q3 2020, Arizona's manufacturing GDP totaled more than \$31.1 billion in 2012 dollars.

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<sup>2</sup> Emsi is a private data provider that uses publicly available data from federal statistical agencies in conjunction with a proprietary model to provide estimates for labor market information statistics. Estimates provided here are from Emsi's 2021.1 QCEW & non-QCEW dataset. 2020 figures are projections based on data.

<sup>3</sup> Multiplier provided by Elliott D. Pollack & Company.

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

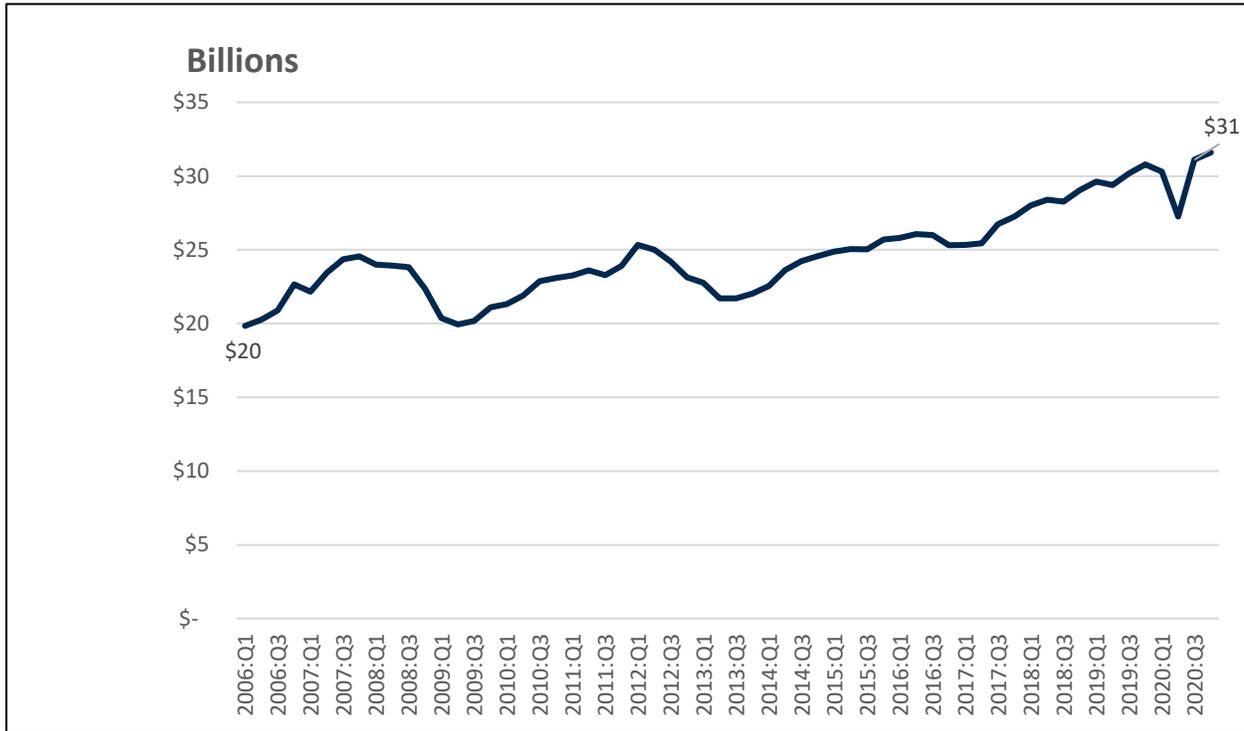
<sup>5</sup> Not adjusting for inflation.

<sup>6</sup> WisenTrade, accessed April 20, 2021. Based on NAICS codes at the 3-digit level.

<sup>7</sup> Bureau of Economic Analysis, GDP by state in current dollars. Most recent data are for Q3 2020. Accessed April 20, 2021.

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## Arizona's Manufacturing Output, 2006 to 2020



Sources: Bureau of Economic Analysis quarterly real gross domestic product by state. Figures in billions of chained 2012 dollars. Accessed 4/20/2021.

Arizona Commerce Authority

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April 30, 2021