Arizona State Tax Incentives Supporting Links in the State Renewable Energy Supply Chain

**The essentials:**

- The Arizona state tax code supports the manufacturing and retail links in the state’s renewable energy supply chain.
- A business income tax credit and a decreased property tax valuation encourage renewable energy product manufacturers to invest at least $25 million in headquarters and/or manufacturing facilities in Arizona.
- Solar and wind energy retail sales and installations are encouraged by exempting such transactions from the transaction privilege tax, thus allowing for possible lower retail costs for consumers.

**Policy details**

Arizona uses its tax code to strengthen and support the renewable energy supply chain. Manufacturers are enticed to locate their facilities in Arizona with two tax incentives: a business income tax credit and a decreased property tax valuation. Renewable energy retail sales and contractor installation sales are supported through a sales tax exemption, helping to lower the retail costs of these products and services.

**STATE TAX POLICIES SUPPORTING RENEWABLE ENERGY SUPPLY CHAIN IN AZ:**

- **Manufacturing:**
  - Renewable Energy Business Tax Incentives
  - Decreased Property Tax Assessment
  - Income Tax Credit

- **Retail Sales and Installation:**
  - Solar and Wind Equipment Sales Tax Exemption
Renewable Energy Business Tax Incentives (see A.R.S. §41-1511)

Encourages renewable energy product manufacturers to locate or expand their facilities in Arizona

- This policy provides different incentive levels to manufacturers, corresponding to the amount of full-time jobs they create and the wages paid.

Part 1: Decreased Property Tax Assessment

- Manufacturers who have invested at least $25 million in facilities, equipment, land and infrastructure in Arizona are eligible, and must apply to the Arizona Commerce Authority.
- If 51% or more of full-time employees are paid 125% to 199% of the median income in Arizona, a business gets a decreased property tax valuation for 10 years.
- If 51% or more of the full-time employees are paid 200% or more of the median income in Arizona, a business gets a decreased property tax valuation for 15 years.

Part 2: Income Tax Credits:

- A business can claim a tax credit up to 10% of capital investment, or 10% of $500,000 per 1.5 new full-time employee in a manufacturing facility or 10% of $200,000 per 1 new full-time employee in the company headquarters.
- A majority of the new full-time employees must be paid a wage that equals or exceeds 125% of the median income in Arizona, and the employer must pay 80% or more of the premium for all full-time employees health insurance.
- The state program annual cap on tax credit claims is $70 million.

Solar and Wind Equipment Sales Tax Exemption (see A.R.S. §42-5061(N) & (56); A.R.S. §42-5075(14))

Encourages the retail sale and installation of renewable energy products

- Retailers can deduct the amount received from the sale of solar or wind energy devices from their transaction privilege tax.
- Sellers of renewable energy credits (RECs) (usually an energy generator) can exclude sales tax from REC sales.
- Installation contractors can deduct the amount they received from the solar or wind energy device installation contract from their privilege tax base.

Read more

Database of state incentives for renewables and efficiency: DSIRE.org

- A comprehensive, state-by-state website detailing tax and other financing incentives for renewable and efficiency projects. Created and managed by North Carolina Solar Center and the Interstate Renewable Energy Council (IREC)
Contact information
State incentive providers:
Tiffany Frechette
Arizona Commerce Authority
333 N. Central Ave.
Suite 1900
Phoenix, AZ 85004
Phone: (602) 845-1200
E-Mail: tiffanyf@azcommerce.com
Web Site: http://www.azcommerce.com/renewableenergy.aspx

Tax Assistance
Arizona Department of Revenue
1600 W. Monroe
Phoenix, AZ 85007-2650
Phone: (602) 255-3381
Phone 2: (800) 352-4090
Web Site: http://www.revenue.state.az.us/