

## Corporate Tax Incentives and Credits

The following tax credits apply to Arizona corporate income tax. Arizona has a flat rate corporate income tax that was lowered in January 2001 to 6.968 percent. Income tax incentive for items such as construction materials can provide significant benefit to businesses that are building or expanding in the Kingman area. There are also a number of programs to benefit and encourage development of specific types of industries, as described below.

**Increased Research Activities:** Corporations may claim a credit for qualified expenses associated with research conducted in Arizona, including research conducted at a state university and funded by the company. For tax years beginning in 2002, the tax credit cap is \$2,500,000. If the allowable expenses under the federal regular credit computation method do not exceed \$2,500,000, the allowable credit is 20 percent of this amount. If the allowable expenses under the federal regular credit computation method exceed \$2,500,000, the allowable credit amount is \$500,000 plus 11 percent of the amount of expenses over \$2,500,000, subject to certain limitations. The taxpayer may carry forward any unused credit over the next 15 consecutive taxable years.

**Pollution Control Tax Credit:** The purchase of real or personal property used to control or prevent pollution is applicable for a 10 percent income tax credit.

**Agricultural Pollution Control Equipment:** A taxpayer may claim a credit for 25 percent of the cost of agricultural pollution control equipment up to a maximum of \$25,000 annually. The taxpayer must be engaged in agricultural production, livestock, horticulture, viticulture, or floriculture.

**Environmental Technology:** A corporation can claim a tax credit for expenses incurred during the construction of any qualified environmental technology manufacturing or processing facilities. The credit is equal to 10% of the amount spent in the taxable year. This includes: land acquisition, improvements, building improvements, machinery, and equipment. The credit can not exceed 75% of Arizona tax income liability.

**Defense Contractors:** Qualified defense contractors may claim tax credits for net employment increases under defense related contracts or net employment increases from transferring jobs from exclusively defense related activities to commercial activities.

**IT (Information Technology) Tax Credits:** Available to businesses to train up to 20 employees per year in IT skills per calendar year, it is a 50-50 match with \$5,000,000 set aside for the credit. The credit cannot exceed \$1,500 per employee. If the amount of qualified applicants exceeds the amount set aside for the credit, the credit per employee will be reduced.

**Arizona Enterprise Zones:** Firms are eligible to receive income tax credit for a net increase in qualified employment positions located within an enterprise zone, which are determined by the Arizona Department of Commerce. 35% of the net new eligible

employees must live within the enterprise zone, and the sale of tangible personal property at retail can make up no more than 10% of the activity. The Kingman Airport and Industrial Park is located within the Mohave County Enterprise Zone.