

## Property Tax Incentives and Credits

The State has several incentive programs that serve to reduce property tax liabilities for qualifying businesses. Two of these programs, personal property exemptions and accelerated depreciation, can be used by almost any commercial or industrial operation to reduce its property tax liability on machinery and equipment. Arizona also has a unique foreign trade zone program that provides significant property tax benefits for companies that do business internationally. In addition, state enterprise zones offer property tax incentives.

**Personal Property Exemptions:** For all commercial and agricultural personal property, the first \$56,298 of property at each business location is exempt from property taxes.

**Accelerated Depreciation:** In addition to the exemption, the State has created an aggressive accelerated depreciation schedule for commercial and agricultural personal property. The schedule covers a four-year period and applies to the scheduled depreciated value for each item over that period. In year one, the accelerated rate is 35 percent; in year two - 51 percent; in year three - 67 percent, and in year four – 83 percent of the scheduled depreciated value.

**Foreign Trade Zones:** Foreign Trade Zones (FTZ) provide economic incentives to companies doing business in international markets. This type of zone allows businesses to store, repackage, display, and assemble goods duty-free and without any customs formalities. In addition, Arizona is the only state that provides an 80 percent reduction in real and personal property taxes for companies that qualify for foreign trade zone designation.

**Military Reuse Zone:** Businesses located in a military reuse zone that provide aviation and aerospace services or manufacturing may use an assessment ratio of 5 percent on all real and personal property, instead of the standard 25 percent, which may result in property tax savings of up to 80 percent for a five year period.

**Enterprise Zones:** Qualified manufacturing companies that locate in economically distressed areas designated as Enterprise Zones may receive property tax reductions. They are eligible for an assessment ratio of five percent on all personal and real property in the zone for five years if they are a manufacturer and have invested at least \$2 million in fixed assets in the zone and are small (100 employees or less or less than \$4 million in gross receipts) or are owned by women or minorities. This classification applies to property valuation for primary tax purposes.

**Lease Excise Tax:** The Government Property Lease Excise Tax Program has been established by the State of Arizona and is available to businesses that lease parcels from the City rather than own them outright. All real property tax has been waived and replaced with an excise tax that is an established rate per square foot and based upon the type of use. The rate is reduced every ten years by 20% until it reaches the 51st year, when the tax drops to zero.