

Sales Tax Incentives and Exemptions

Arizona has a number of credits, incentives and refund programs that apply to sales and use taxes. The most widely applicable programs are described below. Some of these programs, such as the exemption of sales tax on equipment used in a manufacturing or other commercial operation, can significantly reduce start-up costs for businesses relocating or expanding in the area.

Personal Property: Machinery, equipment or other personal property that is used in manufacturing, health care, or other commercial operations is exempt from sales tax. Similarly, chemicals used directly in the production process of a commercial printing operation are exempt from tax. Also, personal property moving through this state to a final destination outside of the state are exempt.

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.

Motion Picture Production Tax Refund: Motion picture companies that incur expenses of more than \$1,000,000 or commercial advertising production companies with expenses of more than \$250,000 in Arizona within a 12 month period in connection with filming or production may apply for a refund. The state will refund 50 percent of the state sales tax on these expenses.

Accounting Allowance: A business that pays transaction privilege tax may claim a tax credit of 1 percent of the amount of tax due, not to exceed \$10,000 in any calendar year.

Military Reuse Zones: Companies locating within these zones will have their personal property classified as class 6, representing an 80 percent property tax savings, for five years. Additionally, there exists a transaction privilege tax exemption for many types of construction performed for an eligible company located within a Military Reuse Zone.

Cleanrooms: Cleanroom installation expenditures and related machinery and equipment purchases are exempt from sales and use taxes. This does not include the building or non-removable component of that houses the cleanroom.

Aircraft, Related Instruments, and Modification Equipment: Those exempt from sales tax on their purchases of aircraft, instruments, and modification equipment include the holders of a federal certificate of public convenience and necessity, a supplemental air carrier certificate under Federal Aviation Regulations, or a foreign air carrier permit for air transportation. Also included are foreign governments and non-Arizona residents whose use of this purchased equipment will occur outside of Arizona.

Machinery and Equipment: Machinery or equipment used directly in manufacturing, R&D, processing, fabricating, job printing, refining, and metallurgical operations are exempt from both the state transaction privilege tax and the state use tax.