

JLBC Fiscal Note

BILL # HB 2939

TITLE: qualified facilities; tax credit; amount

SPONSOR: Martinez

PREPARED BY: Benjamin Newcomb

STATUS: House Engrossed

Description

Under current law, a refundable individual income tax (IIT) and corporate income tax (CIT) credit is allowed for expanding or locating a qualified facility in Arizona. A "qualified facility" is one that meets certain investment and employment requirements. Approval for the credit is determined by the Arizona Commerce Authority (ACA). There is a statutory limit of \$125 million for aggregate pre-approval each calendar year and a maximum of \$30 million per applicant.

Post-approved credit must be taken in 5 equal annual installments. The total amount that may be claimed is equal to the lesser of:

- 10% of total qualified investment made at the facility, regardless of location.
- \$20,000 per qualified job created at a facility with less than \$2 billion in qualified investment.
- \$30,000 per qualified job created at a facility with at least \$2 billion in qualified investment, regardless of location.

Beginning in TY 2027 (or FY 2028), the bill would allow rural facilities with less than \$2 billion in investment to receive \$25,000 per job created rather than the current \$20,000, (as long as the total is less than 10% of total investment). Based on conversations with Legislative Council, the additional \$5,000 in credit would only be claimable for new facilities approved by ACA in TY 2027 or after. A rural facility is defined as one located in a city or town with fewer than 50,000 persons, a county with a population under 800,000, or on tribal land.

Estimated Impact

We estimate the bill would result in an ongoing revenue loss relative to the January Baseline, beginning in FY 2028. Due to a lack of publicly available data on the number and extent of potential projects in rural locations, we are not able to determine the magnitude of the bill's impact.

We have asked the Department of Revenue (DOR) for their perspective on the bill but as of publication have not received a response.

Analysis

Our analysis assumes the following:

- 1) Each year since 2023, the full \$125 million preapproval cap has been allocated or is awaiting approval. The latest actual annual usage of the credit, however, is \$77 million in FY 2025. JLBC Fiscal Notes gauge the fiscal impact of a bill relative to actual usage and not a statutory cap. We use actual usage, not the cap, as the starting point for the development of our Baseline revenue estimates so as to not overestimate the impact of a tax credit.
- 2) Because the actual usage of the tax credit is below the statutory cap, the increased credit for rural facilities would result in an ongoing revenue loss associated with those projects claiming larger tax credits under the program.
- 3) According to committee testimony, there is at least 1 business with plans to invest in future rural qualified facilities in the state. As noted above, however, we do not have comprehensive data on potential usage of the new rural facilities credit.

3/19/26