

House Engrossed

public infrastructure improvements; distribution limit

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HOUSE BILL 4026

AN ACT

AMENDING SECTION 42-5032.02, ARIZONA REVISED STATUTES; RELATING TO
TRANSACTION PRIVILEGE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-5032.02, Arizona Revised Statutes, is amended
3 to read:

4 42-5032.02. Distribution of revenues for city, town or county
5 infrastructure improvements related to
6 manufacturing facilities; definitions

7 A. Subject to subsection B of this section, from and after
8 September 30, 2013 through September 30, 2033, the state treasurer shall
9 pay in monthly increments a city, town or county up to the amount
10 determined under subsection C of this section for public infrastructure
11 improvements for the benefit of a manufacturing facility.

12 B. The state treasurer shall not make any payments under subsection
13 C of this section until both of the following apply:

14 1. Ten percent of the qualifying capital investment that is
15 certified under subsection D of this section and that constitutes
16 construction phase services, as defined in section 42-5075, has been made
17 by the manufacturing facility.

18 2. From and after June 30, 2014.

19 C. The total amount paid to a city, town or county under subsection
20 A of this section shall not exceed the total amount of state transaction
21 privilege tax revenues collected under section 42-5010, subsection A from
22 persons conducting business under section 42-5075 derived from contracts
23 to construct buildings and associated improvements for the benefit of a
24 manufacturing facility or eighty percent of the total cost of the public
25 infrastructure improvements, whichever is less. The total amount paid to
26 all cities, towns and counties under this subsection shall not exceed a
27 maximum of ~~\$200,000,000~~ \$75,000,000 EACH FISCAL YEAR.

28 D. Within one hundred eighty days after the commencement of the
29 construction of buildings and associated improvements for the benefit of a
30 manufacturing facility that will require a city, town or county to make
31 infrastructure improvements, the manufacturing facility shall file a sworn
32 certification with the Arizona commerce authority and submit a copy of
33 this sworn certification to the applicable city, town or county that the
34 manufacturing facility agrees to either:

35 1. Make at least \$500,000,000 in capital investment if the
36 manufacturing facility is located in a county that has a population of
37 eight hundred thousand persons or more.

38 2. Make at least \$50,000,000 in capital investment if the
39 manufacturing facility is located in a county that has a population of
40 less than eight hundred thousand persons.

41 E. The certification under subsection D of this section shall
42 contain a sworn statement or certification, signed by an officer of the
43 manufacturing facility under penalty of perjury, that the information
44 contained is true and correct according to the best belief and knowledge

1 of the person submitting the information after a reasonable investigation
2 of the facts.

3 F. Before submitting the certification to the Arizona commerce
4 authority, the manufacturing facility and the city, town or county must
5 enter into a written agreement that:

6 1. Identifies and states the cost of the public infrastructure
7 improvements that will be constructed.

8 2. Identifies the sources of monies, including monies received
9 pursuant to this section, that will be used to pay for the public
10 infrastructure improvements.

11 G. On receipt of the sworn certification from a manufacturing
12 facility pursuant to subsection D of this section, the city, town or
13 county shall enter into a written agreement with the department. This
14 agreement and any amendments or changes to the agreement shall:

15 1. State the cost of the public infrastructure improvements and
16 separately identify the particular improvements that will be made.

17 2. State that the monies received under this section will be used
18 exclusively to pay for public infrastructure improvements that are
19 necessary to support the activities of the manufacturing facility.

20 3. State that the city, town or county will commit all of its
21 portion of the revenue received pursuant to section 42-5029, subsection D
22 derived from contracts subject to section 42-5075 to construct buildings
23 and associated improvements for the benefit of the manufacturing facility
24 for public infrastructure improvements that benefit the manufacturing
25 facility.

26 4. State that the city, town or county will immediately notify the
27 department when monies received under this section exceed ~~eighty percent~~
28 ~~of the cost of the infrastructure improvements~~ THE TOTAL AMOUNT THE CITY,
29 TOWN OR COUNTY MAY RECEIVE PURSUANT TO SUBSECTION C OF THIS SECTION and
30 will return the amount of the excess to the state treasurer for deposit in
31 the state general fund.

32 5. Stipulate the actual amount of the construction funding that
33 will be derived from sources other than this state.

34 6. Identify the persons who will be prime contractors on the
35 construction of buildings and associated improvements for the benefit of a
36 manufacturing facility and state that each prime contractor has been
37 notified as to which portion of the contractor's income shall be
38 separately identified to the department pursuant to section 42-5075,
39 subsection H.

40 7. State that the city, town or county agrees that any amounts paid
41 by the department to a prime contractor as identified under paragraph 6 of
42 this subsection resulting from an audit adjustment or claim for credit or
43 refund of taxes described in subsection C of this section shall be
44 recovered by the department from the city, town or county by reducing the
45 amount paid to the city, town or county under section 42-5029 from monies

1 designated as distribution base in the month next succeeding the month in
2 which the adjustment or claim is paid.

3 8. State that the city, town or county agrees that the department
4 will use the amounts subject to any distribution required under subsection
5 A of this section in calculating the maximum amount set by subsection C of
6 this section.

7 9. State that the city, town or county agrees that if, on
8 notification by the department, the state treasurer ceases payments
9 because of the condition described in subsection H of this section, the
10 city, town or county has no claim to additional payments if the department
11 subsequently pays amounts to a prime contractor identified in an agreement
12 with any city, town or county, as described in paragraph 6 of this
13 subsection, due to an audit adjustment or claim for credit or refund of
14 taxes described in subsection C of this section.

15 10. PROVIDE AN ANALYSIS OF THE ANTICIPATED DIRECT AND INDIRECT
16 REVENUES THIS STATE WILL RECEIVE AS A RESULT OF CONSTRUCTING THE
17 MANUFACTURING FACILITY TO THE ARIZONA COMMERCE AUTHORITY.

18 ~~10.~~ 11. Provide any other information deemed necessary by the
19 department.

20 H. On notification by the department, the state treasurer shall
21 cease payments under subsection A of this section if either of the
22 following occurs:

23 1. The city, town or county has received monies that meet or exceed
24 eighty percent of the cost of the public infrastructure improvements that
25 are necessary to support the activities related to the manufacturing
26 facility as described in the written agreement pursuant to subsection G of
27 this section.

28 2. The total amount subject to any distribution required under
29 subsection A of this section has met the maximum amount set by subsection
30 C of this section AS OF JUNE 30 OF EACH YEAR.

31 I. IF THERE ARE MONIES ELIGIBLE TO BE PAID TO A CITY, TOWN OR
32 COUNTY PURSUANT TO THIS SECTION THAT EXCEED THE MAXIMUM AMOUNT SET BY
33 SUBSECTION C OF THIS SECTION FOR THE FISCAL YEAR, THE DEPARTMENT SHALL
34 RETAIN THOSE MONIES AND DIRECT THE STATE TREASURER TO RESUME PAYING THOSE
35 MONIES TO THE CITY, TOWN OR COUNTY THE FOLLOWING FISCAL YEAR. THE STATE
36 TREASURER SHALL MAKE PAYMENTS PURSUANT TO THIS SECTION IN THE ORDER IN
37 WHICH THE EXPENSE IS SUBMITTED FOR REIMBURSEMENT.

38 J. THE DEPARTMENT SHALL POST DEVELOPMENT AGREEMENTS AND
39 INTERGOVERNMENTAL AGREEMENTS ENTERED INTO WITH A CITY, TOWN OR COUNTY
40 PURSUANT TO THIS SECTION ON THE DEPARTMENT'S WEBSITE.

41 ~~I.~~ K. For the purposes of this section:

42 1. "Associated improvement" includes any public infrastructure
43 improvement that is made for the benefit of the manufacturing facility
44 outside of the parcel or parcels of real property where the manufacturing
45 facility is located.

1 2. "Capital investment" means an expenditure to acquire, lease or
2 improve property that is used for the benefit of a manufacturing facility,
3 including land, buildings, machinery and fixtures.
4 3. "Manufacturing facility":
5 (a) Means an establishment that is engaged in the mechanical,
6 physical or chemical transformation or fabrication of materials,
7 substances or components into new products in this state, that is
8 classified within sections 31 through 33 inclusive of the 2007 edition of
9 the North American industry classification system as published by the
10 national technical information service of the United States department of
11 commerce and that agrees to either:
12 (i) Make at least \$500,000,000 in capital investment if the
13 manufacturing facility is located in a county that has a population of
14 eight hundred thousand persons or more.
15 (ii) Make at least \$50,000,000 in capital investment if the
16 manufacturing facility is located in a county that has a population of
17 less than eight hundred thousand persons.
18 (b) Does not include mining, milling or smelting mineral ore or
19 generating electricity.
20 4. "Population" means the population determined in the most recent
21 United States decennial census or the most recent special census as
22 provided in section 28-6532.
23 5. "Public infrastructure" means water production, delivery and
24 disposal facilities, wastewater production, RECLAMATION, RECYCLING,
25 TREATMENT, STORAGE, delivery and disposal facilities and roads that are
26 necessary to support the activities of the manufacturing facility.