



**DEPARTMENT OF REVENUE
Local Jurisdictions District
Assesment Guideline**

ENTERPRISE ZONE PROGRAM

Effective: January 1, 2005

**Guideline Review and Update
June, 2017**

Legislation authorizing the Enterprise Zone Program was repealed effective June 30, 2011 which terminated the Program effective June 30, 2011.



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Preface

The purpose of this guideline is to provide County Assessor personnel and other interested entities with both a brief background of the Arizona Enterprise Zone Program and information on determining the legal classification and valuation of Enterprise Zone properties. Following this information are a sample timeline and the statutes that are associated with the certification process of the Department of Commerce (DOC) and property tax assessment.

Background

The Enterprise Zone Program was first enacted by the legislature in 1989. The intent of the program is to bring a variety of manufacturing businesses into distressed areas of the state in order to improve their local economies. A manufacturing business must be "minority owned," "woman owned," or a "small business." All manufacturing businesses must be "independently owned and operated" to be eligible. Also, a "small" business must have fewer than 100 employees at the zone location at the time of certification, or it must have gross annual receipts of less than four million dollars ("corporate-wide") at the time of certification. Refer to the various definitions in A.R.S. § 41-1525.01(N) regarding these terms (see pages 18 - 23).

The program requires that specific capital investment amounts must be made in "fixed assets" (see page 22 of definitions) that are located in designated zones, which are areas of the state that have high poverty and unemployment rates. Investments made in fixed assets since zone designation, but no earlier than January 1, 1996, that are owned by the qualifying business will count toward the investment amount. Tenant improvements in leased buildings and some types of leased personal property may also be included in the investment amount. The original program had only income tax benefits. In 1993, property tax benefits were added to the Enterprise Zone Program, providing for the reclassification of the real and personal property of a Qualifying Manufacturing Business. A QMB is entitled to receive these property tax reclassification benefits for only five tax years.



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In 1996, the legislature modified and extended the program, and in 1998 the legislature again extended the program through June 30, 2001. In 1999, legislative action was taken to extend Enterprise Zone premium tax credits to "insurers," in addition to the tax credits available to qualified manufacturing businesses. However, "insurers" do not receive the property tax benefits. In 2001, the legislature again modified the program, and extended it through June 30, 2006. The amount of the required investment in fixed assets was reduced, based on population, in order to allow more rural areas of the state to participate in the program. The amounts of the required investments in fixed assets are \$500,000, one million dollars, or two million dollars, depending on the location of the facility.

The Enterprise Zone Program was once again amended by the 2002 legislature, which made numerous modifications to the program and clarified the various reporting requirements. The January 1 effective date of certification is now tied to January 1 of the "valuation year." Other provisions initiated restrictions specifically designed to prohibit "producers of electricity" from qualifying for Enterprise Zone Program property reclassification, by excluding electricity production from the definition of "manufacturing." Refer to the Department of Commerce web site, at www.azcommerce.com, for current information on the sizes and locations of Enterprise Zones in Arizona (and for other relevant Enterprise Zone Program information).

Administration

The Department of Commerce (DOC) administers the Enterprise Zone Program in Arizona. Initial applications for benefits are received by the DOC and are approved based on the criteria specified in statute. Approved businesses and the property that is owned or used by them are "certified" by the DOC for a period of up to five years. After the initial certification, a qualifying business must be "recertified" by the DOC annually. Today, only a maximum five-year certification period is possible. At the inception of the program, a ten-year certification period was possible.

Note: Only five businesses are still subject to that ten-year certification period. 2005 is the last year of reclassification under the Enterprise Zone Program for those five companies.



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The qualifying business owner receives the initial certification and annual recertifications from the DOC. The DOC also sends copies of these documents to the local County Assessor and to the Department of Revenue. The DOC also notifies the qualifying manufacturing business owner, the local County Assessor and the Department of Revenue as to which parcels of real property and which items of personal property that are owned or used by those qualifying businesses are appropriate to reclassify from Legal Class One to Legal Class Six, Subclass Four.

Note: Per A.R.S. § 41-1525(I)(4), noncontiguous parcels may **not** constitute one “zone location.”

Most qualifying businesses will have to analyze the impact of being classified in Legal Class One versus being reclassified under Legal Class Six, Subclass Four on their total real and personal property tax liability, because once the business owners request that their property be reclassified, **both the real and personal property of the qualified manufacturing business (QMB) must be reclassified as Legal Class Six, Subclass Four** for that valuation year, pursuant to A.R.S. § 41-1525(E).

In addition, in order to complete the Enterprise Zone property reclassification process, manufacturing business owners must also submit a written request to the County Assessor to reclassify their real and personal property from Legal Class One to Legal Class Six, Subclass Four, if that option is chosen. This written request must be provided to the County Assessor on or before December 10. Regarding recertifications, if the business owner does not make this annual reclassification request by December 10, the real and personal property should be classified according to its current use, regardless of the prior year's classification being based on the property constituting a certified zone location. No matter which choice is made by the business owner, the five-year duration of the Enterprise Zone Program's certification for a specific zone location is unaffected.



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Legal Classification

Enterprise Zone qualified real and personal property may be reclassified, if requested by the QMB, as Legal Class Six, Subclass Four property. It will then have a five percent assessment ratio applied to the limited property value to calculate the “primary property tax.” The “secondary property tax,” which is based on the full cash value, must be calculated using the twenty-five percent assessment ratio that is applicable to any commercial use property under Legal Class One, pursuant to A.R.S. § 42-15001.

The real and personal property of a qualifying manufacturing business receives the benefit of having the five percent assessment ratio applied to the limited property value in the valuation year following the calendar year in which the business has completed the required investment in its fixed assets. For real property, the valuation year is the calendar year preceding the year in which the taxes are levied (i.e., the tax year).

For personal property, the valuation year is the calendar year in which the taxes are levied (i.e., the valuation year and tax year are the same). Personal property that has been reclassified as Legal Class Six, Subclass Four Enterprise Zone property is **not** eligible to receive the additional depreciation prescribed in A.R.S. § 42-13054, the business personal property tax exemption prescribed in A.R.S. § 42-11127, or the reduction in minimum value prescribed in A.R.S. § 42-13055.

The owner of a qualifying manufacturing business should compare the benefits of the reclassification of the business’s real and personal property from Legal Class One to Legal Class Six, Subclass Four against the property tax benefits of the application of additional depreciation, the annually adjusted personal property tax exemption amount and the reduction in minimum value that may be applicable to the personal property when classified as Legal Class One.



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If the business owner chooses to have the additional depreciation, the annually adjusted exemption amount, and the reduction in minimum value for personal property applied, then the real and personal property must remain classified as Legal Class One, and the property will retain the twenty-five percent assessment ratio on both the full cash and limited property values. Note also that if the property remains classified as Legal Class One, the property owner is not required to submit any written request to have the additional depreciation, property tax exemption or the reduced minimum value benefits applied to the personal property of the business.

The primary consideration for the taxpayer making the annual choice between these two options may be determining if the majority of the qualifying business's total property value is in the real property, or if the majority of value is in the personal property, and what the overall property tax liability would be under each choice. Based on this annual analysis, the owner may decide that the additional depreciation, property tax exemption, and the reduction in minimum value applicable to the personal property would be of more benefit in the first part of the five-year certification period. The owner of the QMB might then request having the real and personal property reclassified as Legal Class Six, Subclass Four in any remaining part of a certification period, or vice-versa, in order to maximize the effects of the total reduction in assessable value on all of the business's real and personal property over the entire five-year certification period.

The County Assessor must list all taxable property on the certified tax roll that is presented to the County Board of Supervisors on or before December 20 of each year. The Assessor's certified tax roll is used by the Board of Supervisors to produce an "abstract" that reflects the assessed values, by taxing jurisdiction, of all taxable property in the county. The primary purpose of the abstract is to give the various taxing authorities in each county the total assessed valuation of all property in their jurisdictions for budgeting and property tax rate setting purposes.



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It is important that the Assessor classify all qualifying Enterprise Zone properties in a timely manner, due to the impact that the reduced assessment ratio and any reduction in tax revenue may have on local taxing jurisdictions and special taxing districts (especially in a smaller jurisdiction, if the qualifying Enterprise Zone property is a major taxpayer in that jurisdiction). Review the sample Enterprise Zone Timeline on page 12 of this Guideline for the events, dates and deadlines that apply to the certification and reclassification process. Adhering to these dates and deadlines will help to ensure that both the real and personal property of a qualifying Enterprise Zone business are properly classified and valued prior to the County Assessor's annual certification of the tax roll and production of the abstract.

Relocation or Expansion of a QMB's Zone Location

If a QMB relocates to a new zone location, or expands its operations, different qualifying classification criteria will apply - according to the situation:

- If a QMB relocates from its original zone location to a new one, it loses its eligibility at the original zone location. The QMB may be able to apply for recertification at the new location for the remainder of its original five-year certification term if it makes a new qualifying investment at its new location. Any personal property that was qualified at the previous zone location that is moved to the new location will be subject to the remainder of the existing five-year zone certification period that was applicable at the prior zone location. The value of that personal property cannot be included as a part of the new qualifying investment amount at the new zone location. See ARS § 41-1525.01(F).
- If a QMB expands its manufacturing operations at its original zone location, any new or additional structural improvements or personal property added to the zone location can receive only the remainder of the original five-year zone certification period.



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- If a QMB expands its manufacturing operations to an additional zone location, while simultaneously continuing its operations at the original zone location, the DOC will require that a new qualifying investment must be made, and that a new and separate application and certification process for the new zone location must be completed. A new (and separate from the original zone locations) five-year certification period will then be applicable to that newly certified real property and to any qualifying new personal property at the new zone location.

"Mixed-Use" Property Considerations

All split-ratio legal classification determinations regarding any mixed-uses of property are to be made at the discretion of the local County Assessor according to the Department of Revenue's prescribed procedures. The Assessor should also make a verifying, on-site inspection of these properties when making any mixed-use legal classification determinations. Enterprise Zone Program qualified manufacturing use properties should, in general, be treated in the same manner as any other property if one with a "mixed-use" is encountered. The one specific exception to this is that the DOC normally certifies an entire parcel for Enterprise Zone designation, not just a portion of one. Therefore, the County Assessor should usually reclassify the entire parcel as Legal Class Six, Subclass Four, even if apparently not all of the parcel is currently being used for a qualified manufacturing activity.

However, only that portion of the structural improvements and any personal property that are owned or used by the business, or that portion of any qualifying tenant improvements in leased structural improvements qualifying for Enterprise Zone status (which was initially certified by the DOC), should be classified as Legal Class Six, Subclass Four and receive the benefit of the five percent assessment ratio.



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Generally, any part of a structural improvement that is used for some other purpose (a nonqualified use) or that is vacant should be classified according to its current or intended use. Several variations in allowable qualified activities and the uses of parcels and improvements may exist in designated zone locations, and each will have to be analyzed on a case-by-case basis.

As examples:

Note: All examples assume the property has been certified and the owner's request has been submitted.

- If all of the parcel(s), the structure(s) and any personal property are owned and used by a QMB, then all of that property is to be classified by the County Assessor as Legal Class Six, Subclass Four property.
- In a situation in which all of the structure(s) on a parcel are owned and used by the QMB, but only a portion of the parcel owned by the QMB is being used to support the manufacturing operation, the entire parcel and all of the structure(s) may be classified as Legal Class Six, Subclass Four property.

With qualified leased **real** property (property that is only "used" by a qualified manufacturing business) the individual circumstances must be more carefully analyzed.

- In those cases in which an entire leased parcel and structure(s) are completely utilized by a QMB the DOC may certify the entire parcel and structure(s) just as if the qualified business owned it.
- If only a portion of a leased parcel and a portion of the structure(s) are utilized by a QMB, and the remainder of the land and structure(s) are used for some other purpose or are vacant, the DOC may only certify those portions of the structure(s) that are used to support the qualified business's activities. If the DOC certifies only the portion of a leased structure that is being used by a QMB, the County Assessor should calculate a mixed-use assessment ratio for the parcel as well as the improvements.



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These kinds of situations will result in the County Assessor having to determine the percentages of use for both the improvements that are used for a qualified manufacturing activity and those used for any other purpose on the parcel, and to then calculate a mixed-use legal classification and assessment ratio for the land and improvements. Any qualifying tenant improvements installed in leased buildings or any qualifying personal property that is acquired after the initial certification of the business may receive the remainder of the five-year term of the business's certification at that zone location; a new five-year term is not "triggered" by an additional qualifying investment at the same zone location.

The County Assessor must also be careful to consider the current use of the property with its relation to the definition of "manufacturing" that is utilized by the Department of Commerce. In some instances, what will qualify under the Enterprise Zone requirements of the DOC as a qualified manufacturing activity might not appear to an Assessor's Office appraiser to be a typical commercial or industrial use property manufacturing process. If the County Assessor is uncertain about whether or not the property being inspected and appraised is being utilized for a qualifying manufacturing purpose, the DOC should be contacted for a verification of the property's qualified use, or for a clarification of Enterprise Zone requirements (or, if it is considered necessary, the Assessor may request that a representative of the DOC accompany the Assessor's appraiser to conduct an on-site inspection).



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Valuation

All applicable standard appraisal methods and techniques should be used to arrive at the current market value for all Enterprise Zone real property. Real property that constitutes an Enterprise Zone Program “zone location” is valued in the same manner as any other commercial or industrial manufacturing use real property. However, for personal property located in an Enterprise Zone Program “zone location” (and if the owner has elected to submit a request for reclassification), the affect on full cash value can be significant.

The assessed values that will be calculated for those items of personal property that have been reclassified as Legal Class Six, Subclass Four (which would then be assessed for primary property tax purposes with a five percent assessment ratio) may differ considerably from the assessed values that would be derived for those same items of personal property if only the applicable additional depreciation, the annually adjusted personal property tax exemption deduction, and the reductions in minimum value were to be applied to them (with the personal property items remaining classified as Legal Class One with a twenty-five percent assessment ratio).

Some County Assessors may be able to provide comparative valuation information to assist business owners in making these decisions. Ultimately, however, it remains the responsibility of the individual business owners to estimate these differences in property values and the resulting property tax liability in making their decisions about choosing either the real and personal property’s legal class reclassification to Legal Class Six, Subclass Four, or the business use personal property’s additional depreciation, property tax exemption and reduced minimum value benefits that exist under Legal Class One.



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Enterprise Zone Timeline

The County Assessor is required by law to classify and value all taxable real and personal property predicated on the current use of that property as of the valuation date, which is specified as January 1 of each year. If a property that has qualified for Enterprise Zone Program classification ceases to be certified, the County Assessor must reclassify that property according to its current use, effective as of the date that the certification is terminated as determined by the DOC. (Typically, the property would revert to being classified as Legal Class One, even if the business were no longer in operation.) In such an instance the assessment ratio that is specified for the appropriate legal classification, which is based on the current use of the property (or on its intended use, if the improvements are vacant - see A.R.S. § 42-12051), would then be applied to the property.

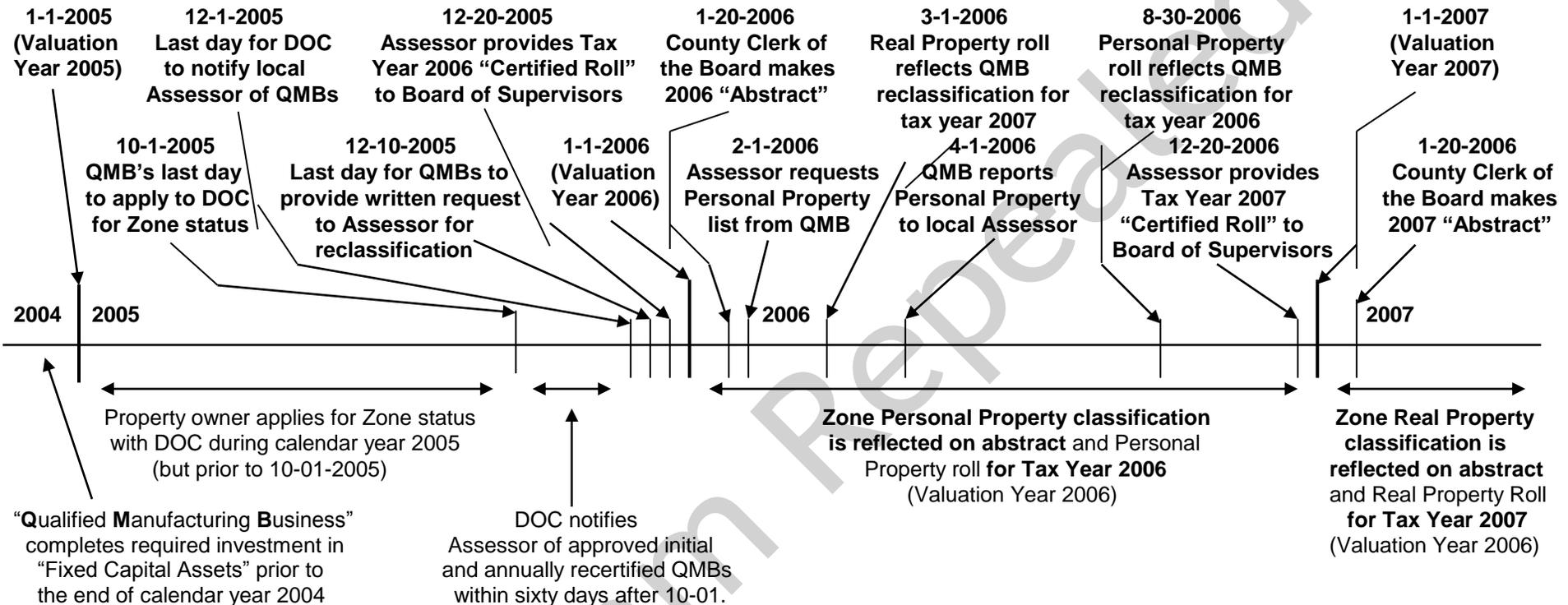
The sample timeline on the following page demonstrates the various dates and deadlines that are involved in the application, certification, reclassification and assessment processes. Following the timeline are relevant statutory citations for manufacturers that have been certified for tax year 2006 and thereafter. As noted above, although an Enterprise Zone Program certification becomes effective for both real and personal property in the **same valuation year**, the tax benefits will be realized in **different tax years**.

Pursuant to A.R.S. § 41-1525.01(A)(1), "Subject to subsection E of this section, certification is effective on January 1 of the valuation year, as defined in § 42-11001, following completion of the required investment." A January 1 effective date makes the benefits available to personal property for that **same** calendar year. However, for real property, the benefits will be reflected in the tax bill issued in the **next** calendar year.



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ENTERPRISE ZONE TIMELINE EXAMPLE



A.R.S. § 41-1525.01. Certification of small manufacturing businesses; definitions

A. Through June 30, 2006, the department of commerce shall annually certify small manufacturing businesses that qualify for property tax incentives under section 41-1525, subsection E. To qualify under this section:

1. A small manufacturing business **must meet the minimum investment requirements** prescribed by this paragraph. The investments may be cumulative. A small manufacturing business shall not include fixed assets purchased from an enterprise zone manufacturing company already certified under this section. Subject to subsection E of this section, **certification is effective on January 1 of the valuation year**, as defined in section 42-11001, **following completion of the required investment**. To qualify, the small manufacturing business must invest at least the following amount, as applicable, in fixed assets in the zone after December 31, 1995:

Note: QMB = Qualified Manufacturing Business

Note: * See the following pages for statutory references regarding "IMPORTANT DATES TO REMEMBER"



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IMPORTANT DATES TO REMEMBER

Note: References shown here include only those portions of the statutes applicable to the outlined "Enterprise Zone Timeline". See A.R.S. Titles 41 and 42 (cited following, or see A.R.S. annotated) for these statutes in their entirety. The important dates and concepts that are indicated below have been bolded for emphasis.

01-01-2005:

Valuation date: for the following tax year **(2005)** for real property.

Valuation date: for the current calendar year and tax year **(2004)** for personal property.

A.R.S. § 42-11001. Definitions

15. "**Valuation date**", for the purposes of **real property** and property valued by the department, means **January 1 of the year preceding the year in which taxes are levied**.
16. "**Valuation year**" means:
 - (a) **For real property** and property valued by the department the **calendar year preceding the year** in which the taxes are levied.
 - (b) **For personal property** the **calendar year** in which the taxes are levied.

10-01-2005:

A.R.S. § 41-1525.01. Certification of small manufacturing businesses; definitions

- E. A manufacturer shall submit its **application for initial certification or annual recertification** to the department **not later than October 1 of each year**. The department shall notify the appropriate county assessors of all qualified enterprise zone properties located within their county not later than December 1 of each year.

Note: In this title, "department" refers to the Department of Commerce.



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12-01-2005:

A.R.S. § 41-1525.01. Certification of small manufacturing businesses; definitions

- E. A manufacturer shall submit its application for initial certification or annual recertification to the department not later than October 1 of each year. **The department shall notify the appropriate county assessors of all qualified enterprise zone properties located within their county not later than December 1 of each year.**

12-10-2005:

A.R.S. § 41-1525.01. Certification of small manufacturing businesses; definitions

- D. To qualify for **classification as class six property** for tax purposes, the department's **initial certification, and each annual recertification**, with a **written request to reclassify** the property must be submitted to the county assessor of the county in which the property is located **by December 10 each year.**

12-20-2005:

A.R.S. § 42-15153. Completion and delivery of property lists and assessment roll; use of lists by administrative appeals bodies

- A. **On or before December 20 of each year**, the county assessor shall complete the assessment roll and **attach the assessor's certificate to the roll** with a cross-index of all property listed in the roll, showing the ownership of the property and all assessment lists from which the roll was compiled.
- B. The assessor shall deliver the lists and certified roll to the clerk of the board of supervisors who shall file them in the clerk's office.



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01-01-2006:

Valuation date: for the following tax year **(2006)** for real property.

Valuation date : for the current calendar year and tax year **(2005)** for personal property.

01-20-2006:

A.R.S. § 42-15155. Abstract of assessment roll; contents; distribution

- A. **On or before January 20 of each year, the clerk of the board of supervisors shall make an abstract** of the roll containing the valuations by taxing jurisdictions of all property in the county including:
1. The **total personal property tax roll** as provided by section 42-17053.

01-01-2006:

A.R.S. § 42-15053. Duty to report personal property; confidentiality

- A. **On or before February 1 of each year**, the assessor shall mail a form, notice or demand to each person who owns or has charge or control of taxable personal property in the state. Each person shall prepare and deliver to the assessor a correct report of property on or before April 1 of each year, except for property that is not required to be reported as provided by subsection C of this section. On written request and for good cause shown, the assessor may extend for up to thirty days the time for filing the report.



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03-01-2006:

A.R.S. § 42-15101. Annual notice of full cash value

- A. Except as provided by section 42-13254, on any date before March 1 of each year the county assessor shall notify each owner of record, or purchaser under a deed of trust or an agreement of sale, of property that is valued by the assessor as to the property's full cash value and the limited property value, if applicable, to be used for assessment purposes.

04-01-2006:

A.R.S. § 42-15053. Duty to report personal property; confidentiality

- A. On or before February 1 of each year, the assessor shall mail a form, notice or demand to each person who owns or has charge or control of taxable personal property in the state. **Each person shall prepare and deliver to the assessor a correct report of property on or before April 1 of each year,** except for property that is not required to be reported as provided by subsection C of this section. On written request and for good cause shown, the assessor may extend for up to thirty days the time for filing the report.

08-30-2006:

A.R.S. § 42-19006. Notice of valuation

- A. **On or before August 30** the assessor shall mail a notice of valuation, in the form prescribed by the department, to either:
1. The **owner of the personal property**, if known.
 2. The person in whose possession it is found at the time of valuation.



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12-20-2006:

A.R.S. § 42-15153. Completion and delivery of property lists and assessment roll; use of lists by administrative appeals bodies

- A. **On or before December 20 of each year**, the county assessor shall complete the assessment roll and **attach the assessor's certificate to the roll** with a cross-index of all property listed in the roll, showing the ownership of the property and all assessment lists from which the roll was compiled.
- B. The assessor shall deliver the lists and certified roll to the clerk of the board of supervisors who shall file them in the clerk's office.

01-01-2007:

Valuation date: for the following tax year **(2007) for real property**

Valuation date: for the current calendar year and tax year **(2006) for personal property**

01-20-2007:

A.R.S. § 42-15155. Abstract of assessment roll; contents; distribution

- A. **On or before January 20 of each year**, the clerk of the board of supervisors shall make an abstract of the roll containing the valuations by taxing jurisdictions of all property in the county including:
 - 1. The **total personal property tax roll** as provided by section 42-17053.



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Arizona Revised Statutes (full text)

From Title 41, Chapter 10, Article 2:

Note: See also A.R.S. §§ 41-1522 through 41-1525 and A.R.S. §§ 41-1526 through 41-1528 (not included here).

A.R.S. § 41-1525.01. Certification of small manufacturing businesses; definitions

A. Through June 30, 2006, the department of commerce shall **annually certify small manufacturing businesses that qualify for property tax incentives** under section 41-1525, subsection E. To qualify under this section:

1. A small manufacturing business **must meet the minimum investment requirements** prescribed by this paragraph. The investments may be cumulative. A small manufacturing business shall not include fixed assets purchased from an enterprise zone manufacturing company already certified under this section. Subject to subsection E of this section, **certification is effective on January 1 of the valuation year**, as defined in section 42-11001, **following completion of the required investment**. To qualify, the small manufacturing business must invest at least the following amount, as applicable, in fixed assets in the zone after December 31, 1995:

- (a) In counties with a population of two hundred fifty thousand persons or more, two million dollars, except as provided in subdivision (b) of this paragraph.
- (b) In all other counties, and for cities and towns located in counties with a population of two hundred fifty thousand persons or more and that have no portion of the corporate boundaries located within twenty-five air miles from the exterior corporate boundary of the largest city in the county:
 - (i) Cities with a population of eighty thousand persons or more, two million dollars.



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- (ii) Cities and towns with a population of at least ten thousand but less than eighty thousand persons and in unincorporated areas of the county, one million dollars.
 - (iii) Cities and towns with a population of less than ten thousand persons, five hundred thousand dollars.
2. A business initially applying for certification under this section must report the following with supporting documentation to the department of commerce on a form and in a manner prescribed by the department:
- (a) Business name and mailing address and any other contact information requested by the department.
 - (b) Business location and the enterprise zone in which the business is located.
 - (c) The number of full-time employees at the time of application and the benefits provided to employees.
 - (d) The assessor's parcel number of real property to which class six assessment classification will apply.
 - (e) If available, the assessor's account number for personal property to which class six assessment classification will apply.
 - (f) For the zone location, the gross receipts, gross payroll and average hourly wage paid to employees for the preceding taxable year.
 - (g) A statement of the ownership and description of operations of the zone business.
 - (h) Documentation of the required investment in fixed assets that identifies the fixed assets and establishes the cost of the fixed assets and the time of investment.



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- (i) Documentation that establishes the type and amount of manufacturing activity conducted at the zone location.
 - (j) Ownership and full cash value of real and personal property to be certified.
 - (k) Other information necessary for the management and reporting of this program as determined by the department.
- B. The department shall not certify any business for qualification for property tax incentives after June 30, 2006. However, certification under this section is valid for five years subject to annual recertification regardless of whether under changing circumstances the business grows beyond ninety-nine full-time employees at the zone location or gross annual receipts of more than four million dollars and regardless of whether the enterprise zone continues in existence if it continues to meet the other eligibility requirements.
- C. In order to be annually recertified pursuant to subsection B of this section, a small manufacturing business must continue to meet all the eligibility requirements of this section and must annually report the following and provide supporting documentation to the department of commerce on a form and in a manner approved by the department:
- 1. Information required by subsection A, paragraph 2, subdivisions (a), (b), (d), (e), (f), (i), (j) and (k) of this section.
 - 2. Changes in location, ownership and operations of the business in the immediately preceding year.
 - 3. The average number of full-time employees at the zone location for the immediately preceding year.
- D. To qualify **for classification as class six property** for tax purposes, the department's **initial certification, and each annual recertification, with a written request to reclassify** the property must be submitted to the county assessor of the county in which the property is located **by December 10 each year.**



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- E. A manufacturer shall submit its **application for initial certification or annual recertification** to the department **not later than October 1 of each year**. **The department shall notify the appropriate county assessors** of all qualified enterprise zone properties located within their county **not later than December 1 of each year**.
- F. If a manufacturer moves from the originally certified location, it loses its eligibility. The manufacturer may apply for certification at a new zone location for the remainder of its five years if it meets the minimum investment requirements in fixed assets that were not moved from the prior zone location, meets all other eligibility requirements of this section and has not reached the five year eligibility limit.
- G. Once a manufacturer establishes the basis for eligibility and the department certifies the manufacturer, the business may change its basis of eligibility during the four remaining years of potential eligibility as long as the manufacturer meets the requirements for the new basis of eligibility.
- H. If a certified manufacturing business is purchased by another entity or changes ownership through reorganization, stock purchase or merger, the certification is terminated. The new manufacturer may apply for certification according to eligibility requirements of this section.
- I. A small business that was originally certified for a ten year period of property reclassification loses eligibility for any year in which the size limits are exceeded or the business is no longer independently owned and operated.
- J. The department of commerce shall notify the department of revenue and the county assessor if a certified small manufacturing business closes, moves from the enterprise zone or fails to maintain its eligibility, and the assessor shall make the appropriate changes to the tax roll.



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- K. The department of commerce may make site visits to a taxpayer's facilities if it is necessary to further document or clarify reported information. The taxpayer must freely provide the access.
- L. Documents filed with the department of commerce pursuant to this section shall contain either a sworn statement or certification, signed by an officer of the company under penalty of perjury, that the information contained is true and correct according to the best belief and knowledge of the person submitting the information after a reasonable investigation of the facts. If the document contains information that is materially false, the taxpayer is ineligible for the tax benefits under this section and is subject to recovery of the amount of tax benefits allowed in preceding years based on the false information, including penalties and interest.
- M. The department by rule may prescribe additional reporting requirements for persons who claim a tax benefit pursuant to this section.
- N. For the purposes of this section:
1. "Fixed assets" means property that is used in operating a business, such as furniture, land, buildings and machinery, and that is not ordinarily converted into cash after they are declared fixed assets.
 2. "Manufacturing" means fabricating, producing or manufacturing products, wares or articles for use from raw or prepared materials and imparting to those materials new forms, qualities, properties and combinations. Manufacturing does not include generating electricity at a facility assessed pursuant to title 42, chapter 14, article 4.
 3. "Minority owned business" means an independently owned and operated business of which a majority of the business is owned by African Americans, persons of Hispanic or Latin American ancestry and persons of Native American, Asian or other minority origin or descent.



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4. "Small business" means a minority owned business, a woman owned business, or a concern including its affiliates, that is independently owned and operated and employs less than one hundred full-time employees at the location in the enterprise zone when certified by the department of commerce or had gross annual receipts of less than four million dollars in its last fiscal year.
5. "Woman owned business" means an independently owned and operated business of which a majority of the business is owned by one or more women.
6. "Zone location" has the same meaning prescribed in section 41-1525.

Program Repealed



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Relevant statutes from TITLE 42:

A.R.S. § 42-11001. Definitions

In chapters 11 through 19 of this title, unless the context otherwise requires:

1. "Assessed valuation" means the value derived by applying the applicable percentage prescribed by chapter 15, article 1 of this title to the full cash value or limited property value of the property, as applicable.
2. "Board" or "state board" means the state board of equalization.
3. "County board" means the county board of supervisors sitting as the county board of equalization.
4. "Current usage" means the use to which property is put at the time of valuation by the assessor or the department.
5. "Full cash value" for property tax purposes means the value determined as prescribed by statute. If no statutory method is prescribed, full cash value is synonymous with market value which means the estimate of value that is derived annually by using standard appraisal methods and techniques. Full cash value is the basis for assessing, fixing, determining and levying secondary property taxes.
6. "Limited property value" means the value determined pursuant to section 42-13301. Limited property value is the basis for:
 - (a) Computing levy limitations for counties, cities, towns and community college districts.
 - (b) Assessing, fixing, determining and levying primary property taxes.



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7. "Person" means a natural person, individual, proprietor, proprietorship, company, corporation, organization, association, joint venture, partner, partnership, trust, estate, limited liability company, the federal or state government, a political subdivision of a state or any other legal entity or combination of entities that owns, controls or has possession of real or personal property.
8. "Personal property" includes property of every kind, both tangible and intangible, not included in the term real estate.
9. "Primary property taxes" means all ad valorem taxes except for secondary property taxes.
10. "Producing mine" or "mining claim" means a mine or mining claim from which coal or any other mineral or mineral substance, except for clay, sand, gravel, building stone or a mineral or mineral substance that is normally processed into artificial stone, has been extracted for commercial purposes at any time during a period of one year before the first Monday in January of the valuation year.
11. "Real estate" includes the ownership of, claim to, possession of or right of possession to lands or patented mines.
12. "Roll" means the assessment and tax roll.
13. "Secondary property taxes" means:
 - (a) Ad valorem taxes or special property assessments that are used to pay the principal of and the interest and redemption charges on bonded indebtedness or other lawful long-term obligations that are issued or incurred for a specific capital purpose by a municipality, county or taxing district.
 - (b) Ad valorem taxes or assessments levied by or for special taxing districts and assessment districts other than school districts and community college districts.
 - (c) Amounts levied pursuant to an election to exceed a budget, expenditure or tax limitation.



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14. "Tax year" for all property means the calendar year in which the taxes are levied.
15. "Valuation" means the full cash value or limited property value, whichever applies, found for use on the roll.
16. "**Valuation date**", for the purposes of **real property** and property valued by the department, means **January 1 of the year preceding the year in which taxes are levied**.
17. "**Valuation year**" means:
 - (a) **For real property** and property valued by the department the **calendar year preceding the year** in which the taxes are levied.
 - (b) For **personal property** the **calendar year** in which the taxes are levied.

A.R.S. § 42-11127. Exemption for commercial and agricultural personal property; definition

- A. Pursuant to article IX, section 2, subsection (6), Constitution of Arizona, personal property that that is class two property pursuant to section 42-12002, paragraph 2, subdivision (a) or (b) that is used for agricultural purposes or personal property that is class one property pursuant to section 42-12001 that is used in a trade or business as described in section 42-12001, paragraphs 8 through 11 or 13 is exempt from taxation up to a maximum amount of fifty thousand dollars of full cash value for each taxpayer.
- B. On or before December 31 each year, the department shall increase the maximum amount of the exemption for the following tax year based on the average annual percentage increase, if any, in the GDP price deflator in the two most recent complete state fiscal years.
- C. In this section, "GDP price deflator" means the average of the four implicit price deflators for the gross domestic product reported by the United States department of commerce or its successor for the four quarters of the state fiscal year.



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A.R.S. § 42-12006. Class six property

For purposes of taxation, class six is established consisting of:

1. Noncommercial historic property as defined in section 42-12101 and valued at full cash value.
2. Real and personal property that is located within the area of a foreign trade zone or subzone established under 19 United States Code section 81 and title 44, chapter 18, that is activated for foreign trade zone use by the district director of the United States customs service pursuant to 19 code of federal regulations section 146.6 and that is valued at full cash value.
3. Real and personal property and improvements that are located in a military reuse zone that is established under title 41, chapter 10, article 3 and that is devoted to providing aviation or aerospace services or to manufacturing, assembling or fabricating aviation or aerospace products, valued at full cash value and subject to the following terms and conditions:
 - (a) Property may not be classified under this paragraph for more than five tax years.
 - (b) Any new addition or improvement to property already classified under this paragraph qualifies separately for classification under this paragraph for not more than five tax years.
 - (c) If a military reuse zone is terminated, the property in that zone that was previously classified under this paragraph shall be reclassified as prescribed by this article.
 - (d) Property that is classified under this paragraph shall not thereafter be classified under paragraph 4 of this section, notwithstanding its location in an enterprise zone.
4. **Real and personal property and improvements that are located in an enterprise zone that are owned or used by a small manufacturing business that is certified by**



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the department of commerce pursuant to section 41-1525.01 and that are valued at full cash value, subject to the following terms and conditions:

- (a) Property may not be classified under this paragraph for more than five tax years.
 - (b) Property that is classified under this paragraph shall not thereafter be classified under paragraph 3 of this section, notwithstanding its location in a military reuse zone.
5. Real and personal property and improvements or a portion of such property comprising a qualified environmental technology manufacturing, producing or processing facility as described in section 41-1514.02, valued at full cash value and subject to the following terms and conditions:
 - (a) Property shall be classified under this paragraph for twenty tax years from the date placed in service.
 - (b) Any addition or improvement to property already classified under this paragraph qualifies separately for classification under this subdivision for an additional twenty tax years from the date placed in service.
 - (c) After revocation of certification under section 41-1514.02, property that was previously classified under this paragraph shall be reclassified as prescribed by this article.
6. That portion of real and personal property that is used on or after January 1, 1999 specifically and solely for remediation of the environment by an action that has been determined to be reasonable and necessary to respond to the release or threatened release of a hazardous substance by the department of environmental quality pursuant to section 49-282.06 or pursuant to its corrective action authority under rules adopted pursuant to section 49-922, subsection B, paragraph 4 or by the United States environmental

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protection agency pursuant to the national contingency plan (40 code of federal regulations part 300) and that is valued at full cash value. Property that is not being used specifically and solely for the remediation objectives described in this paragraph shall not be classified under this paragraph. For purposes of this paragraph, "remediation of the environment" means one or more of the following actions:

- (a) Monitoring, assessing or evaluating the release or threatened release.
- (b) Excavating, removing, transporting, treating and disposing of contaminated soil.
- (c) Pumping and treating contaminated water.
- (d) Treatment, containment or removal of contaminants in groundwater or soil.

A.R.S. § 42-13054. Taxable value of personal property; depreciated values of personal property in class one and class two (P)

- A. The taxable value of personal property that is valued by the county assessor is the result of acquisition cost less any appropriate depreciation as prescribed by tables adopted by the department. The taxable value shall not exceed the market value.
- B. Except as provided in subsection C of this section and notwithstanding any other statute, the assessor shall adjust the depreciation schedules prescribed by the department as follows to determine the valuation of personal property that is initially classified during or after tax year 1994 as class one, paragraph 8, 9, 10 or 13 pursuant to section 42-12001 and personal property that is initially classified during or after tax year 1995 as class two (P) pursuant to section 42-12002:
 1. For the first tax year of assessment, the assessor shall use thirty-five per cent of the scheduled depreciated value.
 2. For the second tax year of assessment, the assessor shall use fifty-one per cent of the scheduled depreciated value.

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3. For the third tax year of assessment, the assessor shall use sixty-seven per cent of the scheduled depreciated value.
 4. For the fourth tax year of assessment, the assessor shall use eighty-three per cent of the scheduled depreciated value.
 5. For the fifth and subsequent tax years of assessment, the assessor shall use the scheduled depreciated value as prescribed in the department's guidelines.
- C. The additional depreciation prescribed in subsection B of this section:
1. Does not apply to any property valued by the department.
 2. Shall not reduce the valuation below the minimum value prescribed by the department for property in use.

A.R.S. § 42-13055. Reducing minimum value for property in use

- A. Beginning in valuation year 2000, the department shall reduce the minimum value prescribed for class one, paragraphs 8, 9, 10 and 13 and class two (P) valued by the assessor by 2.5 per cent good each year.
- B. This section does not require the department to reduce the minimum value for any property in use below 2.5 per cent good.

A.R.S. § 42-15006. Assessed valuation of class six property

The assessed valuation of class six property described in section 42-12006 is based on the following percentages to the full cash value or limited valuation of class six property, as applicable:

1. Property described in section 42-12006, paragraphs 1, 2, 3, 5 and 6, five per cent.

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2. Property described in section 42-12006, paragraph 4:

- (a) For primary property tax purposes, five per cent.**
- (b) Except as provided in subdivision (c), for secondary property tax purposes, twenty-five per cent.**
- (c) If subdivision (b) is finally adjudicated to be invalid, for secondary property tax purposes, five per cent.

A.R.S. § 42-15053. Duty to report personal property; confidentiality

- A. On or before February 1 of each year**, the assessor shall mail a form, notice or demand to each person who owns or has charge or control of taxable personal property in the state. **Each person shall prepare and deliver to the assessor a correct report of property on or before April 1 of each year**, except for property that is not required to be reported as provided by subsection C of this section. On written request and for good cause shown, the assessor may extend for up to thirty days the time for filing the report.
- B.** The duty to report taxable property pursuant to this section applies regardless of whether the person or entity that owns or has charge or control of the personal property also owns real property in the county with a value of two hundred dollars or more.
- C.** The assessor shall not require a report of:
 - 1. The breed, number, age or location of livestock on hand from individuals, corporations, partnerships or any other business if the livestock is exempt from taxation pursuant to article IX, section 13, Constitution of Arizona.
 - 2. The personal property that is class two (P) property used for agricultural purposes or that is class one, subclasses 8 through 11 and 13 property used in a trade or business that is exempt from taxation pursuant to article IX, section 2, subsection (6), Constitution of Arizona.

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- D. Every assessment made against property subject to taxation is valid whether or not the form, notice or demand was sent or received.
- E. The department shall prescribe in detail the contents of property reports including the specific wording to be used by county assessors and the method of reporting property. The report shall not include any question that is not germane to the valuation function.
- F. A report that is furnished under this section:
 - 1. Is not open to public inspection, but the report may be used as evidence in any prosecution brought under section 42-15055.
 - 2. May be subject to audit. On completing an audit or on discovering property that has not been reported, any property that was found to have escaped taxation is liable for the amount of taxes due determined under chapter 16, article 6 of this title, plus a penalty equal to ten per cent of that amount. The county treasurer shall credit monies received as penalties under this paragraph to the county general fund.

A.R.S. § 42-15153. Completion and delivery of property lists and assessment roll; use of lists by administrative appeals bodies

- A. **On or before December 20 of each year**, the county assessor shall complete the assessment roll and **attach the assessor's certificate to the roll** with a cross-index of all property listed in the roll, showing the ownership of the property and all assessment lists from which the roll was compiled.
- B. The assessor shall deliver the lists and certified roll to the clerk of the board of supervisors who shall file them in the clerk's office.
- C. The county board of equalization and the state board of equalization may use the lists for any lawful purpose.

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A.R.S. § 42-15155. Abstract of assessment roll; contents; distribution

- A. **On or before January 20 of each year, the clerk of the board of supervisors shall make an abstract** of the roll containing the valuations by taxing jurisdictions of all property in the county including:
1. The **total personal property tax roll** as provided by section 42-17053.
 2. Such other information as prescribed by the department.
- B. The clerk shall file one copy of the abstract in the office of the board of supervisors and shall transmit additional copies to the state or county board of equalization, as appropriate, and to the department.

A.R.S. § 42-19006. Notice of valuation

- A. **On or before August 30** the assessor shall mail a notice of valuation, in the form prescribed by the department, to either:
1. The **owner of the personal property**, if known.
 2. The person in whose possession it is found at the time of valuation.
- B. The owner or person in possession of the property may petition the assessor for review pursuant to 42-19051.