

# Military Reuse Zones



## Background

The Military Reuse Zone Program, established under Title 41, Ch. 10, Article 3, was first enacted by the legislature in 1992 to lessen the impact of military base closures in the state. Only real property or improvements that are, or are a part of, a closed military facility that was formerly used for operational and training purposes for active uniformed services of the United States, and that has a runway that is at least eight thousand feet in length can qualify for inclusion in this special zone program.

The governor can designate a qualifying Military Reuse Zone for a period of five years, and can renew that designation for an additional five-year period. The governor and the legislature jointly can then renew a Military Reuse Zone for additional five-year periods. Arizona currently has two Military Reuse Zones: Williams Gateway Airport, designated in 1996, and the Phoenix/Goodyear Airport, designated in 2002.

## Administration

The Department of Commerce (DOC) administers the Military Reuse Zone Program in Arizona. Applications are received by the DOC and are approved based on the following:

- The property of a qualifying business must be located within the boundaries of a Military Reuse Zone.
- The business must be engaged in either providing aviation or aerospace services, or manufacturing, assembling or fabricating aviation or aerospace products.
- The taxpayer must enter into a Memorandum of Understanding with the state, which includes goals for the net creation of new jobs.
- The taxpayer must provide an annual report to the DOC which includes the amount of the tax benefits received for each year.

Properties of approved businesses that are “certified” by the DOC as qualifying for inclusion in a Military Reuse Zone are so designated for a period of five years. If additional improvements are built, or additions are added to existing improvements,

those additions may also qualify for a separate five-year period. The DOC notifies the qualifying business owner, the local County Assessor and the Department of Revenue of those businesses whose property qualifies for Military Reuse Zone status. Military Reuse Zone properties are classified as “Legal Class 6, subclass 4 property” and a five percent assessment ratio is applied to calculate both the primary and secondary property taxes. At the end of the five-year period, the property of the business is then permanently reclassified as Legal Class One and a twenty-five percent assessment ratio is reinstated. In addition, properties that are, or have been, certified in a Military Reuse Zone cannot be concurrently, or subsequently, certified for inclusion in an Enterprise Zone or a Foreign Trade Zone.

Businesses operating under the Military Reuse Zone certification also receive income tax credits based on net increased employment, and may be eligible for exemption from state and county transaction privilege taxes. Interested parties should contact the Department of Commerce for detailed information on these subjects.

## Classification

Qualifying businesses receive the benefit of having a five percent assessment ratio applied to the limited and secondary values on their real and personal property in the Valuation Year following the year in which they become certified by the DOC. For **real** property, the Valuation Year is the **calendar year preceding the year** in which the taxes are levied. For **personal** property, the Valuation Year is the **calendar year in which the taxes are levied**.

Although the County Assessor will receive a copy of a qualifying business’s certification from the DOC, the business’s property classification may be changed only after the Assessor has received a written request from the qualifying property owner. Personal property classified as Military Reuse Zone property is not eligible to receive the additional depreciation prescribed in [42-13054](#), or the property tax exemption prescribed in [42-11127](#).

If the property of a business qualifies for the Military Reuse Zone classification status, the five percent assessment ratio of Legal Class 6, subclass 4 must be applied to the values of both the real and personal property of the business.

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

It is very important that the Assessors classify all qualifying Military Reuse Zone properties correctly, due to the impact that the reduced assessment ratio and reduced tax revenue may have on taxing jurisdictions and any special taxing districts (especially on many small school and fire districts). If the Assessor changes the status of a property from Legal Class 1 (with a twenty-five percent assessment ratio) to Legal Class 6, subclass 4 (with a five percent assessment ratio) after the time that the abstract is produced, the shortfall in tax revenues could drastically impact school and fire districts in smaller taxing jurisdictions if the qualifying Military Reuse Zone property is a major taxpayer in that jurisdiction.

Military Reuse Zone properties should be treated in the same manner as any other commercially used property when one with a "mixed-use" is encountered. Only the portion of the property of a business qualifying for Military Reuse Zone status should be classified as Legal Class 6, subclass 4 and receive the benefit of the five percent assessment ratio. Any additional land of a business that is not being utilized, or any property that is being used for some other commercial venture, should be classified, valued and assessed accordingly.

**Valuation**

Standard appraisal methods and techniques should be used to arrive at the market value for Military Reuse Zone properties, in the same manner as any other commercially used property.