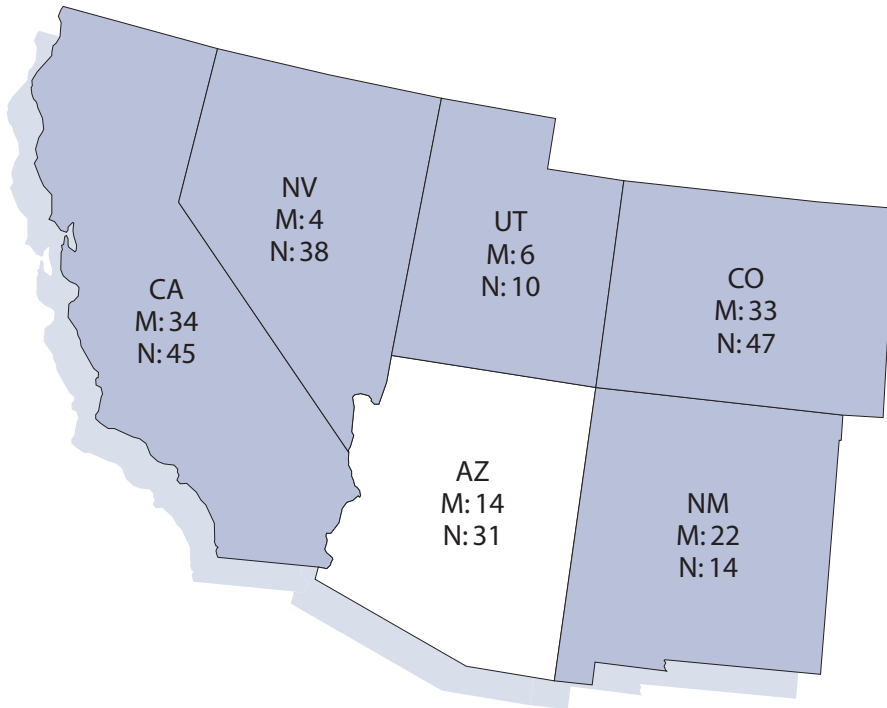


M = Rank for mature firms
N = Rank for new firms



Arizona ranks 14th overall for mature operations but 31st overall for newly established operations. Specifically:

- Arizona ranks 13th for the mature labor-intensive manufacturing business, with a total effective tax rate (TETR) of 8.9 percent, and 14th for mature capital-intensive manufacturing, with a TETR of 9.5 percent. The state's lower-than-average income tax burden contributes most to this high ranking.
- Arizona ranks 13th for mature R&D operations because of the state's moderate income tax burden and low unemployment insurance (UI) tax burden. The state ranks 16th for mature call centers because of its very low UI tax burden.
- Arizona ranks 40th for the new capital-intensive manufacturing operations with a TETR of 16.3 percent. For labor-intensive manufacturing, Arizona ranks 39th with a TETR of 13.2 percent. Property taxes are, by far, the largest tax cost for these firms, a tax burden nearly twice the national average. Arizona is one of only a handful of states that don't offer property tax abatements.
- Arizona has above-average tax burdens for most new operations, except for the new call center. The state's lack of incentives (such as property tax abatements and investment credits) compared to other states is a factor in these operations' comparatively high tax burdens.
- One area where Arizona has low tax costs is UI, where the state ranks among the lowest in the nation for both mature and new operations.

Arizona

Corporate income tax

Main tax rate	6.968%
Applies to income over	–
Specific adjustments:	
- s.199 deduction allowed	

Apportionment	Property	Payroll	Sales
Standard factors	10.0%	10.0%	80.0%
Optional alternative	25.0%	25.0%	50.0%
Throwback applies to tangible property sales			No
Interstate services income apportionment			IPA

Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate ^a	Land	Buildings	Equipment	Inventory
Tier 1	Phoenix	8.500%	2.249%	2.249%	2.249%	–
Tier 2	Prescott	9.350%	1.580%	1.580%	1.580%	–
a. Manufacturing machinery is exempt from sales tax						

Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
2.00%	\$7,000	n/a	Tier 1	n/a	n/a	n/a	n/a
			Tier 2	n/a	n/a	n/a	n/a

Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	n/a							
Job creation	\$3,000 per new job (max. 400) x 3 years	✓	✓	✓	✓	✓	✓	
Withholdings	n/a							
R&D	24% of in-state R&D expenses, per federal concepts						✓	
Property tax	n/a							

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	16.3%	13.2%	23.5%	38.6%	17.4%	18.9%	36.1%		9.5%	8.9%	17.9%	27.7%	15.0%	10.3%	16.9%			
Index	143.1	112.8	94.1	106.8	107.8	128.4	111.0	114.9	75.0	76.2	85.4	90.4	95.9	80.2	100.0	86.2		
Rank	40	39	20	33	31	36	37	31	14	13	16	21	25	13	30	14		

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store