

# Greater Phoenix Greater Together

May 26, 2021



# About GPEC



# Our Mission

Established in 1989, the Greater Phoenix Economic Council (GPEC) actively works to attract and grow quality businesses and advocate for the competitiveness of Greater Phoenix.



# Our Values

## The GPEC Way

- ➔ We are an inclusive, diverse family
- ➔ We are change agents
- ➔ We lead from the front
- ➔ We promote intellectual curiosity
- ➔ We remain on the edge
- ➔ We are tenacious
- ➔ We are agile and adapt to change
- ➔ We are committed to selfless service





# Understanding Arizona Business Taxes

# Property Tax

- Ad valorem tax on the value of real and personal property

	Arizona	California	Colorado	Texas	Utah	Washington
Property Tax	2.19%	1.17%	2.24%	2.84%	1.30%	0.85%

# Two Types of Property



## Real Property

Land & buildings; *generally* anything attached to land & buildings



## Personal Property

*Not* land & buildings; *generally* describes machinery, equipment & movable assets not fixed permanently to one location

# Property Tax

Arizona's property tax system classifies property according to its usage.

- Nine classes of property
- Assessment ratios are applied to both primary and secondary values of a property and determine the property's net assessed value

## Selected Property Assessment Ratios

Class	Assessment Ratio
Commercial and Industrial	18%
Agricultural and Vacant Land	15%
FTZ/MRZ/RETIP	5%

# Calculating Property Tax

- Real Property Tax = Limited Property Value  $\times$  Assessment Ratio  $\times$  Tax Rate
- Personal Property Tax = (Value  $\times$  Depreciation Factor - Exemption)  $\times$  Assessment Ratio  $\times$  Tax Rate

## Sample Property Tax Calculations

Real Property	
Value of Property	\$1,000,000
Assessment Ratio	$\times 18\%$
Assessed Value	\$180,000
Average Tax Rate	$\times 12.41\%$
<b>Total Taxes Assessed</b>	<b>\$22,338</b>

Personal Property	
Value of Property	\$1,000,000
Percent Good*	$\times 92\%$
Depreciated Value of Property	\$920,000
Standard Exemption	-\$195,878
Value of Property Minus Exemptions	\$724,122
Assessment Ratio	$\times 18\%$
Assessed Value	\$130,342
Average Tax Rate	$\times 12.41\%$
<b>Total Taxes Assessed</b>	<b>\$16,175</b>

Source: Arizona Department of Revenue

\*Percent good is dependent on type of property and year acquired



# Additional Depreciation

- Arizona allows for additional depreciation on eligible personal property
- Additional depreciation reduces the value by 75% in year 1, 59% in year 2, 43% in year 3, 27% in year 4 and 11% in year 5

## Sample Property Tax Calculation

	No Additional Depreciation	Additional Depreciation
Value of Property	\$1,000,000	\$1,000,000
x Percent Good (92%)*	\$920,000	\$920,000
x Additional Depreciation (25%)	--	\$230,000
Minus Standard Exemption (\$195,878)	\$724,122	\$34,122
x Assessed Value (18%)	\$130,342	\$6,142
x Average Tax Rate (12.41%)	\$16,175	\$762
Savings		\$15,413

Source: Arizona Department of Revenue

\*Percent good is dependent on type of property and year acquired - Valuation tables: [https://azdor.gov/sites/default/files/media/PROPERTY\\_pp-manual.pdf](https://azdor.gov/sites/default/files/media/PROPERTY_pp-manual.pdf)

# Transaction Privilege Tax (TPT) = Sales Tax

- Tax on the sale of goods

	Arizona	California	Colorado	Texas	Utah	Washington
Sales Tax*	8.40%	8.68%	7.72%	8.19%	7.19%	9.23%

*\*State average of combined state, county, and city sales tax*

# Corporate Income Tax

- Tax paid by corporations on their income

	Arizona	California	Colorado	Texas	Utah	Washington
Corporate Income Tax	4.90%	8.84%	4.55%	0%	4.95%	0%



# Personal Income Tax

- Tax paid by individuals on their income

	Arizona	California	Colorado	Texas	Utah	Washington
Personal Income Tax**	8.00%	13.30%	4.55%	0%	4.95%	0%

*\*\*Only highest bracket listed*

# Manufacturing Operation Cost Comparison

Project parameters:

- \$5,000,000 personal property investment
- 200,000 square foot industrial manufacturing, lease
- Utilities:
  - Electricity: 75KW, 50,000KWh
  - Water: 3,000cf, 5/8 meter
  - Wastewater: 3,000cf, 5/8 meter
- 150 Jobs (Bureau of Labor Statistics equivalent occupations)

Metro	Employee Payroll	Fringe and Mandated Benefits	Utilities	Real Estate	Property Tax	Total Operating Cost	Index
Salt Lake City	\$6,304,209	\$1,604,021	\$40,837	\$1,272,000	\$64,980	<b>\$9,286,047</b>	97.1%
Dallas-Fort Worth	\$6,404,912	\$1,695,389	\$46,693	\$1,010,000	\$142,250	<b>\$9,299,244</b>	97.2%
<b>Phoenix</b>	<b>\$6,399,543</b>	<b>\$1,634,011</b>	<b>\$54,162</b>	<b>\$1,368,000</b>	<b>\$109,530</b>	<b>\$9,565,247</b>	<b>100.0%</b>
Denver	\$6,862,911	\$1,816,873	\$44,613	\$1,628,000	\$112,043	<b>\$10,464,440</b>	109.4%
Los Angeles	\$6,988,494	\$1,998,960	\$75,567	\$2,064,000	\$58,350	<b>\$11,185,371</b>	116.9%
San Diego	\$6,914,913	\$1,976,629	\$116,207	\$2,352,000	\$56,800	<b>\$11,416,549</b>	119.4%
Seattle	\$7,712,652	\$2,174,072	\$44,180	\$1,866,000	\$44,724	<b>\$11,841,628</b>	123.8%

Source: Applied Economics Metrocomp Tool 2020

# Manufacturing Operation Cost Comparison

Project parameters:

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- 150 Jobs (Bureau of Labor Statistics equivalent occupations)

Metro	Employee Payroll	Fringe and Mandated Benefits	Utilities	Real Estate	Property Tax	Total Operating Cost	Index
Salt Lake City	\$6,304,209	\$1,604,021	\$40,837	\$1,272,000	\$649,800	<b>\$9,870,867</b>	93.6%
<b>Phoenix</b>	<b>\$6,399,543</b>	<b>\$1,634,011</b>	<b>\$54,162</b>	<b>\$1,368,000</b>	<b>\$1,095,300</b>	<b>\$10,551,017</b>	<b>100.0%</b>
Dallas-Fort Worth	\$6,404,912	\$1,695,389	\$46,693	\$1,010,000	\$1,422,500	<b>\$10,579,494</b>	100.3%
Denver	\$6,862,911	\$1,816,873	\$44,613	\$1,628,000	\$1,120,429	<b>\$11,472,827</b>	108.7%
Los Angeles	\$6,988,494	\$1,998,960	\$75,567	\$2,064,000	\$583,500	<b>\$11,710,521</b>	111.0%
San Diego	\$6,914,913	\$1,976,629	\$116,207	\$2,352,000	\$568,000	<b>\$11,927,749</b>	113.0%
Seattle	\$7,712,652	\$2,174,072	\$44,180	\$1,866,000	\$447,238	<b>\$12,244,141</b>	116.0%

Source: Applied Economics Metrocomp Tool 2020



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People. Place. Technology.

*#GreaterPHXtogether*