

Arizona Commerce Authority
Military Reuse Zone Program

Guidelines¹

The Military Reuse Zone (MRZ) Program was established by the state legislature in 1992 to lessen the impact of military base closures. As currently enacted, the MRZ Program includes targeted economic incentives for prime contractors with respect to activities in a MRZ and taxable property located in a MRZ that is devoted to aviation or aerospace related services and manufacturing. In 1996, Phoenix-Mesa Gateway Airport in Mesa became the first Military Reuse Zone, which was renewed in 2001, 2006 and 2015. In 2002, the former U.S. Naval Air Facility in Goodyear, now known as the Phoenix/Goodyear Airport, was designated as a Military Reuse Zone, which was renewed in 2007, and again for an additional ten years in 2017.

- i. An eligible business wishing to claim benefits under the MRZ program must apply to the Arizona Commerce Authority (the Authority) prior to receiving the benefits. All the necessary forms can be downloaded from the Authority website www.azcommerce.com.
- ii. The Authority is authorized to accept applications and determine eligibility of applicants located in a designated MRZ.
- iii. The Authority will issue a letter of certification for benefits. The certification is valid for five years, unless terminated earlier for failure to provide required information pertaining to the amount of tax benefits the taxpayer received each year.
- iv. The Authority will issue a letter of eligibility for transaction privilege tax exemption. Eligibility is valid for one qualified construction contract. A new letter of eligibility must be issued to receive additional exemptions. Failure to do so will result in denial of benefits.

A. Benefits

Benefits for the MRZ program are available for taxable years beginning on or after January 1, 1996. The MRZ program offers two types of benefits:

- i. **Transaction Privilege Tax Exemption** - Exemption from transaction privilege tax on contracts for certain types of construction at an MRZ.
- ii. **Property Reclassification** - Both real and personal property can be reclassified from class one (18% assessment ratio) to class six (5% assessment ratio), which may result in property tax savings of up to 72.2% for a period of five years.

B. Eligibility

- i. A qualified MRZ company claiming property reclassification must:
 1. Be located in an MRZ;

¹ These guidelines are provided to assist applicants. In case of conflict between what is presented here and the Arizona Revised Statutes, the statutes and the Arizona Administrative Code shall prevail. See A.R.S §§ 41-1531 through 1533; 42-12006(3); 42-15006(1); and 42-5075(B)(4).

2. Be primarily (more than 50%) engaged in:
 - providing aviation or aerospace services; **or**
 - manufacturing, assembling or fabricating aviation or aerospace products **and**,
 3. Report annually to the Authority the amount of tax benefits each year for each year in which the taxpayer claims incentives. See A.R.S §41-1532 (C).
- ii. A qualified MRZ company claiming a transaction privilege tax exemption must:
1. Have the construction work performed in the MRZ.
 2. Report annually to the Authority the amount of tax benefits each year for each year in which the taxpayer claims the incentives. See A.R.S §41-1532 (C).
- iii. A qualified MRZ airport authority claiming a transaction privilege tax exemption must:
1. Have construction work performed in the MRZ.
 2. Report annually to the Authority the amount of tax benefits each year for each year in which the taxpayer claims the incentives. See A.R.S §41-1532 (C).

C. Property Tax Reclassification

- i. Taxable property in an MRZ that is devoted to providing aviation or aerospace services or for manufacturing, assembling or fabricating aviation or aerospace products may be eligible for property tax reclassification by the county assessor. The reclassification is from class one (18% assessment ratio) to class six (5% assessment ratio). This reduction applies to both primary and secondary taxes for not more than five tax years (A.R.S. §42-12006). However, any new addition or improvement to the property already reclassified qualifies for a separate five-year term of reclassification. As long as the business retains its MRZ eligibility, it may initiate additional five-year property reclassification(s) each year.
- ii. The qualified MRZ company must submit an application form and receive a letter of certification from the Authority. After the business has received its letter of certification from the Authority, it must request, in writing, reclassification from the county assessor in which the company is located no later than December 10th of each year for the next evaluation year. Separate offices handle real property and personal property, so both offices must be contacted. Please contact David Hansen with the Maricopa County Assessor's at 602-372-3752 or via email at hansend@mail.maricopa.gov.

D. Transaction Privilege Tax Exemption

- i. A prime contractor who has entered into a contract with a qualified MRZ company or airport authority for the construction, alteration, repair, addition, subtraction, improvement, movement, wrecking or demolition of any building, highway, road, railroad, excavation or other structure, project, development or improvement located in an MRZ may qualify for an exemption from the transaction privilege tax on specific contracts.
- ii. The qualified business or airport authority must submit an application form and receive a letter of eligibility from the Authority. Prior to starting work under the contract, the prime contractor must contact the Arizona Department of Revenue, Transaction Privilege Tax Audit Manager at 602-716-6545 to apply for a letter of qualification that allows the tax exemption.



E. Annual Reporting, Revocation of Benefits, Appeals

- i. An Annual Report must be filed with the Authority within 30 days of filing a state tax return for the preceding taxable year. The report should state the amount of transaction privilege tax exempted and the amount of property tax reduction, as applicable.
- ii. If at any time the taxpayer fails to meet the statutory requirements of a qualified MRZ business, the Authority shall immediately revoke the taxpayer's certification of eligibility.
- iii. The Authority will notify the Arizona Department of Revenue of the conditions of noncompliance and certification revocation. The Arizona Department of Revenue and the Authority will notify the appropriate county assessor of any revocation and any reclassified property shall revert to class 1.
- iv. If the Authority denies eligibility of a business, may appeal the decision in accordance with A.R.S. Title 41 Chapter 6 Article 10.

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Questions regarding MRZ Incentives can be
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