



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
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SEPTEMBER 2025

Arizona Snapshot

MARKET INTELLIGENCE REPORT

Report

Arizona's Strategic Relevance

Arizona is central to US security interests. It is a rising economic powerhouse that is strategically positioned between two of the world's largest economies California (fifth), and Mexico (twelfth), providing easy access to consumers (86 million+ within a one-day trucking radius), labour (skilled and unskilled), and capital.

Arizona benefited disproportionately from Biden-era industrial policy initiatives (especially the CHIPS Act and the Inflation Reduction Act). Arizona's international trade flows increased 12% in 2024 to over NZ\$56.33 billion, compared to average export growth of just 2% in other US states.

Key industries include defence, semiconductors, advanced manufacturing, and healthcare. Following TSMC's March 2025 announcement of a further \$100 billion investment, Arizona has attracted \$NZ\$359 billion+ investment into the semiconductor industry - the highest anywhere in the US.

'Open for Business'

As rising costs drive companies to consider relocating from high-cost West Coast states such as California, Arizona is assertively positioning itself as a highly attractive alternative. In 2023 Arizona introduced a flat income tax rate of 2.5%, while corporate tax is 4.9%. Arizona offers a world-class industry eco-system, targeted business incentives and subsidies, and a strong talent pipeline (over 100 tertiary institutions and 600,000+ students).

An overview document of Arizona's business incentives in 2025 is annexed at the end of this report. Most of these incentives are sector agnostic, and available to any company investing in Arizona, whether US or international.

'Actively Seeking Engagement'

Arizona has invested heavily in its international footprint, establishing representational offices in Korea, Germany, Canada, Israel, Mexico, and Taiwan. 13 countries have established embassies and consulates in Phoenix, Arizona, with Canada announcing that it will be the 14th. 35 countries have Honorary Consuls to Phoenix, Arizona (New Zealand

is not currently among them). Earlier this year Australia appointed its first Honorary Consul in Phoenix, with jurisdiction throughout Arizona.

Arizona is actively interested in signing MOUs/cooperation arrangements, frameworks for economic development, or business linkage arrangements with other countries where there are areas of shared economic or R&D interest. For example, in January 2025, Arizona signed a MOU with the Netherlands to strengthen semiconductor collaboration.

Arizona is notable for its track record of government efficiency. Since 1978 Arizona has had a “sunset law” which requires the automatic expiration of all state agencies within ten years, unless actively continued by the legislature following a review process. During this review, independent auditors identify inefficiencies, expose fraud or abuse, quantify costs imposed on consumers, and provide an assessment of the continued need for the agency to exist.

New Zealand’s Interests in Arizona

As Arizona continues to grow in economic and political importance, it will be a key state for expanding New Zealand Inc engagement and connections. New Zealand’s potential economic interests in Arizona are centred around the technology (agri-tech, fin-tech, autonomous vehicles), bioscience and healthcare, warehousing and logistics, and aerospace and defence sectors.

Based on its affordability, favourable tax, regulatory and business-support environment Arizona represents an attractive destination for New Zealand companies seeking to establish operations on the West Coast of the United States (in addition to Denver, Colorado, which has already established itself as a hub for New Zealand companies). Currently over 1400 Kiwis already reside in Arizona, we can anticipate this will only rise, given the state’s growth trajectory.

Financial Incentives and Costs Savings in Arizona	
State assistance	Notes
CAPITAL INVESTMENT RELATED TAX EXEMPTIONS (NO EXPIRATION)	
Machinery & Equipment Purchases	Exemption from state, county and local taxation for machinery and equipment used directly in manufacturing, processing, fabricating, job printing, refining or metallurgical operations. Assumes all machinery and equipment is subject to Arizona taxation. Additional information can be found under A.R.S § 42-5061(B)(1).

Research & Development Machinery & Equipment	Exemption from state, county and local taxation for machinery or equipment used in research and development. Research and development means basic and applied research in the sciences and engineering, and designing, developing or testing prototypes, processes or new products, including research and development of computer software that is embedded in or an integral part of the prototype or new product or that is required for machinery or equipment otherwise exempt under this section to function effectively. Additional information can be found under A.R.S. 42-5061(B)(15).
Building Construction Cost (not including clean room)	Exemption from state, county and local taxation relating to building construction costs. The exemption is applied to thirty-five percent (35%) of construction costs. Additional information can be found under A.R.S. §42-5075 (B).
Installation of machinery and equipment that qualify as having independent functional utility (IFU)	Exemption from state, county and local taxation for the installation, assembly, repair or maintenance of machinery, equipment or other tangible personal property that is either deducted from the tax base of the retail classification under A.R.S. § 42-5061(B) or that is exempt from use tax under A.R.S. § 42-5159(B) and that has independent functional utility. Additional information can be found under A.R.S. § 42-5075(B)(7).
Purchase of four inch (or greater) pipes	Exemption from state, county and local taxation for the purchase of pipes or valves four inches in diameter or larger used to transport oil, natural gas, artificial gas, water or coal slurry, including compressor units, regulators, machinery and equipment, fittings, seals and any other part that is used in operating the pipes or valves. Additional information can be found under A.R.S. § 425061(B)(7)
PROPERTY TAX REDUCTIONS (PERMANENT RECLASSIFICATION)	
Foreign Trade Zone (Permanent Property Tax Reductions)	Assets taxed at 5% of property value times the estimated property tax rate per \$100 of assessed value. Baseline depreciating assets based on the Arizona Department of Revenue Personal Property Tax Manual. After 10 years, FTZ property benefits continue without expiration.
Arizona Additional Depreciation Program (Permanent Property Tax Reductions)	Assets taxed at 2.5% of purchase cost, applied to a 5% assessment ratio against an estimated property tax rate per \$100 estimated assessed value. Baseline depreciating assets based on the Arizona Department of Revenue Personal Property Tax Manual. Future equipment purchases are also eligible for this exemption.

ONGOING OPERATIONAL SALES TAX EXEMPTIONS & SAVINGS

TPT Exemption: Electricity & Natural Gas Exemption (Permanent Exemptions)	Exemption from state and county taxation for electricity and natural gas used by qualified manufacturers. Additional information can be found under A.R.S. § 42-5063(C)(6) .
Chemical Purchases Tax Exemption	Exemption from state, county and local taxes for sales of liquid, solid or gaseous chemicals used in manufacturing, processing, fabricating, mining, refining, metallurgical operations, research and development if using or consuming the chemicals involves direct contact with the materials from which the product is produced for the purpose of causing or permitting a chemical or physical change to occur in the materials as part of the production process. Additional information can be found under A.R.S. § 42-5061(A)(38) .
Purchase/Sale of Materials used in Manufacturing	Exemption from state, county and local sales taxes relating to articles to be incorporated into a fabricated or manufactured product. Additional information can be found under A.A.C. R15-5-122.
R&D Tax Credit	Through 2030 the tax credit is equal to 24% of the first \$2.5 million in qualifying expenses plus 15% of the qualifying expenses in excess of \$2.5 million. For 2031 and thereafter, tax credit rates will be 20% of the first \$2.5 million in qualifying expenses plus 11% of the qualifying expenses in excess of \$2.5 million. Qualifying expenses after 2023 are eligible for these tax credits.

JOB CREATION INCENTIVES

Quality Jobs Tax Credit (Non-refundable)	The Quality Jobs tax credit offers up to \$9,000 of Arizona income or premium tax credits spread over a three-year period for each net new quality job (\$3,000 per year). A taxpayer is eligible to claim Program credits in an urban area, if within a 12-month period the applicant (i) makes a minimum investment of \$5 million and (ii) creates 25 or more new quality jobs which pay not less than the county median wage, currently \$46,331 in Maricopa County and \$42,432 in Pima County. A taxpayer is eligible to claim Program credits in a rural area, if within a 12-month period the applicant (i) makes a minimum investment of \$100,000 and (ii) creates 5 or more new quality jobs which pay not less than the county median wage. Application fee of 1% (not to exceed \$100,000) paid at time of online application.
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Qualified Facility Tax Credit (Refundable)	<p>The Qualified Facility tax credit (the “Facility Program”) offers a refundable income tax credit equal to the lesser of: 10% of the qualifying capital investment or \$20,000 or \$30,000 per qualifying net new full-time job at the facility (depending upon the capital investment associated with each application). To receive \$30,000 per qualifying net new employee, the company must invest a minimum of \$2 billion. At least 51% of the project’s new full-time jobs attributed to the Facility Program must earn at least 125% of the state’s median production wage in an urban area (currently \$49,274) OR 100% of the state’s median production wage in a rural area (currently \$39,419). Applications are limited to \$30,000,000 per taxpayer per year. Application fee of 1% (not to exceed \$100,000 per application) paid at time of online application.</p>
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US Census data 2023.

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