STATE OF ARIZONA

JANICE K. BREWER
GOVERNOR

EXECUTIVE OFFICE

June 26, 2013

The Honorable Ken Bennett
Secretary of State
Capitol Executive Tower, 7th Floor
1700 West Washington
Phoenix, Arizona 85007

Re: House Bill 2342 (increased research; tax credit refund)

Dear Secretary Bennett,

Today, I vetoed House Bill 2342, which would have increased the annual cap on the refundable research and development (R&D) tax credit from $5 million to $10 million in 2014 and $15 million thereafter. Three years ago, I signed legislation that created the refundable R&D tax credit. I recognized then the potential statewide interest in having the state assist in R&D efforts for small businesses and start up companies.

As you know, however, a refundable tax credit is designed as not just a reduction in a tax liability, but extends beyond any liability to draw on general fund dollars. Such expenditures of state taxpayer dollars deserve the highest level of scrutiny to determine their benefits to the overall state economy as well as their relative importance against other general fund obligations.

My decision on this bill must be in the context of other tax changes and spending items that have come up after the enacted budget. Therefore, I believe it is best to re-examine this proposal in the light of next year's spending priorities.

These concerns are among the primary reasons I vetoed House Bill 2342.

Sincerely,

Janice K. Brewer
Governor

cc: The Honorable Andy Tobin
The Honorable Andy Biggs

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