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Gary M. Yaquinto  
Director, OSPB

Richard Stavneak  
Director, JLBC Staff

January 18, 2006

Mr. Gale Garriott  
Director  
Arizona Department of Revenue  
1600 W. Monroe  
Phoenix, Arizona 85007

Mr. Michael E. Braun  
Executive Director  
Legislative Council  
1700 W. Washington  
Phoenix, Arizona 85007

Dear Messrs. Garriott and Braun:

Laws 2005, Chapter 289 provides that corporations may use an enhanced sales factor in the calculation of business income for corporate income tax purposes beginning in Tax Year 2007 if two conditions are met. These conditions are:

1. One or more corporations must notify the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB) that one or more capital projects with cumulative capital costs exceeding \$1 billion are planned. The notification is required to include the expected start and completion dates, description of the project, and expected construction employment information.
2. No later than December 15, 2007, corporations reporting under the previous conditional requirement notify JLBC and OSPB that construction of the project has actually begun.

Chapter 289 further provides that on or before December 31, 2007, JLBC and OSPB shall jointly notify the Department of Revenue and the Legislative Council if the required conditions for enactment of Chapter 289 have been met. The purpose of this letter is to notify you that the conditions have been met.

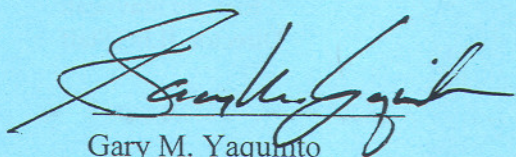
The Intel Corporation submitted a letter to JLBC and OSPB on July 25, 2005 (Attachment 1) notifying us of the intent to invest approximately \$3 billion in a new manufacturing facility in Chandler. The Intel letter included all of the information required in Condition 1 above.



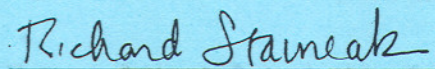
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Intel submitted a second letter to JLBC and OSPB on September 30, 2005 (Attachment 2) notifying us of the actual start of construction on the project. This second letter meets the requirement in Condition 2 above.

Sincerely,



Gary M. Yaquinto  
Director  
Governor's Office of Strategic Planning & Budgeting



Richard Stavneak  
Director  
Joint Legislative Budget Committee