

**Hall of the House of Representatives**  
84th General Assembly - Regular Session, 2003  
**Amendment Form**

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**Subtitle of House Bill No. 2794**

"AN ACT TO ESTABLISH DIAMOND ZONES TO STIMULATE ECONOMIC  
DEVELOPMENT."

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**Amendment No. 1 to House Bill No. 2794.**

Amend House Bill No. 2794 as originally introduced:

Add Representative Haak as a cosponsor of the bill

AND

Add Senator Bryles as a cosponsor of the bill

AND

Page 1, delete lines 19 and 20, and add the following:

"SECTION 1. Arkansas Code Title 15, Chapter 4, is amended to add an additional subchapter to read as follows:

15-4-2801. Legislative Intent.

(a) The General Assembly of this state finds and declares that there exists in this state a continuing need for programs to assist certain local governmental units in encouraging economic development, the consequent job creation and retention, and ancillary economic growth in this state.

(b) To achieve the purposes described in this section, it is necessary to assist and encourage the creation of diamond zones and to provide temporary relief from certain taxes within the diamond zones.

15-4-2802. As used in this subchapter:

(1) "County executive" means the judge of a county court;

(2) "Department" means the Arkansas Department of Economic Development;

(3) "Development plan" means a written plan that addresses the criteria in § 15-4-2806 and includes all of the following:

(A) A map of the proposed diamond zone that indicates the geographic boundaries, the total area, and the present use and conditions generally of the land and structures within those boundaries;

(B) Evidence of community support and commitment from residential and business interests;



(C) A description of the methods proposed to increase economic opportunity and expansion, facilitate infrastructure improvement, and identify job training opportunities;

(D) Current social, economic, and demographic characteristics of the proposed diamond zone and anticipated improvements in education, health, human services, public safety, and employment if the diamond zone is created;

(E) Efforts by the local government to attract jobs which provide health care benefits, retirement benefits, and other employee benefits; and

(F) Any other information required by the department;

(4) "Diamond zone" means a contiguous geographic area designated under this subchapter;

(5) "Distressed area" means an area that, on the date of application for designation as a diamond zone, either qualifies as a Tier IV county or is located within a Tier IV county as defined in § 15-4-2704;

(6) "Local governmental unit" means a county, city of the first class, city of the second class, or incorporated town;

(7) "Person" means an individual, partnership, corporation, association, limited liability company, governmental entity, or other legal entity;

(8) "Qualified local governmental unit" means a county, city of the first class, city of the second class, or incorporated town that contains an eligible distressed area;

(9) "Review board" means the diamond zone review board created in § 15-4-2804;

(10) "Rural area" means an area that lies outside of the boundaries of an urban area; and

(11) "Urban area" means an urbanized area as determined by the Economics and Statistics Administration, United States Bureau of the Census according to the most recent census.

15-4-2803. (a) One (1) or more qualified local governmental units may apply to the Diamond Zone Review Board to designate the qualified local governmental unit or units as a diamond zone if all of the following criteria are met:

(1) The geographic area of the proposed diamond zone is located within the boundaries of the qualified local governmental unit or units that apply;

(2) The application includes a development plan;

(3) The proposed diamond zone is not larger than one county in size;

(4) The application includes the proposed duration of diamond zone status, not to exceed fifteen (15) years;

(5) If the qualified local governmental unit is a county, the county executive's written approval of the application; and

(6) If the qualified local governmental unit is a city or town, written approval of the application by the city's or town's mayor or manager.

(b)(1) A qualified local governmental unit may submit not more than one (1) application to the review board for designation as a diamond zone.

(2) A resolution provided by a local governmental unit under § 15-4-2806 does not constitute an application of a local governmental unit for a diamond zone under this subchapter.

15-4-2804. (a)(1) The Diamond Zone Review Board is created. The review board shall consist of:

(A) The Director of the Department of Economic Development, or the director's designee;

(B) The Director of the Arkansas Department of Finance and Administration, or the director's designee;

(C) The Director of the Arkansas Employment Security Department, or the director's designee;

(D) Two (2) members appointed by the Governor of the State of Arkansas for terms of two (2) years;

(E) One (1) member appointed by the President Pro Tempore of the Arkansas Senate for a term of two (2) years; and

(F) One (1) member appointed by the Speaker of the Arkansas House of Representatives for a term of two (2) years.

(2) The appointments of members to the review board shall be made within thirty (30) days of the effective date of this subchapter.

(b) The review board shall review all applications submitted by qualified local governmental units and make recommendations to the Governor based on the criteria contained in § 15-4-2806.

(c) Members of the review board shall serve without compensation for their membership on the review board, but members of the review board may receive reasonable reimbursement for necessary travel and expenses.

15-4-2805. (a) The Governor shall review all recommendations submitted by the Diamond Zone Review Board and determine which applications meet the criteria contained in § 15-4-2806.

(b) After the Governor notifies the review board that applications meet the criteria contained in § 15-4-2806, the review board shall do all of the following:

(1) Designate diamond zones;

(2) Subject to subsection (c) of this section, approve or reject the duration of diamond zone status; and

(3) Subject to subsection (c) of this section, approve or reject the geographic boundaries and the total area of the diamond zone as submitted in the application.

(c) The review board shall not alter the geographic boundaries of the diamond zone or the duration of diamond zone status described in the application unless the qualified local governmental unit or units and the local governmental unit or units in which the diamond zone is to be located consent by resolution to the alteration.

(d) The designation of a diamond zone under this subchapter shall take effect on January 1 of the year following designation.

15-4-2806. (a) In order to designate a geographic area as a diamond zone, the Diamond Zone Review Board shall determine that the proposed diamond zone is a distressed area.

(b) The review board shall also consider the following criteria in designating a diamond zone:

- (1) Shall give priority to applications that include new business activity;
- (2) The viability of the development plan;
- (3) Whether the development plan is creative and innovative;
- (4) Public and private commitment to and other resources available for the proposed diamond zone;
- (5) How diamond zone designation would relate to a broader plan for the community as a whole;
- (6) The level of demonstrated cooperation from surrounding communities;
- (7) How the local regulatory burden will be eased for businesses operating in the proposed diamond zone;
- (8) Public and private commitment to improving abandoned real property; and
- (9) Any other information required by the review board.

(c) The review board shall not designate an area as a diamond zone unless each local governmental unit within which the proposed diamond zone is to be located provides a resolution from its governing body that states if the diamond zone designation is granted.

15-4-2807. (a) The Diamond Zone Review Board shall not designate more than nine (9) diamond zones within this state.

(b) Not more than six (6) of the diamond zones shall be located in urban areas and not more than four (4) of the diamond zones shall be located in rural areas.

(c) For purposes of determining whether a diamond zone is located in an urban area or rural area under this section, if any part of a diamond zone is located within an urban area, the entire diamond zone shall be considered to be located in an urban area.

15-4-2808. (a) Except as otherwise provided in § 15-4-2809, and subject to the limitations contained in subsection (b) and (c) of this section, an individual who is a resident of a diamond zone or a business that is located and conducts business activity within a diamond zone shall be exempt from state and local income taxes during the duration of the diamond zone status.

(b)(1) The income tax exemption provided by this section shall first be available for tax years beginning on or after January 1 of the year following the designation of a geographic area as a diamond zone.

(2) An individual is not eligible for the income tax exemption provided by this section unless the diamond zone is the individual's primary place of residence during each year for which the exemption is claimed.

15-4-2809. (a) During the last three (3) years that the taxpayer is eligible for the exemption provided in § 15-4-2808, the exemption shall be reduced by the following percentages:

(1) For the tax year that is two (2) years before the final year of designation as a diamond zone, the percentage shall be twenty-five percent (25%);

(2) For the tax year immediately preceding the final year of designation as a diamond zone, the percentage shall be fifty percent (50%);

and

(3) For the tax year that is the final year of designation as a diamond zone, the percentage shall be seventy-five percent (75%).

(b) An individual who is a resident of a diamond zone or a business that is located and conducts business activity within a diamond zone is not eligible for the exemption provided in § 15-4-2808 if the taxpayer is delinquent on the payment of any state and local income taxes during the ten-year period immediately preceding the designation as a diamond zone.

(c) An individual who is a resident of a diamond zone is eligible for the exemption provided in § 15-4-2808 until the Department of Finance and Administration determines that the aggregate state and local tax revenue forgone as a result of the exemption granted under this subchapter to that individual reaches two million dollars (\$2,000,000).

(d) With respect to businesses located and conducting business activity within a diamond zone, the exemption from state and local income taxes shall only apply to income derived from the business activities conducted within a diamond zone.

15-4-2810. (a) The form of the application for a diamond zone designation shall be as specified by the Department of Economic Development.

(b) The Diamond Zone Review Board may request any information from an applicant, in addition to that contained in an application, as may be needed to permit the review board to discharge its responsibilities under this subchapter.

15-4-2811. This subchapter shall be construed liberally to effectuate the legislative intent and the purposes of this subchapter and as complete and independent authority for the performance of each and every act and thing authorized by this subchapter, and all powers granted by this subchapter shall be broadly interpreted to effectuate the intent and purposes of this subchapter and not as a limitation of powers.

15-4-2812. (a) The Department of Economic Development shall annually report to the General Assembly on the economic effects of this subchapter in each diamond zone.

(b) The report shall include, but is not limited to, all of the following for each diamond zone:

- (1) Number of new jobs created;
- (2) Average hourly wage of new jobs created; and
- (3) Annual percentage change of adjusted gross income of residents of diamond zones."

The Amendment was read \_\_\_\_\_

By: Representative R. Smith

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Chief Clerk