

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1854

Amendment Number: H1

Bill Subtitle: TO CREATE A TAX CREDIT FOR GRAPE AND WINE PRODUCERS.

Basic Change :

Sponsor: Representative Capp

House Amendment 1 --- Provides that the Department of Finance and Administration (DFA) will certify the amount of the income tax credit.

Original Bill --- HB1854 creates a tax credit for grape and wine producers of an amount equal to 25% of the purchase price of new equipment and materials used directly in the growing of grapes or the production of wine in this state. An application shall be made to the Arkansas Economic Development Commission (AEDC) who certifies the amount of credit to DFA. Any unused credit can be carried forward for up to five tax years. The bill is effective for tax years beginning on and after January 1, 2017.

Revenue Impact :

FY2017 \$500,000 Reduction to General Revenue

FY2018 and after \$2,000,000 Reduction to General Revenue

Taxpayer Impact :

Taxpayers who receive certification from AEDC may claim an income tax credit equal to 25% of new equipment or materials purchased used directly in the production of wine or in the growing of grapes. Unused credits may be carried forward 5 years.

Resources Required :

Forms and instructions along with system programming will need to be updated.

Time Required :

Adequate time is provided to implement this bill.

Procedural Changes :

Modification of income tax instructions

Other Comments :

The bill provides an income tax credit for the purchase of new equipment and materials that are used directly in the growing of grapes or the production of wine. The bill does not provide a definition of "materials" eligible for the tax credit. A definition is recommended.

Farm machinery and manufacturing machinery is currently exempt from Arkansas state and local sales tax and is deductible or depreciable when calculating income taxes. The bill would provide an income tax credit on the purchase of this same machinery.

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1854

Amendment Number: H1

Bill Subtitle: TO CREATE A TAX CREDIT FOR GRAPE AND WINE PRODUCERS.

Legal Analysis :

HB1854-H1 modifies the original bill by directing the Department of Finance and Administration, instead of the Arkansas Economic Development Commission, to certify the amount of tax credit that entities will be allowed under the bill.

The amendment also attempts to fix a typographical error located at page 1, line 35. However, the line now reads that tax can be carried over for "a maximum of five (5%) consecutive tax years." This should read "a maximum of five (5) consecutive tax years."