EXHIBIT C

DRAFT

SENATE AND HOUSE COMMITTEES ON REVENUE AND TAXATION
July19, 2012, 10:00 a.m.
Room B, MAC, Little Rock, Arkansas
Meeting Minutes

The Senate and House Committees on Revenue and Taxation met on Thursday, July 19, 2012, at 10:00 a.m. in Committee Room B, MAC, Little Rock, Arkansas.

Committee members in attendance were Senators Larry Teague *Senate Chair,* Linda Chesterfield, Jake Files, Bill Sample, Jerry Taylor, and Eddie Joe Williams, Representatives Davy Carter, *House Chair,* Nate Bell, Mark Biviano, John Burris, Charlie Collins, Linda Collins-Smith, Ed Garner, Justin Harris, Homer Lenderman, Kelly Linck, Allen Kerr, Uvalde Lindsey, Mike Patterson, Stephen Meeks, and Bruce Westerman.

Non-Voting members in attendance were Representatives Duncan Baird, Jon Eubanks, Mary Hickerson, and Walls McCrary.

Other invited guests were Representatives Denny Altes, Tommy Lee Baker, Gary Deffenbaugh, Jody Dickinson, Billy Gaskill, Sheilla Lampkin, Andrea Lea, James McLean, James Ratliff, Gary Smith, Gary Stubblefield, Buddy Lovell, Tommy Thompson and Senators Gilbert Baker, Missy Irvin, Johnny Key, and Jonathan Dismang.

Representative Carter opened the meeting.

Adoption of Minutes
The minutes from the May 16, 2012, meeting were approved by acclamation.

Discussion of Arkansas's Current Economic Development Incentive Programs
Mr. Grant Tennille, Executive Director, Arkansas Economic Development Commission (AEDC), said companies negotiate for cash incentives when looking to relocate. Companies contract with site location consultants in efforts to find the best incentive packages that states have to offer. Mr. Tennille said the only way to know if companies have complied with the incentive agreement is to review the company's tax return. He said tax returns are private information and companies are less likely to relocate to Arkansas if they are required to release their tax returns. He said companies around the world are interested in Arkansas's geographic location and logistical resources such as navigable water ways and transportation infrastructure.

Mr. Tennille said businesses looking to relocate cannot find skilled workers in the state. AEDC provides grants to community colleges and businesses to teach skills that are required in the workforce. Mr. Tennille will check with Department of Education and Department of Higher Education to see if a formal analysis has been compiled on the number of businesses in the state that need skilled workers. The top three states Arkansas competes with for new business relocation are Texas, Louisiana, and Alabama.

Mr. Tennille said the balance of the Quick Action Closing Fund is $38 million. The Fund is part of the GIF budget.

Mr. Tennille said AEDC needs $500 million to fund three of the sixty projects they are working on with twenty companies. AEDC has a five year strategic plan. AEDC's priority is to identify regular and sustainable funding for the state's economic development efforts.

A company's top five economic development factors are:

1. Stable tax structure
2. Skilled workforce
3. Help existing Arkansas-based businesses expand
4. Sales tax exemptions on company equipment
5. Abolish inapplicable business regulations

Mr. Tim Leathers, DFA, explained if a foreign corporation has a manufacturing plant in Arkansas, the company's corporate income tax will be paid in Arkansas. If the foreign company is a multi-national corporation, the corporate income tax is portioned based on state payroll, property, and sales generated in Arkansas.

Mr. Morris Jenkins, Division Director for Strategic Planning/Legislative Liaison, explained AEDC conducts a cost benefit analysis on every business project. The information is used to determine if providing the incentive is best for the state. Mr. Jenkins explained that AEDC's annual report, Act 1282 report, provides a summary of what AEDC anticipate a business's tax return will be. During the 2005 Session, Legislative Audit was asked to conduct an annual audit on incentives. AEDC encouraged the Legislature to look at projects not just the incentives provided, because a project may include more than one incentive program. AEDC felt it was beneficial for Legislative Audit to complete a cost benefit analysis ten years after a business begins operating in the state to determine if the company complied with the incentive agreement.

Adoption of Interim Study Proposals Referred to Committee

1. ISP2011-208 by Rep. Altes
2. ISP2011-209 by Rep. Altes
3. ISP2011-210 by Rep. Altes
4. ISP2011-211 by Rep. Altes
5. ISP2011-212 by Rep. Altes
6. ISP2011-213 by Rep. Altes
7. ISP2011-214 by Rep. Altes

Meeting adjourned at 12:20 p.m.