

1 State of Arkansas  
2 93rd General Assembly  
3 Regular Session, 2021  
4

As Engrossed: H4/15/21

# A Bill

HOUSE BILL 1314

5 By: Representative Hillman  
6 By: Senator Hill  
7

## For An Act To Be Entitled

9 AN ACT TO AMEND THE WATER RESOURCE CONSERVATION AND  
10 DEVELOPMENT INCENTIVES ACT; AND FOR OTHER PURPOSES.  
11

### Subtitle

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13  
14 TO AMEND THE WATER RESOURCE CONSERVATION  
15 AND DEVELOPMENT INCENTIVES ACT.  
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18 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
19

20 SECTION 1. Arkansas Code § 26-51-1005(b)(1) and (2), concerning the  
21 income tax credit for certain water impoundments under the Water Resource  
22 Conservation and Development Incentives Act, are amended to read as follows:

23 (b)(1) The tax credit allowed to each approved applicant shall not  
24 exceed the lesser of fifty percent (50%) of the project cost incurred or  
25 ~~ninety thousand dollars (\$90,000)~~ one hundred twenty thousand dollars  
26 (\$120,000).

27 (2)(A) The amount of tax credit allowed to each approved  
28 applicant per project that may be used for a taxable year shall not exceed  
29 the lesser of:

30 (i) The amount of individual or corporate income tax  
31 otherwise due; or

32 (ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen  
33 thousand dollars (\$18,000).

34 (B) If the approved applicant is a pass-through entity  
35 such as a partnership, a limited liability company taxed as a partnership, a  
36 Subchapter S corporation, or a fiduciary, the amount of tax credit that may



1 be used for a taxable year shall not exceed the lesser of:

2 (i) The aggregate amount of individual or corporate  
3 income tax otherwise due by all members of the pass-through entity; or

4 (ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen  
5 thousand dollars (\$18,000).

6  
7 SECTION 2. Arkansas Code § 26-51-1007(b), concerning the income tax  
8 credit for surface water conversion outside critical areas under the Water  
9 Resource Conservation and Development Incentives Act, is amended to read as  
10 follows:

11 (b)(1) The tax credit allowed to each approved applicant shall not  
12 exceed the lesser of ~~ten percent (10%)~~ twenty-five percent (25%) of the  
13 project cost incurred or ~~twenty-seven thousand dollars (\$27,000)~~ thirty-five  
14 thousand dollars (\$35,000).

15 (2)(A) The amount of tax credit allowed to each approved  
16 applicant per project that may be used for a taxable year may not exceed the  
17 lesser of:

18 (i) The amount of individual or corporate income tax  
19 otherwise due; or

20 (ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen  
21 thousand dollars (\$18,000).

22 (B) If the approved applicant is a pass-through entity  
23 such as a partnership, a limited liability company taxed as a partnership, a  
24 Subchapter S corporation, or a fiduciary, the amount of tax credit that may  
25 be used for a taxable year shall not exceed the lesser of:

26 (i) The aggregate amount of individual or corporate  
27 income tax otherwise due by all members of the pass-through entity; or

28 (ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen  
29 thousand dollars (\$18,000).

30 (3) Any unused tax credit may be carried over for a maximum of  
31 ~~two (2)~~ fifteen (15) consecutive taxable years following the taxable year in  
32 which the credit originated.

33  
34 SECTION 3. Arkansas Code § 26-51-1008 is amended to read as follows:  
35 26-51-1008. Credit granted – Surface water conversion within critical  
36 areas.

1 (a) For projects located within critical groundwater areas and  
2 counties contiguous to counties with areas designated as critical ground  
3 water areas, there shall be allowed a credit against the tax imposed by the  
4 Income Tax Act of 1929, § 26-51-101 et seq., to an approved applicant for the  
5 reduction of groundwater use by substitution of surface water for water used  
6 for industrial, commercial, agricultural, or recreational purposes.

7 (b)(1) For agricultural or recreational projects, there shall be  
8 allowed a tax credit to each approved applicant not to exceed the lesser of  
9 fifty percent (50%) of the project cost incurred or ~~twenty-seven thousand~~  
10 ~~dollars (\$27,000)~~ thirty-five thousand dollars (\$35,000).

11 (2)(A) The amount of tax credit allowed to each approved  
12 applicant per project that may be used for a taxable year may not exceed the  
13 lesser of:

14 (i) The amount of individual or corporate income tax  
15 otherwise due; or

16 (ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen  
17 thousand dollars (\$18,000).

18 (B) If the approved applicant is a pass-through entity  
19 such as a partnership, a limited liability company taxed as a partnership, a  
20 Subchapter S corporation, or a fiduciary, the amount of tax credit that may  
21 be used for a taxable year shall not exceed the lesser of:

22 (i) The aggregate amount of individual or corporate  
23 income tax otherwise due by all members of the pass-through entity; or

24 (ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen  
25 thousand dollars (\$18,000).

26 (3) Any unused tax credit may be carried over for a maximum of  
27 ~~two (2)~~ fifteen (15) consecutive taxable years following the taxable year in  
28 which the credit originated.

29 (c)(1) For industrial or commercial projects, there shall be allowed a  
30 tax credit to each approved applicant not to exceed the lesser of fifty  
31 percent (50%) of the project cost incurred or one million dollars  
32 (\$1,000,000).

33 (2)(A) The amount of tax credit allowed to each approved  
34 applicant per project that may be used for a taxable year may not exceed the  
35 lesser of:

36 (i) The amount of individual or corporate income tax

1 otherwise due; or

2 (ii) Two hundred thousand dollars (\$200,000).

3 (B) If the approved applicant is a pass-through entity  
4 such as a partnership, a limited liability company taxed as a partnership, a  
5 Subchapter S corporation, or a fiduciary, the amount of tax credit that may  
6 be used for a taxable year shall not exceed the lesser of:

7 (i) The aggregate amount of individual or corporate  
8 income tax otherwise due by all members of the pass-through entity; or

9 (ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen  
10 thousand dollars (\$18,000).

11 (3) Any unused tax credit may be carried over for a maximum of  
12 ~~four (4)~~ fifteen (15) consecutive taxable years following the taxable year in  
13 which the credit originated.

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15 SECTION 4. Arkansas Code § 26-51-1009(b), concerning the income tax  
16 credit for land leveling for water conservation under the Water Resource  
17 Conservation and Development Incentives Act, is amended to read as follows:

18 (b)(1) The tax credit allowed to each approved applicant shall not  
19 exceed the lesser of ~~ten percent (10%)~~ twenty-five percent (25%) of the  
20 project cost incurred or ~~twenty-seven thousand dollars (\$27,000)~~ thirty-five  
21 thousand dollars (\$35,000).

22 (2)(A) The amount of tax credit allowed to each approved  
23 applicant per project that may be used for a taxable year may not exceed the  
24 lesser of:

25 (i) The amount of individual or corporate income tax  
26 otherwise due; or

27 (ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen  
28 thousand dollars (\$18,000).

29 (B) If the approved applicant is a pass-through entity  
30 such as a partnership, a limited liability company taxed as a partnership, a  
31 Subchapter S corporation, or a fiduciary, the amount of tax credit that may  
32 be used for a taxable year shall not exceed the lesser of:

33 (i) The aggregate amount of individual or corporate  
34 income tax otherwise due by all members of the pass-through entity; or

35 (ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen  
36 thousand dollars (\$18,000).

1 (3) Any unused tax credit may be carried over for a maximum of  
2 ~~two (2)~~ fifteen (15) consecutive taxable years following the taxable year in  
3 which the credit originated.

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5 SECTION 5. Arkansas Code § 26-51-1013(b)(1), concerning the annual  
6 compilation of credits and the total amount of credits that can be approved  
7 under the Water Resource Conservation and Development Incentives Act, is  
8 amended to read as follows:

9 (b)(1) When the total amount of tax credits used pursuant to the  
10 provisions of this subchapter exceeds ~~ten million dollars (\$10,000,000)~~  
11 twenty million dollars (\$20,000,000) in any calendar year, the tax credits  
12 established by this subchapter shall expire on December 31 of the calendar  
13 year following the calendar year in which the tax credits used pursuant to  
14 the provisions of this subchapter exceeded ~~ten million dollars (\$10,000,000)~~  
15 twenty million dollars (\$20,000,000).

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17 SECTION 6. EFFECTIVE DATE. This act is effective for tax years  
18 beginning on or after January 1, 2021.

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21 /s/Hillman

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24 **APPROVED: 4/25/21**