

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

Act 1232 of the Regular Session

1 State of Arkansas
2 85th General Assembly
3 Regular Session, 2005

As Engrossed: H3/10/05

A Bill

HOUSE BILL 2465

4
5 By: Representatives Dangeau, Dobbins, Reep, *Dunn, Abernathy, Berry, Bolin, Boyd, Clemons,*
6 *Davenport, Dickinson, Fite, George, Kenney, Nichols, Norton, Petrus, Ragland, Rankin, Scroggin, L.*
7 *Smith, Sullivan*
8 By: Senators Wooldridge, *Luker, Higginbothom*

11 **For An Act To Be Entitled**

12 AN ACT TO PROMOTE ECONOMIC DEVELOPMENT BY
13 AMENDING VARIOUS ECONOMIC DEVELOPMENT PROGRAMS TO
14 MAKE THEM MORE CONDUCIVE TO THE GROWTH OF HIGH-
15 PAYING JOBS AND THE EXPANSION OF THE TAX BASE IN
16 ARKANSAS; AND FOR OTHER PURPOSES.

18 **Subtitle**

19 AN ACT TO PROMOTE ECONOMIC DEVELOPMENT
20 BY AMENDING VARIOUS ECONOMIC DEVELOPMENT
21 PROGRAMS TO MAKE THEM MORE CONDUCIVE TO
22 THE GROWTH OF HIGH-PAYING JOBS AND THE
23 EXPANSION OF THE TAX BASE IN ARKANSAS.

26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

28 SECTION 1. Legislative intent.

29 (a) Accelerate Arkansas, a statewide group of volunteers whose mission
30 is to foster economic growth in Arkansas by raising the average Arkansas wage
31 to the level of the national average wage by using the essential building
32 blocks of the knowledge-based economy to create an environment supporting
33 entrepreneurship and continuous innovation, developed its five-point strategy
34 to increase per capita income:

35 (1) Support research and development that creates jobs;



1 (2) Provide incentives that make risk capital available in the
2 funding gap;

3 (3) Encourage entrepreneurship and new enterprise development;

4 (4) Sustain successful existing companies; and

5 (5) Increase achievement in science, technology, engineering,
6 and mathematics education.

7 (b) These core strategies focus on the economic building blocks of
8 research, entrepreneurship, risk capital, and the science and engineering
9 workforce.

10 (c) These core strategies are consistent with and supported by the
11 findings in:

12 (1) The Department of Economic Development's Report of the Task
13 Force for the Creation of Knowledge-Based Jobs;

14 (2) The Winthrop Rockefeller Foundation's Entrepreneurial
15 Arkansas: Connecting the Dots; and

16 (3) "Arkansas' Position in the Knowledge-Based Economy", a
17 report prepared by the Milken Institute and the Center for Business and
18 Economic Research at the University of Arkansas.

19
20 SECTION 2. Arkansas Code § 15-4-2709 is amended to read as follows:

21 15-4-2709. Targeted business special incentive.

22 (a) A special incentive ~~for job creation by~~ based on the payroll of
23 the new targeted businesses in the state is established to:

24 (1) Encourage the development of jobs that pay significantly
25 more than the county average wage in the county in which the business locates
26 or the state average wage if the state average wage is less than the county
27 average wage; and

28 (2) Provide an incentive to assist with the start-up of
29 businesses targeted for growth.

30 (b) In order to qualify for the special incentive provided by
31 subsection (c) of this section, a new business shall:

32 (1) Be identified by the Department of Economic Development as
33 being one of those business sectors targeted for growth under § 15-4-2703;

34 (2) Have an annual payroll of the business for Arkansas
35 taxpayers of not less than ~~two hundred thousand dollars (\$200,000)~~ one
36 hundred thousand dollars (\$100,000) or more than one million dollars

1 (\$1,000,000);

2 (3) Show proof of an equity investment of ~~five hundred thousand~~
3 ~~dollars (\$500,000)~~ four hundred thousand dollars (\$400,000) or more; and

4 (4) Pay average hourly wages ~~as follows:~~ in excess of one
5 hundred fifty percent (150%) of the county or state average wage, whichever
6 is less.

7 ~~(A) For tier 1 counties, average hourly wages in excess of~~
8 ~~one hundred eighty percent (180%) of the county or state average hourly wage,~~
9 ~~whichever is less;~~

10 ~~(B) For tier 2 counties, average hourly wages in excess of~~
11 ~~one hundred seventy percent (170%) of the county or state average hourly~~
12 ~~wage, whichever is less;~~

13 ~~(C) For tier 3 counties, average hourly wages in excess of~~
14 ~~one hundred sixty percent (160%) of the county or state average hourly wage,~~
15 ~~whichever is less; and~~

16 ~~(D) For tier 4 counties, average hourly wages in excess of~~
17 ~~one hundred fifty percent (150%) of the county or state average hourly wage,~~
18 ~~whichever is less.~~

19 (c)(1) A new targeted business may earn an income tax credit equal to
20 ten percent (10%) of its annual payroll, with the maximum payroll credit not
21 to exceed one hundred thousand dollars (\$100,000) in any year during the term
22 of the financial incentive agreement.

23 (2)(A) The term of the financial incentive agreement shall be
24 established by the Director of the Department of Economic Development for a
25 period not to exceed five (5) years.

26 (B) The director may allow a qualified targeted business
27 to sell any income tax credits earned through one (1) or more incentives
28 authorized by this subchapter.

29 (d)(1) In order to sell income tax credits earned through incentives
30 authorized by this subchapter, the new targeted business must apply to the
31 department and furnish information necessary to facilitate the sale of income
32 tax credits.

33 ~~(2) The income tax credit shall be sold within one (1) year of~~
34 ~~issuance and may be sold only one (1) time.~~

35 ~~(3)(A) The limitations established in § 26-51-1103 shall apply~~
36 ~~to the tax credits sold by targeted businesses under this section or § 15-4-~~

1 ~~2708.~~

2 (2)(A) Credits maintained for use by the targeted business may
3 be carried forward for a period not to exceed nine (9) years beyond the date
4 of issuance.

5 (B) The ultimate recipient of the tax credits shall be
6 subject to the same provisions for carry forward as the targeted business
7 that earned the credits.

8 (C) The purchase of the tax credits will not establish a
9 new carry forward period for the ultimate recipient.

10 (e) A targeted business claiming or selling tax credits earned under
11 this section or § 15-4-2708 shall be prohibited from receiving the credit
12 granted by § 26-51-1102(b) for the same expenditures.

13
14 SECTION 3. Arkansas Code § 15-4-2708 is amended to read as follows:

15 15-4-2708. Research and development tax credits.

16 (a) A taxpayer who contracts with one (1) or more Arkansas colleges or
17 universities in performing basic or applied research may qualify for the tax
18 credit established under § 26-51-1102(b) for qualified research expenditures,
19 subject to the limitations established under § 26-51-1103 and the
20 documentation requirements of § 26-51-1104.

21 (b)(1) Eligible businesses that conduct in-house research in a
22 research facility operated by the business may qualify for an income tax
23 credit equal to ten percent (10%) of the amount spent on in-house research,
24 subject to the limitations established under § 26-51-1103.

25 (2) However, the maximum tax credit for in-house research for
26 each qualified business shall not exceed ten thousand dollars (\$10,000) per
27 year.

28 (3) A business claiming tax credits earned under this subsection
29 may not receive the credit granted by § 26-51-1102(b) for the same
30 expenditures.

31 (4) The term of the financial incentive agreement for in-house
32 research authorized by this subsection shall be for a period not to exceed
33 five (5) years. The financial incentive agreement may be renewed for a
34 period not to exceed five (5) years upon the submittal and approval of a new
35 application and project plan for benefits under this subsection.

36 (c)(1) Targeted businesses may qualify for an income tax credit equal

1 to thirty-three percent (33%) of the amount spent on in-house research per
2 year for the first five (5) tax years following the business's signing a
3 financial incentive agreement with the Department of Economic Development,
4 subject to the limitations established under ~~§ 26-51-1103~~ § 15-4-2709(d)(2).

5 (2) The credits earned by targeted businesses may be sold as
6 authorized in § 15-4-2709.

7 (d)(1) An Arkansas taxpayer may qualify for an income tax credit equal
8 to thirty-three percent (33%) of the amount spent on the research for the
9 first five (5) tax years following the business's signing a financial
10 incentive agreement with the Department of Economic Development, subject to
11 the limitations established under § 26-51-1103 if the taxpayer invests in:

12 (A) In-house research in a strategic research area; or

13 (B) Projects under the research and development programs
14 of the Arkansas Science and Technology Authority when the projects directly
15 involve an Arkansas business and are approved by the Board of Directors of
16 the Arkansas Science and Technology Authority under rules promulgated by the
17 authority for those programs.

18 (2) However, the maximum tax credit for ~~businesses~~ a qualified
19 business engaged in a research area of strategic value or involved in
20 research and development programs sponsored by the authority shall not exceed
21 fifty thousand dollars (\$50,000) per year.

22 (3) A business claiming tax credits earned under this subsection
23 shall be prohibited from receiving the credit granted by § 26-51-1102(b) for
24 the same expenditures.

25 (4) The tax credits earned under this subsection may offset
26 fifty percent (50%) of the business's Arkansas income tax liability in any
27 one (1) year. Any unused income tax credits may be carried forward for nine
28 (9) years after the year in which the credit was first earned or until
29 exhausted, whichever event occurs first.

30 (e) To claim the credit granted under subsections (b)-(d) of this
31 section, the taxpayer shall file with his or her return, as an attachment to
32 the form prescribed by the Director of the Department of Finance and
33 Administration, copies of documentation to show that the authority has
34 approved the research expenditure as a part of a qualified in-house research
35 program or under the research and development programs of the authority.

36

1 SECTION 4. Arkansas Code § 15-4-1026(a), concerning a tax credit under
2 the Arkansas Capital Development Company Act, is amended to read as follows:

3 (a)(1) A person who purchases an equity interest in a capital
4 development company in any of the calendar years 2003 - 2013 is entitled to a
5 credit against any state income tax liability or premium tax liability that
6 may be imposed on the purchaser for any tax year commencing with the tax year
7 that ~~is two years after the date of the purchase~~ is made.

8 (2) However, within eighteen (18) months after receipt of the
9 proceeds from the purchase of an equity interest in a company, the proceeds
10 must be used for the purposes stated in § 15-4-1016 or for operating
11 expenses.
12

13 SECTION 5. Arkansas Code § 14-164-203 is amended to read as follows:
14 14-164-203. Definitions.

15 As used in this subchapter, unless the context otherwise requires:

16 (1) "Construct" means to acquire or build, in whole or in part,
17 in such manner and by such method, including contracting therefor and, if the
18 latter, by negotiation or bidding upon such terms and pursuant to such
19 advertising as the municipality or county shall determine to be in the public
20 interest and necessary, under the circumstances existing at the time, to
21 accomplish the purposes of, and authorities set forth in, this subchapter;

22 (2)(A) "County" means a county of this state, or where a county
23 is divided into two (2) districts, the term "county" shall mean the entire
24 county or either district of the county;

25 (B) It is the purpose and intent of this subdivision to
26 define the term "county," as used in this subchapter, to mean an entire
27 county or either district of a county which is divided into two (2) districts
28 and has two (2) separate levying courts, in order that either district of a
29 county so divided may issue revenue bonds and do all other acts in the manner
30 and for the purposes authorized in this subchapter;

31 (3) "Equip" means to install or place on or in any building or
32 structure equipment of any and every kind, whether or not affixed, including,
33 without limiting the generality of the foregoing, building service equipment,
34 fixtures, heating equipment, air conditioning equipment, machinery,
35 furniture, furnishings, and personal property of every kind;

36 (4) "Facilities" means any real property, personal property, or

1 mixed property of any and every kind that can be used or that will be useful
2 in securing or developing industry, including, without limiting the
3 generality of the foregoing, rights-of-way, roads, streets, pipes, pipelines,
4 reservoirs, utilities, materials, equipment, fixtures, machinery, furniture,
5 furnishings, instrumentalities, and other real, personal, or mixed property
6 of every kind;

7 (5) "Governing body" means the council, board of directors, or
8 city commission of any municipality;

9 (6)~~(A)~~ "Industry" means, but is not limited to, manufacturing
10 facilities, warehouses, distribution facilities, repair and maintenance
11 facilities, agricultural facilities, corporate and management offices for
12 industry, ~~and~~ tourism attractions and facilities, and technology-based
13 enterprises;

14 ~~(B) The term "tourism attractions and facilities" means:~~
15 ~~(i) Cultural or historical sites;~~
16 ~~(ii) Recreational or entertainment facilities;~~
17 ~~(iii) Areas of natural phenomenon or scenic beauty;~~
18 ~~(iv) Theme parks;~~
19 ~~(v) Amusement or entertainment parks;~~
20 ~~(vi) Indoor or outdoor plays or music shows;~~
21 ~~(vii) Botanical gardens;~~
22 ~~(viii) Cultural or educational centers; and~~
23 ~~(ix) Lodging facilities which are an integrated part~~
24 ~~of any of the foregoing enterprises;~~

25 (7) "Lease" means to lease for such rentals, for such periods,
26 and upon such terms and conditions as the municipality or county shall
27 determine, including, without limiting the generality of the foregoing, the
28 granting of renewal or extension options for rentals for such periods and
29 upon such terms and conditions as the municipality or county shall determine
30 and the granting of purchase options for such prices and upon such terms and
31 conditions as the municipality or county shall determine;

32 (8) "Municipality" means a city of the first or second class or
33 an incorporated town;

34 (9) "Sell" means to sell for such price, in such manner, and
35 upon such terms as the municipality or county shall determine, including,
36 without limiting the generality of the foregoing, private or public sale,

1 and, if public, pursuant to such advertisement as the municipality or county
2 shall determine, sell for cash or credit payable in lump sum or installments
3 over such period as the municipality or county shall determine and, if on
4 credit, with or without interest and at such rate or rates, as the
5 municipality or county shall determine; ~~and~~

6 (10) "Surplus revenues" means revenues remaining after adequate
7 provision has been made for expenses of operation, maintenance, and
8 depreciation and all requirements of ordinances, orders, or indentures
9 securing bonds theretofore or thereafter issued to finance the cost of
10 acquiring, constructing, reconstructing, extending, or improving the lands,
11 buildings, or facilities for developing and securing industry or utilities
12 have been fully met and complied with-;

13 (11) "Technology-based enterprises" means:

14 (A) A grouping of growing business sectors, identified as
15 a targeted business in § 15-4-2703(43)(A) and which pay one hundred fifty
16 percent (150%) of the lesser of the county or state average wage;

17 (B) "Scientific and technical services business" as
18 defined in § 15-4-2703(39);

19 (C) A corporation, partnership, limited liability company,
20 sole proprietorship, or other legal entity whose primary business directly
21 involves commercializing the results of research conducted in one (1) of the
22 six (6) growing business sectors identified as a targeted business in § 15-4-
23 2703(37)(A) and paying not less than one hundred fifty percent (150%) of the
24 lesser of the county or state average wage; and

25 (12) "Tourism attractions and facilities" means:

26 (A) Cultural or historical sites;

27 (B) Recreational or entertainment facilities;

28 (C) Areas of natural phenomena or scenic beauty;

29 (D) Theme parks;

30 (E) Amusement or entertainment parks;

31 (F) Indoor or outdoor plays or music shows;

32 (G) Botanical gardens;

33 (H) Cultural or educational centers; and

34 (I) Lodging facilities which are an integrated part of any
35 of the enterprises in this subdivision (12).

36

1 SECTION 6. Arkansas Code § 15-5-103 is amended to read as follows:
2 15-5-103. Definitions.

3 As used in this subchapter and §§ 15-5-201 et seq., 15-5-301 et seq.,
4 15-5-401 et seq., and 15-5-701 et seq.:

5 (1) "Aggregate security value of the contract" means the amount
6 determined by the party identified in and in the manner identified in an
7 interest rate exchange agreement or similar agreement or contract that a
8 proposed assignee would pay in United States currency to the Arkansas
9 Development Finance Authority to assume the obligations of the authority
10 under the interest rate exchange agreement or similar agreement or contract;

11 (2) "Agricultural business enterprises" means facilities and
12 operations supporting farms, ranches, and other agricultural or silvicultural
13 commodity producers, such as aquaculture, fish hatchery operations and fish
14 farms, and related businesses and industries, including, but not limited to,
15 grain elevators, shipping heads, livestock pens, warehouses and other storage
16 facilities, related transportation facilities, drainage facilities, and any
17 related facilities and operations thereto;

18 (3) "Authority" means the Arkansas Development Finance Authority
19 created by § 15-5-201;

20 (4) "Board of directors" means the Board of Directors of the
21 Arkansas Development Finance Authority created in § 15-5-202;

22 (5) "Bonds" means any bonds, notes, debentures, interim
23 certificates, grant and revenue anticipation notes, commercial paper or other
24 notes with maturities of one (1) year or less, interest in a lease, and lease
25 certificates of participation or other evidences of indebtedness, whether or
26 not the interest on them is subject to federal income taxation, issued by the
27 authority;

28 (6) "Capital improvements" means, whether obtained by purchase,
29 lease, construction, reconstruction, restoration, improvement, alteration,
30 repair, or other means:

31 (A) Any physical public betterment or improvement or any
32 preliminary plans, studies, or surveys relative thereto;

33 (B) Land or rights in land, including, without
34 limitations, leases, air rights, easements, rights-of-way, or licenses; and

35 (C) Any furnishings, machinery, vehicles, apparatus, or
36 equipment for any public betterment or improvement, which shall include,

1 without limiting the generality of the foregoing definition, the following:
2 (i) Any and all facilities for state agencies, city
3 or town halls, courthouses, and other administrative, executive, or other
4 public offices;
5 (ii) Court facilities;
6 (iii) Jails;
7 (iv) Firefighting facilities and apparatus;
8 (v) Parking garages or other facilities;
9 (vi) Educational and training facilities for public
10 employees;
11 (vii) Auditoriums, stadiums, convention halls, and
12 similar public meeting or entertainment facilities;
13 (viii) Civil defense facilities;
14 (ix) Air and water pollution control facilities;
15 (x) Drainage and flood control facilities;
16 (xi) Storm sewers;
17 (xii) Arts and crafts centers;
18 (xiii) Museums;
19 (xiv) Libraries;
20 (xv) Public parks, playgrounds, or other public open
21 space;
22 (xvi) Marinas;
23 (xvii) Swimming pools, tennis courts, golf courses,
24 camping facilities, gymnasiums, and other recreational facilities;
25 (xviii) Tourist information and assistance centers;
26 (xix) Historical, cultural, natural, or folklore
27 sites;
28 (xx) Fair and exhibition facilities;
29 (xxi) Streets and street lighting, alleys,
30 sidewalks, roads, bridges, and viaducts;
31 (xxii) Airports, passenger or freight terminals,
32 hangars, and related facilities;
33 (xxiii) Barge terminals, ports, harbors, ferries,
34 wharves, docks, and similar marine services;
35 (xxiv) Slack water harbors, water resource
36 facilities, waterfront development facilities, and navigation facilities;

- 1 (xxv) Public transportation facilities;
- 2 (xxvi) Public water systems and related transmission
3 and distribution facilities, storage facilities, wells, impounding
4 reservoirs, treatment plants, lakes, dams, watercourses, and water rights;
- 5 (xxvii) Sewage collection systems and treatment
6 plants;
- 7 (xxviii) Maintenance and storage buildings and
8 facilities;
- 9 (xxix) Police and sheriffs' stations, apparatus, and
10 training facilities;
- 11 (xxx) Incinerators;
- 12 (xxxii) Garbage and solid waste disposal and
13 compacting and recycling facilities of every kind; and
- 14 (xxxiii) Social and rehabilitative facilities;
- 15 (7) "Construct" means to acquire or build, in whole or in part,
16 in such manner and by such method, including contracting therefor, and if the
17 latter, by negotiation or bidding upon such terms and pursuant to such
18 advertising as the authority shall determine to be in the public interest and
19 necessary, under the circumstances existing at the time, to accomplish the
20 purposes of and authority set forth in this subchapter;
- 21 (8) "Counterparty" means the party entering into the interest
22 rate exchange agreement or similar agreement or contract with the authority;
- 23 (9) "Educational facilities" means real, personal, and mixed
24 property of any and every kind intended by an educational institution in
25 furtherance of its educational program, including, but not limited to,
26 dormitories, classrooms, laboratories, athletic fields, administrative
27 buildings, equipment, and other property for use therein or thereon;
- 28 (10) "Facilities" means any real property, personal property, or
29 mixed property of any and every kind, including, without limiting the
30 generality of the foregoing, rights-of-way, roads, streets, pipes, pipelines,
31 reservoirs, utilities, materials, equipment, fixtures, machinery, furniture,
32 furnishings, instrumentalities, and other real, personal, or mixed property
33 of every kind or any preliminary studies and surveys relative thereto;
- 34 (11) "Health care facilities" means facilities for furnishing
35 physical or mental health care, including, without limitation:
- 36 (A) Hospitals, other facilities for the diagnosis and

1 treatment of any illness or disease, offices and clinics of doctors of
2 medicine, dentists, optometrists, podiatrists, chiropractors, and related
3 facilities, and nursing homes and related facilities;

4 (B) Long-term care or life-care facilities for the elderly
5 or disabled, including facilities used to furnish emergency medical health
6 care and emergency medical services, including, but not limited to,
7 ambulances or vehicles specifically designed, equipped, and licensed for
8 transporting the sick or injured;

9 (C) Laboratories and other facilities for conducting
10 health care-related research, including buildings and other facilities to
11 support and sustain these activities;

12 (D) Equipment of every nature and kind related to health
13 care whether for diagnostic purposes, medical treatment, or research;

14 (E) Emergency medical equipment and supplies;

15 (F) Dispatching or other communication systems;

16 (G) Computers for billing, collections, and system design
17 and control;

18 (H) Training and administrative facilities; and

19 (I) Health care project costs as defined in this section;

20 (12)(A)(i) "Health care project costs" specifically includes the
21 refinancing of any existing debt of a health care facility necessary in order
22 to permit the health care facility to borrow from the authority and give
23 adequate security for the health care facility loan.

24 (ii) The determination of the authority with respect
25 to the necessity of refinancing and adequate security for a health care
26 facility loan is conclusive.

27 (B)(i) "Health care project costs" also includes the
28 financing of working capital.

29 (ii) However, any health care facility loan to a
30 health care facility located outside the state to finance working capital
31 shall be made only if necessary to a program of working capital financing,
32 including a health care facility loan to a health care facility located
33 within the state.

34 (C) The determination of the authority with respect to the
35 necessity of these health care facility loans to health care facilities
36 located outside the state is conclusive.

1 (D) Pooled or Consolidated Financings of a Number of Loans
2 for Health Care Facilities.

3 (i) The authority may make loans for health care
4 facilities located outside the state, provided:

5 (a) Loans under the same pooled or
6 consolidated financing program are made under similar terms to health care
7 facilities located within the state; and

8 (b) The authority's fees or charges, after
9 deducting all appropriate expenses for providing the aggregated or pooled
10 financings of health care facilities, are primarily dedicated to furthering
11 the delivery of health care within the state.

12 (ii) The determination of the authority with respect
13 to the necessity and appropriateness of such health care facility loans to
14 health care facilities located either within or outside the state is
15 conclusive.

16 (iii) The General Assembly declares that the
17 authority acting as authorized under this section in making health care loans
18 under the terms hereof is within the legislative findings and declaration of
19 public necessity as set forth in § 15-5-102(b)(7).

20 (iv) Bonds issued by the authority under this
21 subdivision (12)(D) shall not be exempt from taxes of the State of Arkansas;

22 (13)(A) "Housing development" means any work or undertaking,
23 whether new construction or rehabilitation, that is designed and financed
24 pursuant to the provisions of this subchapter for the primary purpose of
25 providing sanitary, decent, and safe dwelling accommodations for elderly
26 persons and families of low or moderate income in need of housing.

27 (B) Such an undertaking may include any buildings, land,
28 equipment, facilities, or other real or personal properties that are
29 necessary, convenient, or desirable appurtenances, such as, but not limited
30 to, site preparation, landscaping, and other nonhousing facilities such as
31 community and recreational facilities as the authority determines to be
32 necessary, convenient, or desirable appurtenances, retirement homes, centers,
33 and related facilities, nursing homes and related facilities, and long-term
34 care or life-care facilities for the elderly or disabled;

35 (14)(A) "Industrial enterprise" means, but is not limited to,
36 facilities and operations for manufacturing, producing, processing,

1 assembling, repairing, extracting, warehousing, distributing, communications,
2 computer services, the production of motion pictures and like products,
3 technology-based enterprises, tourism enterprises, transportation, corporate
4 and management offices, and services provided in connection with any of the
5 foregoing, in isolation or in any combination, that involve the creation of
6 new or additional employment or the retention of existing employment, and
7 industrial parks.

8 (B) However, a shopping center, retail store or shop, or
9 other similar undertaking that is solely or predominantly of a commercial
10 retail nature shall not be an industrial enterprise for the purposes of this
11 subchapter;

12 (15) "Interest rate exchange agreement or similar agreement or
13 contract" means a written contract entered into by the authority with one (1)
14 or more counterparties that:

15 (A) Is related to the issuance of bonds by the authority
16 or to bonds previously issued by the authority that are outstanding on the
17 date of execution of the contract;

18 (B) Provides for an exchange of payments, denominated in
19 United States currency, that is based upon fixed or variable interest rates;
20 and

21 (C) Includes contracts and options related to any exchange
22 of payments as determined by the authority under its rulemaking authority
23 under § 15-5-317;

24 (16) "Loans" means loans made for the purposes of financing any
25 of the activities authorized within this subchapter, including:

26 (A) Working capital, the acquisition of accounts as
27 defined in § 4-9-106, to finance working capital;

28 (B) Loans made to financial institutions for the purpose
29 of funding or as security for loans made for the purpose of accomplishing any
30 of the purposes of this subdivision (16);

31 (C) Loans made to nonprofit corporations and affiliated
32 organizations for the purpose of such entities' providing funds and loans for
33 health care project costs as defined in this section; and

34 (D) Reserves and expenses appropriate or incidental to all
35 such loans described in this subdivision (16);

36 (17) "Operations" means any and all matters deemed necessary or

1 desirable to the promotion of agricultural business and industrial
2 enterprises, including, but not limited to, the provision of labor and
3 services of any nature and all transactions pertaining to receivables,
4 accounts, inventory, loans, lines of credit, and working capital, designed to
5 promote, restore, revitalize, or develop existing agricultural business or
6 industrial enterprises, or the establishment of new agricultural business or
7 industrial enterprises;

8 (18) "Political subdivision" means a city of the first class, a
9 city of the second class, an incorporated town, a county, or an improvement
10 district, or any agency, board, commission, public corporation, or
11 instrumentality of the above;

12 (19) "Short-term advance funding" means the financing of
13 temporary cash shortfalls of local governments based on the local
14 government's projected monthly incomes and expenditures and its surplus at
15 the beginning of each fiscal year, and the shortfall is the result of the
16 local government's projected income's being insufficient to meet the needs of
17 its estimated expenditures, even though the aggregate income will exceed the
18 aggregate expenditures for the fiscal year;

19 (20) "State" means the State of Arkansas;

20 (21) "State agency" means any office, department, board,
21 commission, bureau, division, public corporation, agency, or instrumentality
22 of this state; ~~and~~

23 (22) "Scientific and technical services business" means a
24 business:

25 (A) Primarily engaged in performing scientific and
26 technical activities for others, including:

27 (i) Architectural and engineering design;

28 (ii) Computer programming and computer systems
29 design; and

30 (iii) Scientific research and development in
31 physical, biological, and engineering sciences;

32 (B) Selling expertise;

33 (C) Having production processes that are almost wholly
34 dependent upon worker skills;

35 (D) Deriving at least seventy-five percent (75%) of its
36 revenue from out-of-state sales; and

1 (E) Paying average hourly wages that exceed one hundred
 2 fifty percent (150%) of the county or state average wage, whichever is less;

3 (23) "Technology-based enterprises means:

4 (A)(i) A grouping of growing business sectors, identified
 5 as targeted businesses, that includes the following:

6 (a) Advanced materials and manufacturing
 7 systems;

8 (b) Agriculture, food, and environmental
 9 sciences;

10 (c) Biotechnology, bioengineering, and
 11 life sciences;

12 (d) Information technology;

13 (e) Transportation logistics; and

14 (f) Bio-based products.

15 (ii) In order to receive benefits as a targeted
 16 business, the business must pay not less than one hundred fifty percent
 17 (150%) of the lesser of the county or state average wage;

18 (B) A scientific and technical services business; or

19 (C) A corporation, partnership, limited liability company,
 20 sole proprietorship, or other legal entity whose primary business directly
 21 involves commercializing the results of research conducted in one (1) of the
 22 six (6) growing business sectors identified as targeted businesses; and

23 ~~(22)~~(24) "Tourism enterprise" means:

24 (A) Cultural and historic sites, recreational and
 25 entertainment facilities, areas of natural phenomena or scenic beauty, theme
 26 parks, amusement or entertainment parks, indoor or outdoor theatrical
 27 productions, botanical gardens, and cultural or educational centers; and

28 (B) Lodging facilities that are an integrated part of any
 29 of the enterprises listed in this subdivision.

30
 31 SECTION 7. Arkansas Code § 26-51-1901 is amended to read as follows:
 32 26-51-1901. Legislative intent.

33 It is recognized that the reimbursement or payment by an employer of or
 34 for tuition ~~paid by the~~ for employee ~~for~~ training or courses that aid in
 35 improving job skills is in the best interest of the state. Increasing the
 36 skills and abilities of the workforce allows Arkansas to compete for jobs

1 that require specialized knowledge and talent not available in sufficient
2 supply. In order to reward those employers who subsidize educational
3 opportunities for their employees and to encourage other employers to make
4 such benefits available to their employees, it is necessary to create an
5 incentive.

6
7 SECTION 8. Arkansas Code § 26-51-1902 is amended to read as follows:
8 26-51-1902. Creation of tax incentive.

9 (a) There shall be allowed a credit against the income tax imposed by
10 the Income Tax Act of 1929, as amended, § 26-51-101 et seq., equal to thirty
11 percent (30%) of the cost of tuition reimbursed or paid by an employer ~~to~~ on
12 behalf of a full-time, permanent employee for the cost of tuition, books, and
13 fees for a program of undergraduate or post-graduate education from an
14 accredited institution of post-secondary education located in Arkansas.

15 (b) In order to qualify for the income tax credit, the employer shall
16 document that the employee has successfully completed the course.

17 (c) The incentive authorized by this section shall not exceed twenty-
18 five percent (25%) of a business' income tax liability in any year.

19
20 SECTION 9. Arkansas Code § 26-51-1903 is amended to read as follows:
21 26-51-1903. Eligibility.

22 ~~The following types of businesses are eligible for the tax benefit~~
23 ~~provided by subsection (b) of this section:~~

24 ~~(1) Manufacturers classified in federal Standard Industrial~~
25 ~~Classification codes 20-39, including semiconductor and microelectronic~~
26 ~~manufacturers;~~

27 ~~(2) Computer businesses primarily engaged in providing computer~~
28 ~~programming services; the design and development of prepackaged software;~~
29 ~~businesses engaged in digital content production and digital preservation;~~
30 ~~computer processing and data preparation services; information retrieval~~
31 ~~services; and computer and data processing consultants and developers which~~
32 ~~derive at least sixty percent (60%) of their revenue from out of state sales~~
33 ~~and have no retail sales to the general public;~~

34 ~~(3) Businesses primarily engaged in commercial physical and~~
35 ~~biological research as classified by Standard Industrial Classification code~~
36 ~~8731;~~

1 ~~(4) Businesses primarily engaged in motion picture production~~
2 ~~which derive at least sixty percent (60%) of their revenue from out-of-state~~
3 ~~sales and have no retail sales to the general public;~~

4 ~~(5) A distribution center with no retail sales to the general~~
5 ~~public;~~

6 ~~(6) An office sector business with no retail sales to the~~
7 ~~general public;~~

8 ~~(7) A corporate or regional headquarters with no retail sales to~~
9 ~~the general public; and~~

10 ~~(8) A trucking/distribution terminal, as classified by Standard~~
11 ~~Industrial Classification code 4231, with no retail sales to the general~~
12 ~~public.~~

13 The following types of businesses are eligible for the tax benefit
14 provided by § 26-51-1902:

15 (1) A manufacturers classified in sectors 31-33 in the North
16 American Industrial Classification System, as it exists on January 1, 2005;

17 (2) A business:

18 (A) primarily engaged in:

19 (i) The design and development of prepackaged
20 software;

21 (ii) Digital content production and preservation;

22 (iii) Computer processing and data preparation
23 services; and

24 (iv) Information retrieval services; and

25 (B) That derives at least seventy-five percent (75%) of
26 its revenue from out-of-state sales and has less than ten percent (10%) of
27 its retail sales to the general public;

28 (3) A business primarily engaged in motion picture productions
29 and that derives at least seventy-five percent (75%) of its revenue from out-
30 of-state sales and has less than ten percent (10%) of its retail sales to the
31 general public;

32 (4) A distribution center for the reception, storage, or
33 shipping of:

34 (A) A business's own products or products that the
35 business wholesales to retail businesses or ships to its own retail outlets;

36 (B) Products owned by other companies with which the

1 business has contracts for storage and shipping if seventy-five percent (75%)
 2 of the sales revenues are from out-of-state customers; or

3 (C) Products for sale to the general public if seventy-
 4 five percent (75%) of the sales revenues are from out-of-state customers;

5 (5) An office sector business with less than ten percent (10%)
 6 of its retail sales to the general public;

7 (6) A national or regional corporate headquarters with less than
 8 ten percent (10%) of its retail sales to the general public;

9 (7) A firm primarily engaged in commercial, physical, and
 10 biological research as classified in the North American Industrial
 11 Classification System Code 541710, as in effect January 1, 2005;

12 (8) A scientific and technical services business if:

13 (A) The business derives at least seventy-five percent
 14 (75%) of its revenue from out of state; and

15 (B) The average hourly wages paid by the business exceeds
 16 one hundred fifty percent (150%) of the county or state average hourly wage,
 17 whichever is less. The average hourly wage threshold determined at the
 18 signing date of the financial incentive agreement shall be the threshold for
 19 the term of the agreement; and

20 (9) Any other business classified as an eligible business by the
 21 Director of the Department of Economic Development if the following
 22 conditions exist:

23 (A) The business receives at least seventy five percent
 24 (75%) of its revenue from out of state; and

25 (B) The business proposes to pay wages in excess of one
 26 hundred ten percent (110%) of the county or state average wage, whichever is
 27 less.

28
 29 SECTION 10. Arkansas Code § 6-50-207 is amended to read as follows:

30 6-50-207. Amount of loan forgiveness.

31 (a) The yearly amount for each student's loan forgiveness shall not
 32 exceed the maximum yearly amount allowed under the Arkansas Academic
 33 Challenge Scholarship Program.

34 (b) Eligible students may participate in the loan forgiveness program
 35 for a maximum of:

36 (1) ~~four~~ Four (4) years for a bachelor's degree or its

1 equivalent as determined by rules and regulations;

2 (2) Two (2) years for a master's degree;

3 (3) Four (4) years for a Ph.D.;

4 (4) Six (6) years for a bachelor's degree and a master's degree
5 or a master's degree and a Ph.D.; or

6 (5) Nine (9) years for a bachelor's degree, master's degree, and
7 a Ph.D.

8 (c) The State Board of Workforce Education and Career Opportunities
9 shall establish through rules and regulations, with input from the Department
10 of Higher Education and other appropriate entities, loan forgiveness amounts
11 for approved technical education programs for students enrolled on a less
12 than full-time basis.

13
14 SECTION 11. Arkansas Code § 15-3-110(e), concerning the power to
15 promote basic and applied research at Arkansas colleges and universities, is
16 amended to read as follows:

17 (e)(1) Any moneys lawfully available to the authority for the purpose
18 of supporting technology development shall in no event exceed ~~fifty thousand~~
19 ~~dollars (\$50,000)~~ one hundred thousand dollars (\$100,000) per project being
20 funded.

21 (2) The board shall impose a reasonable, nonrefundable fee for
22 the evaluation of the technological and economic potential of emerging
23 technologies contained in proposals from nonpublic sources of innovation.

24 (3) The board is authorized to incorporate a royalty provision
25 not to exceed five percent (5%) of net sales revenue per year for a period of
26 not more than ten (10) years as a condition of award.

27 (4) The board shall approve for funding only those proposed
28 technology development projects for which the board finds that enhanced
29 economic opportunity within Arkansas will be a likely result.

30
31 */s/ Dangeau, et al*

32
33
34 **APPROVED: 3/24/2005**

1