

Hall of the House of Representatives
85th General Assembly - Regular Session, 2005
Amendment Form

Subtitle of House Bill No. 2103

"AN ACT TO PROVIDE FOR THE CONTINUED ECONOMIC DEVELOPMENT OF THE
STATE OF ARKANSAS NATURAL RESOURCE MANUFACTURING BASE."

Amendment No. 2 to House Bill No. 2103.

Amend House Bill No. 2103 as originally introduced:

Page 1, line 12 delete "NATURAL"

AND

Page 1, line 13 delete "RESOURCE"

AND

Page 1, line 19 delete "NATURAL RESOURCE"

AND

Delete everything after the enacting clause and substitute:

"SECTION 1. Legislative findings.

The General Assembly finds that:

(1) Attracting and retaining industry is vital to the Arkansas economy;

(2) It is difficult and often impossible to compete with tax incentives offered to manufacturers and other businesses by surrounding states;

(3) Many states exempt electricity, natural gas, and other fuel used by manufacturers from sales and use tax;

(3) Providing the tax incentives under this act to manufacturers may allow manufacturers to operate profitably and to employ Arkansans, may increase the available jobs in Arkansas through the expansion of existing manufacturing businesses and attraction of new business, and may improve the Arkansas economy by providing additional sources of state and local revenue; and

(4) The tax incentives provided in this act are designed to be implemented gradually to reduce the immediate impact on existing revenues.

SECTION 2. Arkansas Code Title 26, Chapter 52, Subchapter 4 is amended



to add an additional section to read as follows:

26-52-438. Fuel for manufacturers.

(a) As used in this section:

(1) "Manufacturing" means producing, manufacturing, fabricating, assembling, processing, finishing, or packaging articles of commerce; and

(2) "Reduced gross receipts and compensating use tax rate" means the state gross receipts and compensating use tax rate in effect under subsection (b) of this section and § 26-53-145 during the month in which the sale or purchase of natural gas, electricity, or solid wood waste under this section or § 26-53-145 occurred, including the gross receipts and compensating tax levied by Amendment 75 to the Arkansas Constitution.

(b)(1)(A) The gross receipts or gross proceeds derived from the sale of electricity, natural gas, and solid wood waste used as fuel in manufacturing as of January 1, 2006, shall be taxed in accordance with subdivision (b)(2) of this section during each calendar year of the period 2006 through 2015.

(B) The gross receipts tax rates listed in subdivision (b)(2) of this section include the one-eighth percent (1/8%) tax levied by Amendment 75 to the Arkansas Constitution and a portion of tax levied by §§ 26-52-301 and 26-52-302.

(2) Tax rates.

<u>CALENDAR YEAR</u>	<u>TAX RATE</u>
<u>2006</u>	<u>5.5%</u>
<u>2007</u>	<u>5.0%</u>
<u>2008</u>	<u>4.5%</u>
<u>2009</u>	<u>4.0%</u>
<u>2010</u>	<u>3.5%</u>
<u>2011</u>	<u>3.0%</u>
<u>2012</u>	<u>2.5%</u>
<u>2013</u>	<u>2.0%</u>
<u>2014</u>	<u>1.5%</u>
<u>2015</u>	<u>1.0%</u>

(3) Sales of electricity, natural gas, and solid wood waste during the calendar year 2016 and each year thereafter shall be exempt from state gross receipts tax levied under the Arkansas Gross Receipts Act of 1941, § 26-52-101 et seq.

(c) The gross receipts or gross proceeds derived from the sale of electricity, natural gas, and solid wood waste used as fuel in manufacturing shall continue to be subject to all municipal and county gross receipts taxes.

(d)(1) On the last day of each month beginning in February 2006, the Chief Fiscal Officer of the State shall certify to the Treasurer of State the amount of gross receipts and compensating use tax attributable to the sale or purchase of natural gas, electricity, and solid wood waste under this section and § 26-53-145 that was:

(A) Deposited to the Revenue Holding Fund Account of the State Apportionment Fund pursuant to § 19-6-484(1); and

(B) Derived from the levy of all applicable state gross receipts and compensating tax, including Amendment 75 to the Arkansas Constitution.

(2) The amount of tax certified pursuant to subdivision (c)(1) of this section shall be distributed as follows:

(A) That percentage of tax equal to a fraction in which the denominator is the reduced gross receipts and compensating use tax rate and the numerator is one hundred twenty-five thousandths percent (0.125%) shall be transferred to the Special Revenue Fund Account for subsequent distribution to the Conservation Tax Fund in accordance with § 19-6-484;

(B) That percentage of tax equal to a fraction in which the denominator is the reduced gross receipts and compensating use tax rate and the numerator is one-half of one percent (0.5%) shall be transferred to the Property Tax Relief Trust Fund; and

(C) The tax remaining after the distributions under subdivisions (d)(2)(A) and (B) of this section shall be credited as follows:

(i) Fifteen percent (15%) shall be credited to the Educational Adequacy Fund; and

(ii) Eighty-five percent (85%) shall be credited to the General Revenue Fund Account of the State Apportionment Fund.

SECTION 3. Arkansas Code Title 26, Chapter 53, Subchapter 1 is amended to add a new section as follows:

26-53-145. Fuel for manufacturers.

(a) As used in this section, "manufacturing" means producing, manufacturing, fabricating, assembling, processing, finishing, or packaging articles of commerce.

(b)(1)(A) The sale or purchase of electricity, natural gas, and solid wood waste used as fuel in manufacturing shall be taxed in accordance with subdivision (b)(2) of this section during each calendar year of the period 2006 through 2015.

(B) The compensating use tax rates listed in subdivision (b)(2) of this section include the one-eighth percent (1/8%) tax levied by Amendment 75 to the Arkansas Constitution and and a portion of tax levied by §§ 26-53-106 and 26-53-107.

(2) Tax rates.

<u>CALENDAR YEAR</u>	<u>TAX RATE</u>
<u>2006</u>	<u>5.5%</u>
<u>2007</u>	<u>5.0%</u>
<u>2008</u>	<u>4.5%</u>
<u>2009</u>	<u>4.0%</u>
<u>2010</u>	<u>3.5%</u>
<u>2011</u>	<u>3.0%</u>
<u>2012</u>	<u>2.5%</u>
<u>2013</u>	<u>2.0%</u>
<u>2014</u>	<u>1.5%</u>
<u>2015</u>	<u>1.0%</u>

(3) The sale or purchase of electricity, natural gas, and solid wood waste during the calendar year 2016 and each year thereafter shall be exempt from state compensating use tax levied under the Arkansas Compensating Tax Act of 1949, § 26-53-101 et seq.

(c) The sale or purchase of electricity, natural gas, and solid wood waste used as fuel in manufacturing shall continue to be subject to all municipal and county use taxes.

SECTION 4. (a) By January 1, 2011, the Legislative Auditor shall provide a report to the chairs of the House Interim Revenue and Taxation

Committee and the Senate Interim Revenue and Taxation Committee and the Legislative Council which provides the following information:

(1) The number and location by county of manufacturers engaging in business in Arkansas as of January 1 of each calendar year 2006 through 2009;

(2) The number of full-time permanent employees employed on each January 1 by each manufacturer for each calendar year 2006 through 2009;

(3) The annual salary including bonuses and overtime paid to each full-time permanent employee described in subdivision (a)(2) of this section as of January 1 of each calendar year 2006 through 2009;

(4) The approximate amount of state sales and use tax not paid by each manufacturer on purchases of electricity, natural gas, and solid wood waste as a result of the exemptions provided in Arkansas Code §§ 26-52-438 and 26-53-145;

(5) A determination of whether any increase in the number of manufacturers, employees of manufacturers, or salaries of employees of manufacturers is attributable to the exemptions provided in Arkansas Code §§ 26-52-438 and 26-53-145; and

(6) The recommendation of the Legislative Auditor on whether the exemptions provided in Arkansas Code §§ 26-52-438 and 26-53-145 should continue in effect.

(b) By January 1, 2017, the Legislative Auditor shall provide a report to the chairs of the House Interim Revenue and Taxation Committee and the Senate Interim Revenue and Taxation Committee and the Legislative Council which provides the following information:

(1) The number and location by county of manufacturers engaging in business in Arkansas as of January 1 of each calendar year 2006 through 2015;

(2) The number of full-time permanent employees employed on each January 1 by each manufacturer for each calendar year 2006 through 2015;

(3) The annual salary including bonuses and overtime paid to each full-time permanent employee described in subdivision (b)(2) of this section as of January 1 of each calendar year 2006 through 2015;

(4) The approximate amount of state sales and use tax not paid by each manufacturer on purchases of electricity, natural gas, and solid wood waste as a result of the exemptions provided in Arkansas Code §§ 26-52-438 and 26-53-145;

(5) A determination of whether any increase in the number of manufacturers, employees of manufacturers, or salaries of employees of manufacturers is attributable to the exemptions provided in Arkansas Code §§ 26-52-438 and 26-53-145; and

(6) The recommendation of the Legislative Auditor on whether the exemptions provided in Arkansas Code §§ 26-52-438 and 26-53-145 should continue in effect.

(c)(1) The Director of the Department of Finance and Administration and the Director of the Department of Economic Development shall provide information to the Legislative Auditor as requested in order to allow the Legislative Auditor to compile his or her reports under this section.

(2)(A) The provisions against disclosure under Arkansas Code § 26-18-303(a) shall not apply to information provided by the Director of the Department of Finance and Administration under this section to the Legislative Auditor.

(B) However, the Legislative Auditor shall not disclose or include in his or her reports any information provided by the Director of the Department of Finance and Administration if the information would have otherwise been confidential under Arkansas Code § 26-18-303(a)."

The Amendment was read _____
By: Representative Maloch
BBC/BBC - 03-10-2005 16:43
BBC358 _____ Chief Clerk