Department of Finance and Administration

Legislative Impact Statement

Bill: HB1832
Bill Subtitle: THE NEW MARKETS JOBS ACT OF 2013.

Basic Change :

Rep. Williams,

HB1832 provides for the Arkansas Economic Commission to issue a tax credit that can be used to offset insurance premium tax liability. An entity that meets the requirements in the bill can apply to the Arkansas Economic Development Commission (AEDC) to be designated as a qualified entity under this bill. AEDC can certify up to $166 million in qualified equity investments.

Any entity that that makes an investment in a long term debt security issued by a qualifying entity that is certified by AEDC earns a right to a tax credit. The credit cannot be sold and it is not refundable. However, the credit is a pass through credit to the shareholders, members, partners etc. of the entity that earns the credit to be allocated in accordance with the agreement among those shareholders, members, partners, etc.

The credit is allowed beginning in the year of the investment for a total of 7 years. There is no credit for the first two years. The amount of the credit for each of years 3 - 5 is 12% of the amount of the investment (the amount paid for the security). The amount of the credit for each of years 6 and 7 is 11% of the investment. Consequently, the total premium tax credits equal 58% of the total investment.

The credit can be used to offset premium tax liability. The credit cannot exceed the liability in any year, but the excess can be carried forward for 9 consecutive tax years.

AEDC is required to promulgate rules.

Revenue Impact :

Unknown loss to general revenue based on the level of qualifying investment eligible for the insurance premium tax credits.

Legal Analysis :

This bill erroneously requires DFA to issued letter rulings regarding the tax credit program. DFA does not administer either the premium tax or this tax credit and is not the proper agency to issue letter rulings on issues concerning the credit.