

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1870

Amendment Number: Engrossed 4/2/13 (Am # H2)

Bill Subtitle: TO AUTHORIZE ECONOMIC DEVELOPMENT INCENTIVES AND THE ISSUANCE OF GENERAL OBLIGATION BONDS IN CONNECTION WITH A STEEL MILL PROJECT UNDER AMENDMENT 82 TO THE ARKANSAS CONSTITUTION; AND TO DECLARE AN EMERGENCY.

Basic Change :

Representatives Hodges

Engrossment 04/02/13 --- House Amendment 2 --- The amendment adds cosponsors and makes technical changes and corrections for wording and punctuation. It also amends the date from December 31, 2016 to December 31, 2018 after which Big River Steel, LLC must begin receiving an annual certification from the Arkansas Economic Development Commission in order to continue receiving the benefits of the Recycling Tax Credits. To continue to receive the tax credits, the taxpayer must meet all eligibility requirements as a qualified manufacturer of steel including the continued employment of at least 300 individuals at an average annual wage in excess of \$70,000.

Engrossment 03/27/13 --- House Amendment 1 -- The amendment details the implementation terms of the Amendment 82 project for Big River Steel, LLC. Included in the bill are the following provisions:

- 1) Authorization by the General Assembly for the Arkansas Development Finance Authority to issue general obligation bonds of the State, not to exceed \$125,000,000, for the development of the Big River Steel, LLC steel mill project to be located in Osceola, Arkansas.
- 2) Authorization for the Amendment 82 agreement between the State of Arkansas and Big River Steel, LLC. The drafted agreement and its terms are included for approval by the General Assembly.
- 3) Creation of a sales and use tax exemption for the natural gas and electricity purchased by Big River Steel, LLC beginning on the date that production begins at the steel mill facility. The exemption provided is the same exemption currently granted to the other steel mills operating in the state.

Amendments for use of the Recycling Income Tax Credits provided under Ark. Code Ann. § 26-51-506. These changes include a carry-forward period of 14 years for use of the credits; an expansion of the type of waste reduction, reuse, or recycling equipment on which the credit is established by including production, processing, and testing equipment used to manufacture products containing the recovered materials; and provides that the steel mill make a good faith effort to use recovered materials containing Arkansas post-consumer waste as a part of the materials used in the steel mill operation. The bill allows any unused recycling tax credits for a qualified manufacturer to be carried forward for a period of 14 consecutive years instead of the 3 years that is allowed currently. The bill allows for the recapture of the credits if certain criteria are not met.

To claim the credit, a taxpayer must obtain certification prior to March 31, 2016 that the taxpayer is a qualified manufacturer of steel, operating a steel mill in Arkansas which began production after January 1, 2013, and has invested more than \$500,000,000 in the steel mill after January 1, 2013 and prior to December 31, 2015. The investment expenditure must be for property purchased for use in the construction to house the steel mill, for machinery and equipment to be located in or in connection with the steel mill, and for project planning costs or construction labor costs. To continue to claim the credit after December 31, 2018 the taxpayer must obtain an annual certification stating that the taxpayer employs at least 300 employees at an average wage equal to or in excess of \$70,000 per calendar year. If the qualified manufacturer of steel is not certified, the carry-forward period allowed shall be reduced by 1 year for each year that the qualified manufacturer of steel does not obtain certification.

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Revenue Impact :

No impact to current state general revenues.

Taxpayer Impact :

A certified and qualified steel manufacturer may be eligible for an extended carryover provision for the recycling tax credits if investment and hiring requirements are met as well as a sales tax exemption for electricity and natural gas consumed in the manufacturing process.

Resources Required :

None

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

The credits will require separate tracking due to the extended carryover period.

Legal Analysis :

Amendment No. 2 of HB 1870, as engrossed, April 2, 2013 addresses several technical issues such as the exact number of employees and whether the wage to be paid to meet the requirements was an average or minimum.

However, the following comments regarding Amendment H1 (using page and line numbers from