

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1201

Bill Subtitle: TO PROVIDE QUALIFIED MANUFACTURERS OF STEEL WITH ALTERNATE QUALIFICATION STANDARDS AND AN EXTENDED CARRY-FORWARD PERIOD FOR THE INCOME TAX CREDIT ALLOWED FOR WASTE REDUCTION, REUSE, OR RECYCLING EQUIPMENT.

Basic Change : Sponsor: Representative Jett

This bill will extend the carry forward period from 3 years to 14 years for income tax credits earned by qualified steel mills for the purchase of waste reduction, reuse, or recycling equipment. To qualify, the taxpayer must have obtained certification from the Arkansas Economic Development Commission (AEDC) acknowledging that at least \$120,000,000 had been invested in a steel mill or that at least \$500,000,000 had been invested in a steel mill through an Amendment 82 project. This amendment would apply to income tax credits certified on and after January 1, 2015.

Revenue Impact :

No Impact on State Revenues --- FY2016 through FY2019

[Fiscal year 2020 would be the earliest fiscal year that could have any potential impact resulting from the extension of the carry-forward period. Earned recycling tax credits seldom go unused. There would have to be a substantial purchase of recycling equipment in a single tax year in order to use the extended years.]

Taxpayer Impact :

Qualified manufacturers of steel will have 14 years to use their tax credits instead of 3 years.

Resources Required :

None.

Time Required :

Adequate time is allowed in the proposal.

Procedural Changes :

Education of staff and a revision of the rules for the change in the law.

Other Comments :

None.

Legal Analysis :

The act is only effective for income tax credits certified on or after January 1, 2015. The extension of the tax credit carry forward from 3 years to 14 years may affect revenue in the future by reducing the income tax due for qualified steel manufacturers if they purchase recycling equipment, earn the 30% tax credit, and are unable to use the amount of the credit in 3 years.