

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1718

As Engrossed: 3/24/2015

Bill Subtitle: TO PROVIDE INCENTIVES FOR THE DEVELOPMENT OF AN ENTERTAINMENT DISTRICT; AND TO CREATE THE ARKANSAS ENTERTAINMENT DISTRICT ACT.

Basic Change : Sponsor: Rep. Baine

House Amendment 2 --- Amends the bill to provide that entertainment districts are developed for the purpose of performing arts events in a county with less than 100,000 population. "Performing Arts Events" are defined as creative activities involving drama, music, and dance that are performed before a live audience. A minimum capital investment of \$10M is required by the business qualifying for the tax benefits of the bill. The amendment provides a sales and use tax exemption for the sale of materials and services used in the construction of the qualifying business. The amendment also provides that the income tax exemption for profits made on ticket sales and souvenirs, memorabilia and clothing only apply to the sales occurring within the entertainment. The amendment also provides for an effective date of the act to be January 1, 2015.

Engrossment 03/17/15 --- House Amendment 1 --- The proposal would add a new subchapter to Title 15 to authorize the creation of entertainment districts. An entertainment district is defined as a district for public and private uses that is developed for the purpose of serving as an anchor attraction consisting of various entertainment services and venues. The district may be formed by one (1) or more cities or counties, or both, and may apply to the Arkansas Economic Development Commission to be designated as an entertainment district. Qualifying businesses located in the district would become eligible for tax incentives as follows:

- Qualifying businesses would be eligible for an income tax exemption for the income derived from the sale of an entertainment item whether sold within the entertainment district, or by internet, mail-order, and catalog sales that are shipped from the entertainment district to purchasers outside the district.

- Qualifying business would be eligible for an income tax credit equal to 25% of the costs of construction in the entertainment district. The credit may be used against the income tax due for the year the credit is earned, and any unused credit may be carried forward for 5 consecutive tax years.

- The gross receipts from the sale of an entertainment item by a qualifying businesses would be exempt from sales and use tax. Exempt items include tickets to live entertainment events, admissions to venues such as museums and amusement parks, the sale of tangible property related to the entertainment district or event, and food sold at an entertainment event or entertainment venue.

The incentives may be combined with other incentives which may be available. The incentives would expire fifteen (15) years from the creation of the district. The proposal would be effective ninety (90) days after adjournment.

Revenue Impact:

FY 16 - \$325,000

FY 17 - \$100,000

FY 18 - \$185,000

[Impact assumes construction of one qualifying business with a construction cost of \$10M]

Taxpayer Impact :

Taxpayers will be allowed income tax, gross receipts and compensating use tax credits for creation of an entertainment district in the State.

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Resources Required :

Tax system modifications.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Education of staff and drafting of rules to administer the exemptions.

Other Comments :

The bill allows businesses within the district to combine the tax incentives of this act with any other incentives that may be available, As an example, a business qualifying for a tourism development attraction project under §15-11-501 et seq. would earn benefits from both of the incentive programs. Another program available to an entertainment district business is the Delta Geotourism Incentive. Also, the entertainment district business could qualify for is the Arkansas Historic Rehabilitation Income Tax Credit Act, §26-51-2201 et seq.; and the Arkansas Central Business Improvement District and Development Investment Tax Credit Act, §26-51-2401 et seq.; as well as any other tax incentive programs that are allowed by future legislation.