

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1725

Bill Subtitle: TO AMEND THE WATER RESOURCE CONSERVATION AND DEVELOPMENT INCENTIVES ACT; AND TO AMEND THE INCOME TAX CREDITS AVAILABLE FOR WATER RESOURCE CONSERVATION AND DEVELOPMENT PROJECTS.

Basic Change : Sponsor: Representative Jett

HB1725 will amend the Water Resource Conservation and Development Incentives Act.

- The bill adds subdivision (E)(1) to include the purchase and installation of equipment, devices, hardware, software, data systems, or services for the more efficient use of irrigation water and use of irrigation water that is a conversion from groundwater to surface water for tax credit purposes.
- The bill amends the income tax credits for water impoundments by increasing the total credit per project limit from \$90,000 to \$250,000 and the maximum annual amount allowed to be claimed per project from \$9,000 to \$25,000.
- The bill amends the income tax credit for surface water conversion by increasing the maximum credit per project from \$27,000 to \$90,000 and the maximum amount that may be claimed per project per year from \$9,000 to \$30,000.
- The bill amends the credit for land leveling for water conservation to increase the income tax credit allowed from 10% of qualifying costs to 25% and the maximum credit per project from \$27,000 to \$90,000, and the maximum credit per project per year from \$9,000 to \$30,000.
- Instead of the current law which would end the credit program when a total aggregate amount of credits have been reached, the bill would suspend the credit program for one year beginning in the calendar year after total credits exceed \$10,000,000.
- The bill is effective for tax years beginning on or after January 1, 2015.

Revenue Impact :

FY 2016 Estimated General Revenue loss -\$2,500,000

FY 2017 Estimated General Revenue loss -\$3,000,000

FY 2018 Estimated General Revenue loss -\$3,500,000

Taxpayer Impact :

Taxpayers will be allowed to receive larger credits from the Arkansas Natural Resources Commission.

Resources Required :

Tax system modifications will be required.

Time Required :

Adequate time is provided.

Procedural Changes :

Education of staff of the change in the law.

Legal Analysis :

This bill raises the cap on several income tax credits available under the Water Resource Conservation & Development Incentives Act, 26-51-1001 et seq. The bill also adds a provision to the Act that expands the scope of the credit to include expenses for irrigation system equipment and services.

The bill will apply to tax years beginning on or after January 1, 2015. The bill does not have an Emergency Clause and will therefore become effective 90 days after adjournment of the session.