

Department of Finance and Administration

Legislative Impact Statement

Bill: SB160

Bill Subtitle: TO REPEAL THE NONPROFIT INCENTIVE ACT OF 2005.

Basic Change :

Sponsor: Senator D. Wallace

This bill would repeal the Nonprofit Incentive Act of 2005. Currently, the law allows incentives in the form of state and local sales and use tax refunds, and payroll rebates, to eligible nonprofit organizations approved by the Arkansas Economic Development Commission (AEDC). The sales and use tax refund is based on the tax paid, excepting the taxes dedicated to the Educational Adequacy Fund and the Conservation Tax Fund, for materials purchased by the nonprofit organization for the construction or improvement of a building housing the nonprofit organization, and machinery or equipment located in or in connection with the building, providing the organization spends at least \$250,000 for these purchases.

The payroll rebate is conditioned on the financial incentive agreement between the nonprofit organization and AEDC. The nonprofit organization must have a minimum annual payroll of \$500,000 for its new full-time permanent employees to qualify for the payroll rebate and sales tax refund. The rebate is equal to 4% of the annual payroll and may be authorized by AEDC for up to 5 years. The Act would be effective 90 days after final adjournment of the 91st General Assembly.

Revenue Impact :

None.

Taxpayer Impact :

The incentive program will no longer be available to eligible nonprofit organizations.

Resources Required :

None.

Time Required :

Adequate time is provided.

Procedural Changes :

Computer programs and employee training would need to be modified to adjust to the new laws.

Other Comments :

The Nonprofit Incentive Act of 2005 was passed to settle pending lawsuits from several nonprofit organizations which wanted to expand in Arkansas and receive the incentives. Those and similar lawsuits could resurface again if the Act is repealed. There is no effective date for the bill and no emergency clause meaning the repeal would become effective 90 days after adjournment of the Legislature. Since there is no tax year effective date, it is unclear if the nonprofit organizations would cease to earn credits upon the effective date of the bill or if previously earned credits would not be

Department of Finance and Administration

Legislative Impact Statement

Bill: SB160

Bill Subtitle: TO REPEAL THE NONPROFIT INCENTIVE ACT OF 2005.

allowed and refunded if not processed before the effective date of the bill.

Legal Analysis :

This Bill would repeal all of Ark. Code Title 15, Chapter 4, Subchapter 31 which addresses a Gross Receipts and Use Tax Refund for Nonprofits. The Payroll Rebate under the Economic Development Incentive Act for Nonprofits, Ark. Code Ann. §15-4-3106, would also be repealed.

This incentive has not been used since its inception in 2005.