

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1965**

**Bill Subtitle: TO CREATE THE ARKANSAS DELTA MUSIC TRAIL ACT; TO PROMOTE TOURISM AND PROVIDE TAX INCENTIVES FOR ART PROJECTS ALONG DESIGNATED MUSIC HIGHWAYS IN THE STATE; AND TO REQUIRE SIGNAGE ALONG DESIGNATED MUSIC HIGHWAYS IN THE STATE.**

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### **Basic Change :**

#### **Sponsors:**

**Representatives V. Flowers, Jett, Bragg, Burch, Cavanaugh, Christiansen, D. Ferguson, K. Ferguson, Glover, M. Hodges, Holcomb, Hollowell, Lynch, Murdock, Nicks, Richey, and Rye**

**Senators E. Cheatham, B. Davis, Elliott, S. Flowers, K. Ingram, B. Johnson, and D. Wallace**

HB1965 creates the Arkansas Delta Music Trail Act to promote tourism and provide tax incentives for art projects along designated music highways in the state. The income tax credit is equal to the lesser of 100% of the total qualified expenses stated in a certificate of completion issued by the Arkansas Delta Music Commission (ADMC) or \$25,000. The income tax credit cannot exceed the amount of income tax due. Unused credits carry forward for five years. The commission can approve up to \$250,000 in qualified expenses in any one calendar year.

### **Revenue Impact :**

\$25,000 Reduction in State General Revenue

Fiscal year unknown - The bill does not contain an effective date for purposes of which year the tax credits would be available.

[ The ADMC can approve up to \$250,000 in qualified expenses in any one calendar year. The income tax credit is equal to the lesser of 100% of the total qualified expenses stated in a certificate of completion issued by the ADMC or \$25,000. The income tax credit cannot exceed the amount of income tax due. HB1965 allows unused amounts to carry forward 5 years. ]

### **Taxpayer Impact :**

Taxpayers will be able to establish an income tax credit for qualified expenses of an art project that is approved by the ADMC.

### **Resources Required :**

Computer programs, tax forms, and instructions will need to be updated.

### **Time Required :**

Adequate time is provided for implementation.

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### Procedural Changes :

Department employees will need to be educated as well as the tax community.

### Other Comments :

The bill does not contain an effective date and has no provision stating how the Department should verify that a taxpayer has a credit to claim. There is no provision requiring taxpayers to attach a credit certificate to a return.

### Legal Analysis :

HB1965 creates the Arkansas Delta Music Trail Act to promote tourism and provide tax incentives for art projects permanently installed in a space along designated music highways in the state. HB1965 requires the creation of the Arkansas Delta Music Commission ("ADMC") within the Department of Arkansas Heritage ("DAH"). The bill creates an opportunity for taxpayers to establish an income tax credit for qualified expenses that are approved by the ADMC. Qualified expenses must be an "art project" approved by the ADMC.

This bill models the Delta Music Tax Incentive after the Historic Rehabilitation Tax Credit with the same methods of application, prequalification, and certification of expenses for the purpose of the tax credit. The tax credit is not to be issued unless an appropriation is made for the overall Delta Music Tourism Program including the staffing of the Council and the activities required under the Department of Arkansas Heritage. It is unclear whether the requirements to undertake the rule promulgation will be waived if the program is not funded by the General Assembly. Further, it is unclear whether an appropriation for the DAH would fulfill the requirement of an appropriation for the Delta Music Trail Program or whether a separate Delta Music Trail Program appropriation will be required when the commission is housed within DAH.

The income tax credit is equal to the lesser of 100% of the total qualified expenses stated in a certificate of completion issued by the ADMC or \$25,000. The income tax credit cannot exceed the amount of income tax due. HB1965 allows unused amounts to carry forward 5 years. The ADMC can approve up to \$250,000 in qualified expenses in any one calendar year between different projects. HB1965 will require additional training for the DFA employees. Rule promulgation by DAH should be consistent with the rules and notification for the Historic Rehabilitation Tax Credit already used.