

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB356**

**Bill Subtitle: TO AMEND THE LAW GOVERNING THE INCOME TAX CREDIT FOR WASTE REDUCTION, REUSE, OR RECYCLING EQUIPMENT; AND TO AMEND THE DEFINITION OF "QUALIFIED SPECIALTY STEEL PRODUCTS MANUFACTURING FACILITY".**

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### **Basic Change :**

**Sponsor: Sen. D. Wallace**

SB356 amends § 26-51-506(b)(11) concerning the definitions used for the income tax credit for waste reduction, reuse, or recycling equipment. SB356 amends the definition of a "qualified steel specialty products manufacturing facility" under § 26-51-506(b)(11) to include a facility with a construction commencement date on or after January 1, 2021 instead of on or after January 1, 2017; to expand the definition to include a facility that melts scrap steel in a furnace similar to an electric arc furnace; and to include a facility that has a certified closing date before July 1, 2023 instead of before July 1, 2018.

A qualifying project must invest \$200 million or more and creates at least 150 net new positions paying an average annual wage of \$75,000. The project must provide a positive cost-benefit analysis to the state before it is approved. The project must secure a site, obtain engineering services, purchase equipment, commence initial construction and have a closing date before July 1, 2023 to become eligible. The credit is equal to 30% of the cost of the qualifying waste reduction, reuse, or recycling equipment, including the cost of installation. The credit may be claimed against income taxes owed at a maximum of \$4 million per year if the investment is \$200 million to \$275 million, \$4 million per year if the investment is between \$275 million and \$350 million and \$6.5 million per year if the investment is over \$350 million. Unused credits may be carried forward until fully claimed.

SB356 also amends § 26-51-506(c)(3)(D)(iii)(c) to replace the words, "qualified expansion project" with "qualified steel specialty products manufacturing facility."

SB356 is effective for tax years beginning on or after January 1, 2021.

### **Revenue Impact :**

**FY2023 - FY2037** - \$4 million to \$6.5 million reduction to State General Revenue.

### **Taxpayer Impact :**

A taxpayer will need to apply with the Arkansas Economic Development Commission and the Office of Economic Analysis and Tax Research before an incentive agreement can be made. The Department of Finance and Administration will conduct audits to ensure compliance. A taxpayer must maintain records for at least 15 years or until the credit is fully claimed plus three years.

### **Resources Required :**

Computer programs, tax forms, manuals, and instructions will need to be updated. Employee training will be required.

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### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Computer programs and training manuals will need to be updated. Department employees will need to be educated on changes as well as the taxpayer community.

### **Other Comments :**

None.

### **Legal Analysis :**

None.