

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB566**

**Bill Subtitle: TO AMEND THE DEFINITION OF "PROJECT COSTS" UNDER THE CONSOLIDATED INCENTIVE ACT OF 2003; AND TO EXTEND THE TIME PERIOD DURING WHICH PROJECT COSTS MAY BE INCURRED FOR CERTAIN RETENTION TAX CREDIT PROJECTS**

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### **Basic Change :**

**Sponsor: Sen. D. Wallace**

SB566 amends the date by which a company must incur a project cost for a retention tax credit (InvestARK) under the Consolidated Incentive Act of 2003. Under current law, eligible project costs must be incurred within four years of the date of the approved incentive agreement. SB566 will allow eligible project costs to be incurred within six years of the date of the incentive agreement if the agreement between the company and the Arkansas Economic Development Commission (AEDC) was signed after January 1, 2017.

### **Revenue Impact :**

Up to \$9.8 million in state sales and use tax loss (\$6.12 million loss to General Revenue).

[ InvestArk is a sales and use tax credit program available to businesses established in Arkansas for at least two years that invest \$5 million or more in plant or equipment for new construction, expansion or modernization. Participants are approved by AEDC prior to beginning construction or incurring eligible project costs. The business must obtain a direct-pay sales and use tax permit from DFA. Each year the participant files an annual expenditure report to DFA. DFA establishes a tax credit amount based on the eligible annual project expenditures. The program participant may use the credit to offset up to 50% of the business' monthly state sales and use tax liability on purchases. Unused credits may be carried forward for a period of up to five years beyond the year in which the credit was first earned. All InvestArk projects with dates between January 1, 2017 and June 30, 2017 were researched. Out of the 78 projects for that time period, 29 have not met the investment threshold. 18 of the projects have had \$0 in expenditures to date. Revenue Impact above assumes that all 29 projects will be completed based on the total estimated project costs \$963 million.]

### **Taxpayer Impact :**

InvestArk participants with approved projects dated on or after January 1, 2017 will have six years to incur eligible project costs instead of four years. They will need to complete the documentation required for any credits earned or transferred and records will need to be maintained for audit.

### **Resources Required :**

Computer programming, manual updates and employee training will be required.

### **Time Required :**

Adequate time is provided for implementation.

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### **Procedural Changes :**

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

### **Other Comments :**

None.

### **Legal Analysis :**

None.