

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1366

Bill Subtitle: TO CREATE AN INCOME TAX CREDIT FOR PROPERTY TAX PAID ON CERTAIN POULTRY STRUCTURES; AND TO OFFSET THE PROPERTY TAX BURDEN ON POULTRY FARMERS.

Basic Change :

Sponsor: Rep. Steimel

HB1366 creates a refundable income tax credit equal to 20% of the amount of real property taxes a taxpayer pays on each "poultry structure" owned by the taxpayer during the tax year. A qualifying "poultry structure" is defined as a facility used for the commercial production of poultry, including without limitation a broiler or turkey grow-out house, laying house, hatching unit, nursery unit, or breeding house.

HB1366 is effective for tax years beginning on or after January 1, 2023.

Revenue Impact :

FY2024 - \$2.3 million General Revenue Reduction

[Revenue impact is based on an Assessment Coordination Division report of real property tax paid to Arkansas counties for parcels classified as commercial poultry structures. To project estimated cost, reported real property tax totaling \$11.5 million dollars was multiplied by the proposed 20% tax credit rate.]

Taxpayer Impact :

A taxpayer with qualified poultry structures would benefit from a refundable tax credit equal to 20% of the real property tax paid during a tax year. A taxpayer would need to maintain receipts and documentation related to claiming the tax credit.

Resources Required :

Computer programs, tax forms, and instructions would need to be created. Programming changes to the Arkansas Integrated Revenue System (AIRS) for a new income tax credit is estimated at \$84,000 with an additional \$8,000 annual maintenance cost.

The Tax Credits Section of the Department of Finance and Administration (DFA) would require additional staff to review property tax records and award tax credits. Anticipated personnel cost totals \$50,000 per year for one Fiscal Support Analyst.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Income Tax rules may need to be created. Department employees will need to be trained and the tax community will need to be educated.

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Other Comments :

None.

Legal Analysis :

HB1366 may benefit from an amendment to clarify how the credit is to be divided if the poultry structure is owned by more than one taxpayer. HB1366 may also benefit from an amendment to clarify whether a slaughter house or packaging operation would qualify as a poultry structure.