

Department of Finance and Administration

Legislative Impact Statement

Bill: SB478

Bill Subtitle: TO REPEAL THE ARKANSAS RIVER NAVIGATION SYSTEM FUND; TO PROVIDE ADDITIONAL FUNDING FOR THE ARKANSAS PORT, INTERMODAL, AND WATERWAY DEVELOPMENT GRANT PROGRAM FUND; AND TO CREATE A WATERWAYS INVESTMENT INCOME TAX CREDIT.

Basic Change :

Sponsors: Sen. J. Dismang and Rep. Eaves

SB478-S1 (engrossed S3/29/23) provides additional funding for the Arkansas Port, Intermodal, and Waterway Development Grant Program Fund (Grant Program Fund). Ad valorem taxes and penalties paid by water transportation companies that are collected and that are in excess of \$2,550,000 each calendar year shall be credited to the Grant Program Fund. Under current law, 70% of the funds are deposited in the Arkansas River Navigation System Fund, with 30% being deposited in the Grant Program Fund. Funds in the Grant Program Fund shall be used by the Arkansas Waterways Commission exclusively for the purposes stated in § 15-23-205.

SB478 creates a new Waterways Investment Tax Credit. The Waterways Investment Tax Credit is an income tax credit for the cost of making capital improvements to a facility or property related to using water transportation. \$2,500,000 in tax credits are available each year on a first-come, first-served basis. No tax credit awarded may exceed \$3,000,000. Once approved, a taxpayer can only claim 10% of the tax credit awarded in any one year. The tax credit may be carried forward for nine consecutive years following the year in which the tax credit was earned. A taxpayer who receives funds under the Arkansas Port, Intermodal, and Waterway Development Grant Program is not eligible for the Waterways Investment Tax Credit.

A taxpayer who applies for the tax credit must demonstrate to the Arkansas Department of Commerce that:

- It has invested in a facility or property related to using water transportation in the state that will provide an economic benefit to the state and will likely be equal to or greater than the amount of the tax credit allowed; and
- The capital improvements, including without limitation, construction, improvement, capital facility rehabilitation, and expansion of a waterway facility, and the construction or improvement of rail or road access to a waterway facility, occurred on or after January 1, 2024 and on or before December 31, 2025.

The Department of Finance and Administration is required to:

- Promulgate rules to implement the tax credit;
- Review the overall economic impact on or before December 31, 2030, and again on or before December 31, 2035; and
- Within 30 days of completing its review, report its findings to the Legislative Council or, if the General Assembly is in session, the Joint Budget Committee.

The Waterways Investment Tax Credit is effective for tax years beginning on or after January 1, 2024.

Department of Finance and Administration

Legislative Impact Statement

Bill: SB478

Bill Subtitle: TO REPEAL THE ARKANSAS RIVER NAVIGATION SYSTEM FUND; TO PROVIDE ADDITIONAL FUNDING FOR THE ARKANSAS PORT, INTERMODAL, AND WATERWAY DEVELOPMENT GRANT PROGRAM FUND; AND TO CREATE A WATERWAYS INVESTMENT INCOME TAX CREDIT.

Revenue Impact :

The cumulative amount of tax credits for all taxpayers in a tax year under SB478 is capped at \$2,500,000 effective for tax years beginning on and after January 1, 2024. No tax credits would be issued to a taxpayer unless the project is determined by AEDC to have an economic benefit to the state that will likely be equal to or greater than the amount of the tax credit awarded.

Taxpayer Impact :

A taxpayer may be eligible for an income tax credit up to \$3 million dollars of which 10% may be claimed each tax year. Unused tax credits may be carried forward for nine consecutive tax years.

Resources Required :

Computer programs, tax forms, and instructions would need to be created. The Arkansas Integrated Revenue System (AIRS) will require programming for a new income tax credit at an estimated cost of \$20,000. The Tax Credits Section of the Department of Finance and Administration (DFA) would require additional staff to review documentation supporting the cost of Waterway capital investments, and to award and track tax credits. Anticipated personnel cost totaling \$49,739.22 per year for one Tax Auditor.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Arkansas Economic Development Commission and Department of Finance and Administration employees will need to be educated as well as the tax community.

Other Comments :

SB478 would benefit from language instructing the Department of Commerce to provide an application for the tax credit and to notify the Tax Credits/Special Refunds Section of the Department of Finance and Administration (DFA) of projects with capital improvement cost determined to provide economic benefit to the state equal to or greater than the amount of the tax credit.

Department of Finance and Administration

Legislative Impact Statement

Bill: SB478

Bill Subtitle: TO REPEAL THE ARKANSAS RIVER NAVIGATION SYSTEM FUND; TO PROVIDE ADDITIONAL FUNDING FOR THE ARKANSAS PORT, INTERMODAL, AND WATERWAY DEVELOPMENT GRANT PROGRAM FUND; AND TO CREATE A WATERWAYS INVESTMENT INCOME TAX CREDIT.

Legal Analysis :

None.