



State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement

Bill: HB1303

Amendment Number: H2

**Bill Subtitle: TO CREATE THE SUSTAINABLE AVIATION FUEL INCENTIVE ACT; AND TO
CREATE AN INCOME TAX CREDIT RELATED TO SUSTAINABLE AVIATION FUEL.**

Sponsors:

Reps. Jean, Achor, F. Allen, Andrews, Barker, Beaty, Beck, Bentley, S. Berry, Breaux, K. Brown, M. Brown, Joey Carr, Cavanaugh, Childress, Cozart, Dalby, Eaves, Eubanks, Evans, K. Ferguson, Gonzales, Henley, Holcomb, Hollowell, L. Johnson, Lynch, Maddox, Magie, M. McElroy, McNair, Milligan, J. Moore, K. Moore, Painter, Pearce, Perry, Puryear, J. Richardson, Richmond, Rye, Schulz, M. Shepherd, Springer, Steimel, Tosh, Unger, Vaught, Walker, Wardlaw, Warren, Whitaker, Wooldridge, and Wooten

Sens. Stone, Boyd, Crowell, Davis, Dees, Flippo, Gilmore, Hammer, Hester, and McKee

Basic Change:

House Amendment No. 2 --- HB1303-H2 (engrossed 3/17/2025) clarifies several provisions regarding the income tax credit for a qualified manufacturer of sustainable aviation fuel.

HB1303-H2 clarifies the following definitions:

- A "new full-time permanent employee" means an average annual compensation of \$100,000 instead of an annual compensation of \$75,000; and
- "Sustainable aviation fuel production and processing equipment" now excludes motor vehicles.

HB1303-H2 clarifies the income tax credit as follows:

- The total amount a manufacturer may be awarded is the lesser of the amount certified by the Department of Energy and Environment or the amount in the signed incentive agreement;
- The maximum credit a manufacturer may claim annually is \$10,000,000; and
- The carryforward period of an income tax credit that is sold or transferred is the later of three years following the year in which it was earned or the third taxable year after it was sold or transferred.

HB1303-H2 also clarifies that the Department of Commerce, Department of Energy and Environment, and DFA may all promulgate rules as necessary.

HB1303-H1 (engrossed 3/12/25) --- creates the "Sustainable Aviation Fuel Incentive Act" which provides an income tax credit for a qualified manufacturer of sustainable aviation fuel. A qualifying taxpayer will receive an income tax credit equal to 30% of the qualifying purchases that may be redeemed in an amount up to the lesser of \$10,000,000 or their income tax liability for the year.

A "qualified manufacturer of sustainable aviation fuel":

- Is a taxpayer that is manufacturing, refining, or processing sustainable aviation fuel (defined as kerosene-type jet fuel derived from wood biomass);



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- Uses more than 80% of the electrical or natural gas consumed in the manufacture, refinement, or processing of sustainable aviation fuel to provide power for reactors, distillation columns, heaters, pumps, compressors, coolers, and other sustainable aviation fuel production and processing equipment; and
- Has an incentive agreement with the Arkansas Economic Development Commission (AEDC).

A "qualified sustainable aviation fuel project" must:

- Begin construction by December 31, 2027;
- Employ 75 or more new full-time permanent employees;
- Have an installed facility cost of over \$2,000,000,000 as verified by AEDC; and
- Manufacture sustainable aviation fuel.

To qualify for the tax credit the manufacturer must:

- Obtain a certification from AEDC that the manufacturer is a qualified manufacturer of sustainable aviation fuel;
- Obtain a certification from the Department of Energy and Environment that the manufacturer is a qualified manufacturer of sustainable aviation fuel and that the machinery and equipment purchased are sustainable aviation fuel production and processing equipment;
- Obtain a positive cost-benefit analysis from AEDC; and
- Sign an incentive agreement with AEDC including performance criteria and claw-back provisions.

The credits will carry-forward in perpetuity and may be sold by the manufacturer. The state will have the option to purchase any unused credits annually at 80% of face value. Income tax credits that are not sold to the state may be sold or transferred to third parties.

HB1303-H1 is effective for tax years beginning on or after January 1, 2025.

Fiscal Impact:

Revenue neutral.

[Fiscal impact is revenue neutral because an approved project is required to have a positive cost-benefit to the state as certified by the Director of AEDC in consultation with the Chief Financial Officer of the State as well as an incentive agreement between the taxpayer and AEDC containing performance criteria and claw-back provisions.]

Taxpayer Impact:

A qualified manufacturer of sustainable aviation fuel who enters into a financial incentive agreement with AEDC may be eligible for an income tax credit equal to 30% of the cost of sustainable aviation fuel production and processing equipment as certified by the Department of Energy and Environment.



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Resources Required:

Computer programs, tax forms, and instructions will need to be updated. Arkansas Integrated Revenue System (AIRS) programming costs are estimated to be \$8,000 to implement the tax credit.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Department employees will require training and the tax community will need to be educated.

Other Comments:

None.

Legal Analysis:

None.