



State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement

Bill: HB1657

Bill Subtitle: TO AMEND THE ARKANSAS WOOD ENERGY PRODUCTS AND FOREST MAINTENANCE INCOME TAX CREDIT.

Sponsors:

Rep. Beck and Sen. Davis

Basic Change:

HB1657 amends the Arkansas Wood Energy Products and Forest Maintenance Income Tax Credit to encourage the use of wood byproducts, including bark, for the production of energy. Act 594 of 2021 created an income tax credit for wood energy product and forest maintenance projects. The credit is currently equal to 30% of the purchase price of qualifying equipment with a required minimum investment of \$50,000,000 for the project. Up to \$5,000,000 of the credits may be redeemed each year. The credits will carry forward in perpetuity until used and the credits may be sold by the taxpayer.

HB1657 expands the credit as follows:

- Expands the definition of a qualified wood energy products and forest maintenance project ("project") to include a facility that supports the Arkansas timber industry by using wood byproducts, including bark, to produce energy;
- Expands the machinery qualifying for the credit to include wood energy products equipment used to convert wood byproducts, including bark, into a product that may be used as a raw material, for productive energy use, or to manufacture other materials;
- Increases the minimum investment required from \$50,000,000 to \$1,000,000,000 but allows the investment to be a projected investment;
- Increases the minimum job creation required from 100 new full-time permanent employees to 400 new full-time permanent employees;
- Extends the closing date by which a project must be closed from December 31, 2023 to June 30, 2028; and
- Reduces the allowable tax credit from 30% to 20% of the costs of wood energy products equipment.

HB1657 is effective for tax years beginning on or after January 1, 2026.

Fiscal Impact:

Revenue neutral.

[Act 594 of 2021 Created the Wood Energy Products and Forest Maintenance Tax Credit. The tax credits may be claimed up to the lesser of \$5,000,000 or the amount of income tax due by the taxpayer in a year. If a public retirement system has possession of the credits, the State of Arkansas can purchase \$5,000,000 in credits per year at 80% of face value. No tax credits would be issued to a taxpayer unless the project is determined to have a positive cost benefit analysis as certified by Arkansas Economic Development Commission (AEDC) in consultation with the Department of Finance and Administration (DFA) and an incentive agreement with specified performance criteria and claw back provisions is signed by the taxpayer and AEDC.]



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Taxpayer Impact:

A taxpayer may be eligible for a 20% Wood Energy Products and Forest Maintenance tax credit for the costs of wood energy products equipment purchased for use in Arkansas.

Resources Required:

The Arkansas Integrated Revenue System (AIRS) will require programming at an estimated cost of \$20,000. Computer programs, tax forms, and instructions will need to be updated.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Department employees will need to be educated as well as the tax community.

Other Comments:

None.

Legal Analysis:

None.