

2 State of Arkansas
3 88th General Assembly
4 Regular Session, 2011

A Bill

SENATE BILL 771

5
6 By: Senator Crumbly

7 Filed with: Interim Senate Committee on Revenue and Taxation
8 pursuant to A.C.A. §10-3-217.

For An Act To Be Entitled

9
10 AN ACT TO CREATE A TAX INCENTIVE TO ATTRACT NEW
11 BUSINESS AND EXPAND EXISTING BUSINESSES IN AREAS THAT
12 HAVE HIGH POVERTY OR HIGH UNEMPLOYMENT; AND FOR OTHER
13 PURPOSES.

Subtitle

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16 TO CREATE A TAX INCENTIVE TO ATTRACT NEW
17 BUSINESS AND EXPAND EXISTING BUSINESSES
18 IN AREAS THAT HAVE HIGH POVERTY OR HIGH
19 UNEMPLOYMENT.
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23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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25 SECTION 1. Arkansas Code § 26-51-303(a)(9) and (10), concerning
26 exemption from the Income Tax Act of 1929, § 26-51-101 et seq., are amended
27 to read as follows:

28 (9) Corporations, trusts, and any community chest, fund, or
29 foundation, organized and operated exclusively for religious, charitable,
30 scientific, literary, or educational purposes, or for the prevention of
31 cruelty to children or animals, no part of the net earnings of which inures
32 to the benefit of any private shareholder or individual, no substantial part
33 of the activities of which is carrying on propaganda or otherwise attempting
34 to influence legislation, and which does not participate in, or intervene in,
35 including the publishing or distributing of statements, any political

1 campaign on behalf of or in opposition to any candidate for public office;
2 ~~and~~

3 (10) A political organization that does not have political
4 organization taxable income for the tax year under 26 U.S.C. § 527, as in
5 effect on January 1, 2009; and

6 (11)(A) Except as provided in subdivision (11)(B), beginning
7 January 1, 2012, and ending December 31, 2027, a business, partnership,
8 limited liability company, or corporation that for at least eighteen (18)
9 months:

10 (i)(a) Expands its established business by
11 increasing its workforce by twenty-five percent (25%); or

12 (b)(1) Is a new business, partnership, limited
13 liability company, or corporation with a workforce of at least twenty-five
14 (25) full-time employees that work at least forty (40) hours per week.

15 (2) A new business does not mean a
16 business that has just changed its name or reincorporated in order to take
17 advantage of the exemption provided in this section;

18 (ii) Is located in a county in which a major new
19 business, partnership, limited liability company, or corporation has not
20 opened or begun operating within the last two (2) years; and

21 (a) The poverty rate of the county for the
22 preceding calendar year as reported by the United States Department of
23 Agriculture is at least fifty percent (50%) above the state average; or

24 (b) The unemployment rate is equal to or in
25 excess of one hundred thirty-five percent (135%) of the state's average
26 unemployment rate for the preceding calendar year as specified by statewide
27 annual labor force statistics compiled by the Department of Workforce
28 Services; and

29 (iii) Has submitted an application and been approved
30 as an eligible business, partnership, limited liability company, or
31 corporation by the Arkansas Economic Development Commission as meeting all
32 the criteria contained in this subdivision (a)(11).

33 (a) The application submitted to the Arkansas
34 Economic Development Commission shall contain such information as may be
35 required by the Director of the Arkansas Economic Development Commission to
36 determine eligibility.

1 (3) "Full-time employee" means an employee that works at least
2 forty (40) hours per week;

3 (4) "Major new company" means a company with at least twenty-
4 five (25) full-time employees; and

5 (5) "Targeted county" means a county in which:

6 (A) A major new company has not opened or begun operating
7 within its boundaries within the last two (2) years; and

8 (i) The poverty rate of the county as reported by
9 the United States Department of Agriculture is at least fifty percent (50%)
10 above the state average; or

11 (ii) The unemployment rate is equal to or in excess
12 of one hundred thirty-five percent (135%) of the state's average unemployment
13 rate for the preceding calendar year as specified by statewide annual labor
14 force statistics compiled by the Department of Workforce Services;

15 (b) Except as provided in subsection (e) of this section, beginning
16 January 1, 2012, and ending December 31, 2027, the gross receipts or gross
17 proceeds derived from the sale of tangible personal property or a service to
18 an eligible company are exempt from the gross receipts tax levied by this
19 chapter and the compensating use tax levied by the Arkansas Compensating Tax
20 Act of 1949, § 26-53-101, et seq.

21 (c) The application submitted to the Arkansas Economic Development
22 Commission shall contain such information as may be required by the Director
23 of the Arkansas Economic Development Commission to determine eligibility.

24 (d)(1) Upon determination by the Director of the Arkansas Economic
25 Development Commission that the company qualifies for the tax exemption under
26 this section, the Director of the Arkansas Economic Development Commission
27 shall certify to the Director of the Department of Finance and Administration
28 that the company is an eligible company and transmit with his or her
29 certification the documents upon which the certification was based or copies
30 of the documents.

31 (2) Upon receipt by the Director of the Department of Finance
32 and Administration of a certification from the Director of the Arkansas
33 Economic Development Commission that the applicant is an eligible company,
34 the Director of the Department of Finance and Administration shall certify
35 the eligible company as being exempt from the gross receipts tax levied by

1 this chapter and the compensating use tax levied by the Arkansas Compensating
2 Tax Act of 1949, § 26-53-101, et seq.

3 (e) An eligible company that locates in a county that has not had a
4 new company with at least twenty-five (25) employees locate within its
5 borders for more than five (5) years, is eligible for the sales and use tax
6 exemption beginning January 1, 2012, and ending December 31, 2037.

7 (f) The Director of the Arkansas Economic Development Commission may
8 promulgate such rules and regulations as are necessary to carry out the
9 intent and purposes of this subchapter.

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11 SECTION 3. EFFECTIVE DATE. This act is effective beginning January 1,
12 2012.

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15 Referred by the Arkansas Senate

16 Prepared by: MMC/VJF

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