

2
3 State of Arkansas

4 95th General Assembly

5 Regular Session, 2025

A Bill

SENATE BILL 647

6
7 By: By: Representative Beaty Jr. Senator J. Dismang

8 By: Representative Beaty Jr.

9 Filed with: Senate Committee on City, County, and Local Affairs

10 pursuant to A.C.A. §10-3-217.

11 For An Act To Be Entitled

12 AN ACT TO CREATE THE ECONOMIC DEVELOPMENT DISTRICT
13 ACT OF 2025; AND FOR OTHER PURPOSES.
14
15

16 Subtitle

17 TO CREATE THE ECONOMIC DEVELOPMENT
18 DISTRICT ACT OF 2025.
19

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

21
22 SECTION 1. Arkansas Code Title 14 is amended to add an additional
23 chapter to read as follows:

24 CHAPTER 177

25 ECONOMIC DEVELOPMENT DISTRICT ACT OF 2025

26 27 Subchapter 1 – General Provisions

28
29 14-177-101. Title.

This chapter shall be known and may be cited as the “Economic Development District Act of 2025”.

14-177-102. Definitions.

As used in this chapter:

(1) “Alcoholic beverage sales tax” means the taxes levied under §§ 3-7-201 and 3-9-213;

(2) “Available funds” means revenues, grant funds, and other moneys received by an economic development district minus:

(A) The property charge baseline;

(B) The sales charge baseline;

(C) Any reserved property charge; and

(D) Any reserved sales charge;

(3) “Cooperative area” means an area designed by one (1) or more municipalities, one (1) or more counties, or a combination of one (1) or more municipalities and one (1) or more counties operating under a written agreement in which the participating municipalities or participating counties, or both, agree to establish an economic development district by mutually adopting a formation charter;

(4) “Economic development” means one (1) or more of the following:

(A) Job creation;

(B) Job retention;

(C) Job attraction;

(D) Economic growth; and

(E) Economic diversification;

(5)(A) “Economic development construction” means the process of constructing, improving, modifying, or removing improvements within an economic development district for purposes that directly contribute to the economic development goals of the economic development district in accordance with the economic development plan.

(B) “Economic development construction” includes without limitation manufacturing, technology, research and development, business incubators, retail, entertainment, housing, healthcare, restaurants, hospitality, childcare, energy production, infrastructure projects, and any other type of venture or facility that the board of an economic development

1 district determines is beneficial to an economic development district under §
2 14-177-304;

3 (6) “Economic development district” means a designated area
4 within a municipality, county, or cooperative area that is established under
5 this chapter to promote, facilitate, or secure economic development and
6 revitalization within the designated area;

7 (7) “Economic development plan” means a document detailing the
8 goals, strategies, and initiatives to be undertaken to stimulate economic
9 development within an economic development district;

10 (8) “Establishing authority” means:

11 (A) For a municipality or county, the governing body of
12 the municipality or county; and

13 (B) For a cooperative area, the group of persons
14 designated for the cooperative area in the written agreement establishing the
15 cooperative area;

16 (9) “Formation charter” means the foundational governing
17 document of the economic development district that establishes the formation
18 of the economic development district under § 14-177-204;

19 (10) “Property charge” means a monetary charge equal to what the
20 applicable ad valorem property tax and special assessments would be if the
21 economic development district did not exist, including any additional ad
22 valorem-based charge equal to an additional millage rate assessed by the
23 board of an economic development district;

24 (11) “Property charge baseline” means an amount equal to a
25 property’s ad valorem property tax and special assessments due the year
26 before the property became part of an economic development district;

27 (12) “Property charge increment” means the amount by which the
28 property charge exceeds the property charge baseline;

29 (13)(A) “Public infrastructure” means a facility, service, or
30 installation that is useful for the operation and growth of an economic
31 development district.

32 (B) “Public infrastructure” includes without limitation:

33 (i) A transportation system, including without
34 limitation a road, a trail, lighting, a traffic signal, a sidewalk, and
35 parking;

36 (ii) Demolition;

1 (iii) A public safety measure;
2 (iv) Stormwater drainage;
3 (v) A utility, including without limitation a water
4 utility, a sewer utility, an electric power utility, and a gas utility;
5 (vi) Digital infrastructure, including without
6 limitation broadband and telecommunications infrastructure;
7 (vii) Energy production; and
8 (viii) Green infrastructure, including without
9 limitation parks, green spaces, and renewable energy systems;

10 (14) "Reserved property charge" means the portion of a property
11 charge, if any, in excess of the property charge baseline reserved by an
12 establishing authority in the formation charter;

13 (15) "Reserved sales charge" means the portion of a sales
14 charge, if any, in excess of the sales charge baseline reserved by an
15 establishing authority in the formation charter;

16 (16)(A) "Sales charge" means a monetary charge equal to what the
17 following taxes would be if the economic development district did not exist:

18 (i) Sales and use tax, including without limitation
19 the taxes levied under Title 26, Chapters 52, 53, 74, and 75; and

20 (ii) Alcoholic beverage sales tax.

21 (B) "Sales charge" includes:

22 (i) The sales and use tax on a transaction in which
23 the end-user or purchaser takes possession of tangible personal property,
24 specified digital products, or a digital code or makes the first use of a
25 taxable service; and

26 (ii) Any additional percentage-based charge equal to
27 an additional rate assessed by the board of an economic development district.

28 (C) "Sales charge" does not include any tax applicable to
29 the possession of tangible personal property by a shipping company on behalf
30 of a purchaser;

31 (17) "Sales charge baseline" means the amount of sales and use
32 tax and alcoholic beverage sales tax generated from transactions occurring
33 within a property the year before the property became part of an economic
34 development district; and

35 (18) "Sales charge increment" means the amount by which the
36 sales charge exceeds the sales charge baseline.

1
2 14-177-103. Assistance from Department of Commerce.

3 (a) The Department of Commerce shall:

4 (1) Provide ongoing support and assistance to municipalities,
5 counties, cooperative areas, and economic development districts in the
6 establishment, management, and strategic development of economic development
7 districts;

8 (2) Allocate resources, including without limitation expert
9 advice, administrative guidance, and access to state-level economic
10 development tools, to assist municipalities, counties, cooperative areas, and
11 economic development districts;

12 (3) Offer technical assistance to assist municipalities,
13 counties, and cooperative areas in drafting an initial proposal to form an
14 economic development district, defining the boundaries of a proposed economic
15 development district, and conducting the economic and impact assessments
16 necessary for the establishment of an economic development district;

17 (4) Provide training programs for municipality and county
18 officials and members of a board of an economic development district on
19 topics that include economic development strategies, financial management,
20 and grant administration;

21 (5)(A) Assist in setting up systems for monitoring and
22 evaluating the performance of an economic development district to ensure that
23 each economic development district meets the economic development objectives
24 for the economic development district.

25 (B) To facilitate meeting the requirements of subdivision
26 (a)(5)(A) of this section, the department shall maintain an online repository
27 of projects that includes publicly available information about each project;

28 (6) Assist economic development districts in establishing clear
29 and effective grant application processes to ensure transparency and fairness
30 in the distribution of funds under this chapter; and

31 (7)(A) Provide guidance to economic development districts on
32 financial oversight practices to ensure that all grant funds are used
33 appropriately and effectively.

34 (B) To facilitate meeting the requirements of subdivision
35 (a)(7)(A) of this section, the department may:

36 (i) Review and conduct audits of any economic

1 development district; and

2 (ii) Adopt appropriate rules to promote the orderly
3 administration of economic development districts and prevent malfeasance,
4 mismanagement, or fraud in the operation of an economic development district.

5 (b) To compensate the department for its obligations under this
6 section, each board of an economic development district shall remit to the
7 department the following:

8 (1) Two percent (2%) of the property charge increment, minus the
9 reserved property charge, received by the economic development district
10 annually; and

11 (2) Two percent (2%) of the sales charge increment, minus the
12 reserved sales charge, received by the economic development district
13 annually.

14
15 Subchapter 2 – Economic Development Districts – Creation and Termination
16

17 14-177-201. Authorization to establish economic development district.

18 (a) A municipality, county, or cooperative area may establish one (1)
19 or more economic development districts within the boundaries of the
20 municipality, county, or cooperative area.

21 (b) A county may establish an economic development district within the
22 boundaries of a municipality only with consent of the mayor of the
23 municipality.

24 (c) A municipality may use county tax revenues for an economic
25 development district only with the consent of the county judge of the county
26 that levied the tax.

27 (d) An economic development district is not required to have
28 contiguous boundaries.

29
30 14-177-202. Proposal to create economic development district.

31 (a) The creation of an economic development district may be proposed
32 by the:

33 (1) Delivery of a proposal signed by the owners of at least
34 twenty-five percent (25%) of the assessed value of the property within the
35 boundaries of the proposed economic development district to the proposed
36 establishing authority;

1 (2) Delivery of a proposal by a mayor or county judge to the
2 proposed establishing authority; or

3 (3) Creation of a proposal by the proposed establishing
4 authority.

5 (b) A proposal for the creation of an economic development district
6 under this section shall include:

7 (1) A map of the boundaries of the proposed economic development
8 district;

9 (2) A preliminary economic development plan; and

10 (3) An assessment of the current economic conditions within the
11 boundaries of the proposed economic development district and the expected
12 impact of the proposed economic development district.

13
14 14-177-203. Approval process for establishment of economic development
15 district.

16 (a) An establishing authority considering the creation of a proposed
17 economic development district under this subchapter shall:

18 (1) Conduct a public hearing on the creation of the proposed
19 economic development district within ninety (90) days after receiving a
20 proposal under this subchapter; and

21 (2)(A) Provide notice of the public hearing required under
22 subdivision (a)(1) of this section at least thirty (30) days before the
23 public hearing.

24 (B) Notice provided under subdivision (a)(2)(A) of this
25 section shall be:

26 (i) Published in a newspaper of general circulation
27 in the proposed economic development district; or

28 (ii) Provided by means of public notification other
29 than a newspaper of general circulation that is authorized by the
30 establishing authority and reasonably calculated to provide notice to
31 property owners within the boundaries of the proposed economic development
32 district.

33 (b) After holding the public hearing required under subsection (a) of
34 this section, an establishing authority may create an economic development
35 district by approving a formation charter that meets the requirements of §
36 14-177-204 by the adoption of an ordinance by a majority vote of the present

1 and participating members of the establishing authority.

2
3 14-177-204. Formation charter – Amendment.

4 (a) A formation charter shall include:

5 (1) The boundaries of the economic development district;

6 (2) The term of the economic development district, which shall
7 not exceed thirty (30) years;

8 (3) The economic development plan for the economic development
9 district;

10 (4) The number of members of the board of the economic
11 development district;

12 (5) Any reserved property charge;

13 (6) Any reserved sales charge; and

14 (7) Any restrictions on the powers of the board of the economic
15 development district.

16 (b)(1) The establishing authority for an economic development district
17 may amend the formation charter upon the petition of the:

18 (A) Mayor of the municipality governed by the establishing
19 authority;

20 (B) County judge of a county governed by the establishing
21 authority;

22 (C) Mayor of any municipality or the county judge of any
23 county participating in a cooperative area governed by the establishing
24 authority;

25 (D) Board of the economic development district; or

26 (E) Establishing authority.

27 (2) An amendment to a formation charter under this subsection
28 may expand or contract the:

29 (A) Boundaries of the economic development district; or

30 (B) Authority granted to the board of the economic
31 development district.

32 (3) If an economic development district is party to an executory
33 contract or has outstanding bonds secured by revenue of the economic
34 development district, the establishing authority for the economic development
35 district shall not amend the formation charter to do any of the following in
36 a manner that would reasonably impair the performance of the executory

contract or the repayment of the outstanding bonds, unless the establishing authority agrees to assume the economic development district's obligations under the executory contract or the repayment of the outstanding bonds:

(A) Reduce the boundaries of the economic development district;

(B) Increase the reserved property charge;

(C) Increase the reserved sales charge;

(D) Decrease the term of the economic development district; or

(E) Modify the powers of the board of the economic development district.

(4) A petition to amend a formation charter under this subsection is subject to the same approval process and requirements provided for the establishment of an economic development district under § 14-177-203.

14-177-205. Renewal of term of economic development district.

(a) The establishing authority for an economic development district may renew the economic development district for successive terms of up to thirty (30) years each upon the petition of the:

(1) Mayor of the municipality governed by the establishing authority;

(2) County judge of a county governed by the establishing authority;

(3) Mayor of any municipality or the county judge of any county participating in a cooperative area governed by the establishing authority;

(4) Board of the economic development district; or

(5) Establishing authority.

(b) A petition to renew the term of an economic development district under this subsection is subject to the same approval process and requirements provided for the establishment of an economic development district under § 14-177-203.

14-177-206. Termination of economic development district.

(a)(1) Except as provided in subdivision (a)(2) of this section, the establishing authority of an economic development district may terminate the economic development district upon the petition of the board of the economic

development district or by revoking the formation charter.

(2) If an economic development district is party to an executory contract or has outstanding bonds secured by revenue of the economic development district, the establishing authority for the economic development district shall not terminate the economic development district to do any of the following in a manner that would reasonably impair the performance of the executory contract or the repayment of the outstanding bonds, unless the establishing authority agrees to assume the economic development district's obligations under the executory contract or the repayment of the outstanding bonds:

(A) Reduce the boundaries of the economic development district;

(B) Increase the reserved property charge;

(C) Increase the reserved sales charge;

(D) Decrease the term of the economic development district; or

(E) Modify the powers of the board of the economic development district.

(b) Upon termination of an economic development district, all assets remaining with the economic development district shall be turned over to the establishing authority to be used for the purposes stated in the economic development plan for the economic development district.

(c) A petition to terminate an economic development district and the revocation of a formation charter under this section are subject to the same approval process and requirements provided for the establishment of an economic development district under § 14-177-203.

14-177-207. Cooperative areas.

(a) An agreement creating a cooperative area may allocate the:

(1) Property charge baseline, reserved property charge, sales charge baseline, and reserved sales charge among the municipalities and counties participating in the economic development district based on an agreed-upon percentage allocation of the entire economic development district instead of basing the revenue on the physical nexus from where the revenue is generated; and

(2) Provision of governmental services within the economic

1 development district among the taxing authorities participating in the
2 economic development district.

3 (b) The ad valorem property tax rate used to establish the property
4 charge, property charge baseline, and property charge increment for a
5 cooperative area shall be:

6 (1) Uniform throughout the economic development district; and

7 (2) Equal to the highest ad valorem tax of the municipalities
8 and counties participating in the economic development district.

9 (c) The percentage-based sales and use tax rate and the alcoholic
10 beverage sales tax rate used to establish the sales charge, sales charge
11 baseline, and sales charge increment for a cooperative area shall be:

12 (1) Uniform throughout the economic development district; and

13 (2) Equal to the highest sales and use tax rate and the
14 alcoholic beverage sales tax rate of the municipalities and counties
15 participating in the economic development district.

16
17 14-177-208. Annexation prohibited.

18 Property within the boundaries of an economic development district
19 shall not be involuntarily annexed into a municipality.

20
21 Subchapter 3 – Boards of Economic Development Districts

22
23 14-177-301. Board of economic development district generally.

24 (a) An economic development district shall be governed by a board
25 consisting of at least five (5) but not more than nine (9) members.

26 (b) Except as provided in subsection (d) of this section, the
27 formation charter shall provide that:

28 (1) At least one (1) member of the board of the economic
29 development district shall be a property owner or business owner within the
30 economic development district; and

31 (2) At least one (1) member of the board of the economic
32 development district shall be an individual who holds no ownership interest
33 in any property or business within the economic development district.

34 (c) All members of the board of an economic development district shall
35 be qualified electors of the establishing authority.

36 (d) The establishing authority may serve as the board of the economic

1 development district.

2 (e) For a board of an economic development district established in a
3 cooperative area, the agreement establishing the cooperative area shall
4 provide for the allocation of members of the board of the economic
5 development district among the participants of the cooperative area.

6
7 14-177-302. Appointment – Terms.

8 (a)(1) The members of the board of an economic development district
9 shall be appointed:

10 (A) By the mayor if the establishing authority is a
11 municipality;

12 (B) By the county judge if the establishing authority is a
13 county; and

14 (C) As designated in the agreement establishing the
15 cooperative area if the economic development district was established in a
16 cooperative area.

17 (2)(A) An appointee to a board of an economic development
18 district is subject to confirmation by the establishing authority of the
19 person making the appointment.

20 (B) If an appointee is not ratified or rejected by a
21 majority of the establishing authority present and participating within sixty
22 (60) days of the appointment, the appointment is deemed to be rejected.

23 (b)(1) Except as provided in subdivision (b)(2) of this section, the
24 formation charter shall reserve a seat on the board of the economic
25 development district for a person appointed by the:

26 (A) Mayor of each municipality having corporate limits
27 within the economic development district at the time of formation; and

28 (B) County judge of each county in which the economic
29 development district is located.

30 (2) The establishing authority of an economic development
31 district may elect not to provide a seat on the board of the economic
32 development district to a municipality or county in which the economic
33 development district is located if the formation charter designates a
34 reserved property charge and a reserved sales charge in favor of the excluded
35 municipality or county equal to the ad valorem property tax, sales and use
36 tax, and alcoholic beverage sales tax that would have been received by the

1 municipality or county but for the existence of the economic development
2 district.

3 (c)(1) A member of a board of an economic development district:

4 (A) Shall serve a term of four (4) years; and

5 (B) Is eligible for reappointment for additional terms.

6 (2) Initial appointments to a board of an economic development
7 district shall be staggered so that:

8 (A) One (1) member serves an initial term of one (1) year;

9 (B) One (1) member serves an initial term of two (2)
10 years; and

11 (C) One (1) member serves an initial term of three (3)
12 years.

13 (d) A vacancy on a board of an economic development district shall be
14 filled in the same manner as provided for appointments under this section.

15
16 14-177-303. Conflicts of interest – Removal.

17 (a) A member of a board of an economic development district shall:

18 (1) Disclose any potential conflicts of interest arising from
19 his or her duties on the board of the economic development district; and

20 (2) Recuse from any decisions in which a conflict of interest is
21 present unless the conflict of interest is disclosed and waived by a majority
22 vote of the other members of the board of the economic development district.

23 (b) A member of a board of an economic development district may be
24 removed by the establishing authority for the economic development district
25 for cause, including without limitation nonperformance, malfeasance, or
26 conflict of interest.

27
28 14-177-304. Powers and duties.

29 (a) The board of an economic development district shall:

30 (1) Develop and approve a strategic plan outlining the vision,
31 goals, and strategies for economic development within the economic
32 development district;

33 (2) Annually review and update the strategic plan approved under
34 subdivision (a)(1) of this section;

35 (3) Approve an annual budget and oversee the financial
36 management of the economic development district, ensuring that funds are used

1 efficiently and aligned with the strategic plan of the economic development
2 district;

3 (4) Oversee the distribution of grant funds, ensuring that all
4 grants align with the economic development district's objectives and comply
5 with established criteria for the grants;

6 (5) Establish and monitor performance metrics for the economic
7 development district's initiatives and use the data obtained to guide the
8 strategic decisions of the board of the economic development district; and

9 (6)(A) Prepare an annual report detailing the economic
10 development district's financial status, progress toward the goals of the
11 economic development district, and ongoing and planned activities of the
12 economic development district.

13 (B) The annual report prepared under subdivision (a)(6)(A)
14 of this section shall be:

15 (i) Made publicly available; and

16 (ii) Presented to the establishing authority of the
17 economic development district.

18 (b) The board of an economic development district may:

19 (1) Exercise zoning and land use planning authority within the
20 economic development district in accordance with rules established by the
21 board of the economic development district;

22 (2) Reduce or waive franchise fees as an incentive for utilities
23 to provide or enhance services within the economic development district;

24 (3) Determine that a venture or facility is beneficial to the
25 economic development district if the venture or facility promotes economic
26 development;

27 (4) Enter into and enforce contracts in accordance with the
28 procurement requirements of the establishing authority of the economic
29 development district;

30 (5) Acquire, hold, and possess real and personal property; and

31 (6)(A) Except as provided in subdivision (b)(6)(B) of this
32 section, exercise any lawful powers not denied the economic development
33 district by the formation charter.

34 (B) The board of an economic development district shall
35 not exercise the powers granted under this section in a manner that adversely
36 impairs any outstanding debt obligations that are specifically secured by

1 fees and charges or that would reasonably impair the repayment of an
2 outstanding bond.

3 (c) A board of an economic development district has the powers stated
4 in this section unless specifically restricted under the formation charter.

5
6 14-177-305. Meetings of board of economic development district.

7 (a) A board of an economic development district shall meet at least
8 quarterly but may meet more frequently as needed.

9 (b)(1) A meeting of a board of an economic development district shall
10 be open to the public, except when the board of the economic development
11 district calls an executive session under subdivision (b)(2) of this section.

12 (2) A board of an economic development district may call an
13 executive session to discuss matters that:

14 (A) Require confidentiality under state or federal law;

15 (B) Require confidentiality under a contract to which the
16 economic development district is a party; or

17 (C) Constitute records that are exempt from the Freedom of
18 Information Act of 1967, § 25-19-101 et seq.

19 (c) Minutes of all meetings of a board of an economic development
20 district shall be recorded and made available to the public.

21
22 14-177-306. Records exempt from disclosure.

23 (a) Records of a board of an economic development district and records
24 of employees of the economic development district that, if disclosed, would
25 give an advantage to competitors or bidders are exempt from the Freedom of
26 Information Act of 1967, § 25-19-101 et seq., unless approval for release of
27 the records is granted by the business entity that is the subject of the
28 records.

29 (b) The exemption allowed under subsection (a) of this section does
30 not apply to records of expenditures or grants that are made or administered
31 by the board of the economic development district and are otherwise
32 disclosable under this chapter.

33
34 14-177-307. Financial oversight and transparency.

35 (a)(1) The financial operations of an economic development district
36 shall be audited annually by an independent auditor to ensure proper use of

1 funds and adherence to all legal requirements.

2 (2) The audit report obtained under subdivision (a)(1) of this
3 section shall be submitted to the establishing authority of the economic
4 development district within ninety (90) days after receipt of the audit
5 report by the board of the economic development district.

6 (b) Financial records related to the economic development district's
7 operations, including the sources and uses of funds received by the economic
8 development district, shall be accessible to the public to ensure
9 transparency and accountability.

10
11 14-177-308. Authority to place economic development district in
12 receivership – Appointment of receiver – Bankruptcy prohibited.

13 (a) The establishing authority or the board of an economic development
14 district may place the economic development district into receivership if:

15 (1) The board of the economic development district fails to
16 fulfill its duties or obligations under this chapter;

17 (2) The economic development district becomes insolvent or lacks
18 sufficient financial resources to meet the obligation of the economic
19 development district; or

20 (3) There is evidence of malfeasance, mismanagement, or fraud by
21 the board of the economic development district that threatens the effective
22 operation of the economic development district or the proper administration
23 of the financial resources of the economic development district.

24 (b)(1) The board of an economic development district or the
25 establishing authority of the economic development district may petition the
26 circuit court in the county where the economic development district is
27 located for an order placing the economic development district into
28 receivership.

29 (2) A petition under subdivision (b)(1) of this section shall
30 demonstrate the specific grounds for the receivership, including without
31 limitation documentation of the failures of the board of the economic
32 development district or the insolvency of the economic development district.

33 (3) The circuit court receiving a petition filed under this
34 subsection shall hear the petition on an expedited basis.

35 (c) Upon the determination by a circuit court that grounds for
36 receivership of an economic development district exist, the circuit court

1 shall:

2 (1) Appoint the establishing authority of the economic
3 development district or its designee as the receiver of the economic
4 development district; and

5 (2) Grant the receiver full authority to suspend the board of
6 the economic development district and administer the economic development
7 district with all rights, privileges, and obligations conferred on the board
8 of the economic development district under this chapter.

9 (d) The establishing authority of the economic development district
10 may replace any members of the board of the economic development district
11 during the receivership.

12 (e) A receivership authorized under this section shall:

13 (1) Continue until the economic development district is able to
14 fulfill its statutory and financial obligations, as determined by the
15 establishing authority of the economic development district; and

16 (2) End upon petition by the establishing authority of the
17 economic development district to the circuit court certifying that the need
18 for the receivership has ended.

19 (f) An economic development district shall not file for bankruptcy.
20

21 Subchapter 4 – Economic Development District Funding

22
23 14-177-401. Funds and use of funds.

24 (a) Funding for grants, credits, or abatements under this chapter
25 within an economic development district may be derived from any combination
26 of the following sources:

27 (1) The payment of a property charge under § 14-177-402;
28 (2) The payment of a sales charge under § 14-177-403;
29 (3) The payment of an additional property charge under § 14-177-
30 406;

31 (4) The payment of an additional sales charge under § 14-177-
32 407; and

33 (5) Public and private grants.

34 (b) An economic development district may:

35 (1) Solicit and accept grants and other funds from public
36 sources; and

(2) Accept contributions and donations from private sources.

(c) An economic development district may pledge any available funds in whole or in part to the repayment of bond financing.

(d) All available funds of an economic development district shall be used exclusively within the boundaries of the economic development district:

(1) For economic development construction and public infrastructure in accordance with the economic development plan for the economic development district; or

(2) To pay expenses necessary to accomplish the economic development goals of the economic development district as stated in the formation charter.

14-177-402. Property charge – Exemption from ad valorem taxation.

(a) All property within an economic development district is exempt from the payment of ad valorem property taxes.

(b)(1) Property located within the boundaries of an economic development district is subject to a property charge.

(2) A property charge shall be collected at the same time and in the same manner as ad valorem property taxes.

(3) Property that would be exempt from ad valorem property taxes outside of an economic development district is exempt from a property charge imposed by an economic development district.

(c)(1) As long as property is within an economic development district, the county collector of the county in which the economic development district is located shall remit:

(A) A pro rata portion of the property charge equal to the property charge baseline:

(i) To the taxing authorities and improvement districts that would have received ad valorem property taxes if the property were not in an economic development district; or

(ii) For a cooperative area, in accordance with the allocation agreed to by municipalities and counties participating in the cooperative area; and

(B) Any remaining amount to the economic development district.

(2) If the property charge is less than the property charge

1 baseline in any year, the property charge baseline shall be reduced to the
2 amount of the property charge actually received by the county collector.

3 (d) A board of an economic development district may receive, spend,
4 pledge, save, grant, allocate, or abate the property charge increment for
5 property located within the boundaries of the economic development district
6 unless specifically prohibited in the formation charter.

7 (e) The failure to pay a property charge under this section is subject
8 to the same remedies and enforcement as would otherwise apply to the failure
9 to pay ad valorem property taxes if the property were not within an economic
10 development district.

11
12 14-177-403. Sales charge – Exemption from sales and use tax and
13 alcoholic beverage sales tax.

14 (a) A sales transaction sourced within an economic development
15 district is exempt from sales and use tax and the alcoholic beverage sales
16 tax.

17 (b)(1) A sales transaction sourced to property within an economic
18 development district is subject to a sales charge.

19 (2) A business operating within an economic development district
20 shall collect and remit a sales charge to the economic development district
21 that imposed the sales charge.

22 (3) A sales charge shall be collected and administered at the
23 same time and in the same manner as sales and use taxes.

24 (4) A sales transaction that would be exempt from sales and use
25 tax or the alcoholic beverage sales tax outside of an economic development
26 district is exempt from a sales charge imposed by an economic development
27 district.

28 (c)(1) As long as property is within an economic development district,
29 the Department of Finance and Administration shall remit:

30 (A) A pro rata portion of the sales charge imposed on
31 sales transactions sourced to property within the economic development
32 district equal to the sales charge baseline:

33 (i) To the taxing authorities that would have
34 received sales and use taxes and alcoholic beverage sales taxes if the sales
35 transaction had not occurred in an economic development district; or

36 (ii) For a cooperative area, in accordance with the

1 allocation agreed to by the municipalities and counties participating in the
2 cooperative area; and

3 (B) Any remaining amount to the economic development
4 district.

5 (2) If the sales charge is less than the sales charge baseline
6 in any year, the sales charge baseline shall be reduced to the amount of the
7 sales charge actually received by the department.

8 (d)(1) The state is entitled to the portion of the sales charge that
9 would have been received by the state if the sales transaction were not
10 sourced to property within an economic development district.

11 (2) The board of an economic development district may receive,
12 spend, pledge, save, grant, allocate, or abate the sales charge increment
13 unless specifically prohibited in the formation charter.

14 (e) The failure to collect and remit a sales charge under this section
15 is subject to the same remedies and enforcement as would otherwise apply to
16 the failure to pay sales or use tax or the alcoholic beverage sales tax if
17 the sales transaction were not sourced to property within an economic
18 development district.

19
20 14-177-404. Reserved property charge – Allocation.

21 (a)(1) Except as provided in subdivision (a)(2) of this section, the
22 establishing authority for an economic development district may designate a
23 reserved property charge in the formation charter as a percentage of the
24 total property charge in excess of the property charge baseline.

25 (2) A reserved property charge shall not include any additional
26 property charge authorized by the board of an economic development district
27 under § 14-177-406.

28 (b) The formation charter may designate a reserved property charge
29 that applies for only a specified time period.

30 (c) A reserved property charge is invalid unless the reserved property
31 charge is expressly provided for in the formation charter.

32 (d)(1) If there is a reserved property charge, the reserved property
33 charge shall be remitted in accordance with:

34 (A) The allocation provided by the formation charter; or

35 (B) For a cooperative area, the agreement of the
36 municipalities and counties participating in the cooperative area.

1 (2) Unless otherwise provided by agreement among the taxing
2 authorities that would otherwise have received ad valorem property taxes if
3 the economic development district did not exist, the formation charter shall
4 provide that any reserved property charge be allocated among the taxing
5 authorities in the same percentage as the ad valorem property taxes would
6 otherwise have been allocated if the economic development district did not
7 exist.

8
9 14-177-405. Reserved sales charge – Allocation.

10 (a)(1) Except as provided in subdivision (a)(2) of this section, the
11 establishing authority for an economic development district may designate a
12 reserved sales charge in the formation charter as a percentage of the total
13 sales charge in excess of the sales charge baseline.

14 (2) A reserved sales charge shall not include any additional
15 sales charge authorized by the board of an economic development district
16 under § 14-177-407.

17 (b) The formation charter may designate a reserved sales charge that
18 applies for only a specified time period.

19 (c) A reserved sales charge is invalid unless the reserved sales
20 charge is expressly provided for in the formation charter.

21 (d)(1) If there is a reserved sales charge, the reserved sales charge
22 shall be remitted in accordance with:

23 (A) The allocation provided by the formation charter; or

24 (B) For a cooperative area, the agreement of the
25 municipalities and counties participating in the cooperative area.

26 (2) Unless otherwise provided by agreement among the taxing
27 authorities that would otherwise have received sales and use taxes and
28 alcoholic beverage sales tax if the economic development district did not
29 exist, the formation charter shall provide that any reserved sales charge be
30 allocated among the taxing authorities in the same percentage as the sales
31 and use taxes and alcoholic beverage sales tax would otherwise have been
32 allocated if the economic development district did not exist.

33
34 14-177-406. Additional property charge.

35 (a)(1) The board of an economic development district may impose an
36 additional millage rate-based charge on the value of property within the

1 economic development district.

2 (2) An additional property charge imposed under subdivision
3 (a)(1) of this section shall be collected and allocated in the same manner as
4 the property charge that applies to property within the economic development
5 district.

6 (b) The additional property charge allowed under this section shall
7 not apply to property that would be exempt from ad valorem tax if the
8 property were not located within an economic development district.

9 (c)(1) Except as provided in subdivision (c)(2) of this section, a
10 board of an economic development district shall not increase an additional
11 property charge imposed under this section by more than ten percent (10%) of
12 the millage rate that would have applied to the property if the property were
13 not located in an economic development district.

14 (2) A board of an economic development district may increase an
15 additional property charge imposed under this section by more than ten
16 percent (10%) of the millage rate that would have applied to the property if
17 the property were not located in an economic development district if, at the
18 time of the proposed increase, all property owners within the economic
19 development district to which the additional property charge would apply
20 provide written consent to the increase.

21
22 14-177-407. Additional sales charge.

23 (a)(1) The board of an economic development district may impose an
24 additional percentage-based charge on sales transactions occurring within the
25 economic development district.

26 (2) An additional sales charge imposed under subdivision (a)(1)
27 of this section shall be collected and allocated in the same manner as the
28 sales charge that applies to sales transactions sourced to property within
29 the economic development district.

30 (b) The additional sales charge allowed under this section shall not
31 apply to sales transactions that would be exempt from sales and use taxes if
32 the sales transaction did not occur within an economic development district.

33 (c)(1) Except as provided in subdivision (c)(2) of this section, a
34 board of an economic development district shall not increase an additional
35 sales charge imposed under this section by more than ten percent (10%) of the
36 sales and use tax rate that would have applied to the sales transaction if

1 the sales transaction had not been sourced to property within an economic
2 development district.

3 (2) A board of an economic development district may increase an
4 additional sales charge imposed under this section by more than ten percent
5 (10%) of the sales and use tax rate that would have applied to the sales
6 transaction if the sales transaction had not been sourced to property within
7 an economic development district if, at the time of the proposed increase,
8 all property owners within the economic development district to which the
9 additional sales charge would apply provide written consent to the increase.

10
11 14-177-408. Cooperation of county officials and Department of Finance
12 and Administration.

13 (a)(1) A county assessor serving an area within the boundaries of an
14 economic development district shall cooperate with the board of the economic
15 development district to assess property within the economic development
16 district for the amount of the property charge for the economic development
17 district.

18 (2) A county assessor shall calculate the property charge for an
19 economic development district applying the same timing, methods, and
20 penalties used to appraise and assess the property located in the economic
21 development district that would apply if the property were not in an economic
22 development district.

23 (3)(A) A county assessor is entitled to any commission to which
24 the county assessor would be entitled if the economic development district
25 did not exist, based on the amount of the property charge baseline and the
26 reserved property charge.

27 (B) Any commission to which a county assessor is entitled
28 shall be paid out of the property charge baseline and any reserved property
29 charge.

30 (b)(1) A county collector serving an area within the boundaries of an
31 economic development district shall cooperate with the board of the economic
32 development district to collect the property charge for the economic
33 development district.

34 (2) A county collector shall apply the same timing, methods, and
35 penalties used for the collection of the property charge that would be
36 applicable if the property were not in an economic development district.

1 (3)(A) A county collector is entitled to any commission to which
2 the county collector would be entitled if the economic development district
3 did not exist, based on the amount of the property charge baseline and any
4 reserved property charge.

5 (B) Any commission to which a county assessor is entitled
6 shall be paid out of the property charge baseline and any reserved property
7 charge.

8 (c) The Department of Finance and Administration shall:

9 (1) Receive and collect the sales charge for an economic
10 development district from all retailers and persons responsible for paying
11 the sales charge within the economic development district; and

12 (2) Apply the same timing, methods, and penalties for the
13 collection of the sales charge that would be applicable if the sales
14 transaction were not sourced to property within an economic development
15 district.

16
17 Subchapter 5 – Economic Development District Grants

18
19 14-177-501. Authorization for grants.

20 (a) The formation charter may authorize the board of an economic
21 development district to provide assistance in the form of grants of
22 forgivable loans or transferable credits against future payments of the
23 property charge for the economic development district above the property
24 charge baseline or the sales charge for the economic development district
25 above the sales charge baseline, or both.

26 (b) The board of an economic development district may waive or reduce
27 utility franchise fees that would have otherwise been due within the economic
28 development district.

29 (c) The board of an economic development district may make payments of
30 cash for economic development construction and public infrastructure within
31 the economic development district.

32
33 14-177-502. Grant eligibility and terms.

34 (a) A grant under this subchapter may be made available only to:

35 (1) An owner of property within the boundaries of an economic
36 development district;

1 (2) A tenant of property within the boundaries of an economic
2 development district if the tenant has a lease term that extends beyond the
3 loan forgiveness period under the grant; or

4 (3) A public or franchised utility service provider.

5 (b)(1) A grant may be awarded under this subchapter in the form of a
6 forgivable loan in an amount based on the scope and expected impact of the
7 proposed project, as evaluated and determined by the board of the economic
8 development district.

9 (2) A grant awarded under this subchapter as a forgivable loan
10 may be structured so that some or all of the amount due may be forgiven if
11 the conditions of the grant are met.

12 (3) The interest rate for a forgivable loan granted under this
13 subchapter may be below market or zero percent (0%) to encourage uptake and
14 project initiation.

15 (4) The board of an economic development district may require
16 security for the repayment of a forgivable loan granted under this
17 subchapter.

18 (c) A grant may be awarded under this subchapter in the form of
19 transferable credits useable against future payments of the property charge
20 above the property charge increment or the sales charge above the sales
21 charge increment, or both.

22 (d) The recipient of a grant under this subchapter shall submit an
23 annual report to the board of the economic development district detailing the
24 recipient's progress toward meeting the criteria for the forgivable loan or
25 transferable credits awarded under the grant.

26 (e) The board of an economic development district may employ an
27 independent review committee or third-party auditor to verify that a
28 recipient of a grant awarded under this subchapter has met the criteria for
29 the grant before approving forgiveness of the loan or additional allocation
30 of transferable credits.

31
32 14-177-503. Grant application process.

33 (a) An applicant for a grant under this subchapter shall submit to the
34 board of the economic development district a detailed proposal outlining the
35 proposed project, the expected outcomes of the proposed project, the budget
36 for the proposed project, and the alignment of the proposed project with the

objectives of the economic development district.

(b)(1) A grant awarded under this subchapter is contingent on the recipient's meeting predefined performance targets established by the board of the economic development district.

(2) The predefined performance targets for a grant awarded in the form of transferable credits shall be based on any combination of job creation, job retention, average salary increases, investment of funds other than grant funds received from the economic development district and spent within the economic development district, and the provision of specific services or amenities within the economic development district.

(c) The board of an economic development district shall review an application submitted under this section and evaluate the application based on the strategic fit, potential impact, and feasibility of the proposed project.

14-177-504. Reporting requirement.

(a) A recipient of a grant under this subchapter shall submit to the board of the economic development district that awarded the grant an annual accounting of the use of the grant funds and an annual report detailing the recipient's compliance with the terms of the grant, including without limitation updates on investment levels, employment figures, and other relevant performance-based criteria.

(b) The failure of a recipient of a grant awarded under this subchapter to meet the agreed-upon terms of the grant may result in the recapture of benefits received under the grant, repayment of any disbursed loan funds, renegotiation of any loan terms, or other remedies deemed appropriate by the board of the economic development district, including without limitation foreclosure of the security for a forgivable loan awarded under this subchapter.

Subchapter 6 – Abatement of Property Charge Increment or Sales Charge Increment

14-177-601. Abatement authorized.

(a) The formation charter may authorize the board of the economic development district to grant temporary abatement of the property charge

1 increment or the sales charge increment, or both, to eligible businesses and
2 developers within the economic development district to promote economic
3 development, attract investments, mitigate blight, and increase or retain
4 employment opportunities.

5 (b) Abatement of the property charge increment or the sales charge
6 increment, or both, under this subchapter may take the form of a freeze or
7 reduction in the future assessment of the property charge increment or the
8 sales charge increment, or both.

9
10 14-177-602. Eligibility and terms for abatement.

11 (a) To qualify for abatement of the property charge increment or the
12 sales charge increment, or both, under this subchapter, an applicant shall
13 demonstrate to the board of the economic development district that the
14 applicant's business or project will contribute to or facilitate job
15 creation, job retention, job attraction, economic growth, or economic
16 diversification within the economic development district.

17 (b)(1) Criteria for abatement of the property charge increment or the
18 sales charge increment, or both, under this subchapter may include without
19 limitation the scale of the investment by the applicant, the number of jobs
20 created or retained by the applicant, the longevity and sustainability of the
21 applicant's business, and the strategic importance of the applicant's
22 business to the economic objectives of the economic development district.

23 (2) Abatement of the property charge increment or the sales
24 charge increment, or both, under this subchapter may also be granted to
25 applicants whose business or project is complimentary to the goals of the
26 economic development district.

27 (c) An applicant for abatement of the property charge increment or the
28 sales charge increment, or both, under this subchapter shall not be granted
29 an abatement under this subchapter unless the applicant is in good standing
30 with the State of Arkansas.

31 (d)(1) The terms of an abatement of the property charge increment or
32 the sales charge increment, or both, under this subchapter, including the
33 duration and percentage of the abatement, shall be determined by the board of
34 the economic development district based on the expected economic impact of
35 the applicant's proposed business or project.

36 (2) The duration of any abatement of the property charge

1 increment or the sales charge increment, or both, under this subchapter shall
2 not exceed thirty (30) years.

3 (e) The board of an economic development district may require periodic
4 reviews of a business or project for which an applicant has been granted an
5 abatement of the property charge increment or the sales charge increment, or
6 both, under this subchapter to ensure that the business or project continues
7 to meet the eligibility criteria established at the time the abatement was
8 granted.

9
10 14-177-603. Application process for abatement – Agreement.

11 (a) An applicant seeking abatement of the property charge increment or
12 the sales charge increment, or both, under this subchapter shall submit a
13 detailed proposal to the board of the economic development district
14 outlining:

15 (1) The nature of the proposed business or project;

16 (2) The expected economic benefits of the proposed business or
17 project; and

18 (3) A justification for the request for abatement of the
19 property charge increment or the sales charge increment, or both.

20 (b) The board of an economic development district shall:

21 (1) Review all applications submitted under this section; and

22 (2) Determine whether to approve each application based on the:

23 (A) Strategic fit of the proposed business or project with
24 the goals of the board of the economic development district;

25 (B) Potential economic benefit of the proposed business or
26 project to the economic development district; and

27 (C) Any other criteria as provided in § 14-177-602.

28 (c) If a board of an economic development district approves an
29 application submitted under this section, the board of the economic
30 development district and the applicant shall execute an agreement concerning
31 the terms of the abatement of the property charge increment or the sales
32 charge increment, or both, under this subchapter.

33
34 14-177-604. Reporting requirement.

35 (a) A recipient of an abatement of the property charge increment or
36 the sales charge increment, or both, under this subchapter shall submit an

1 annual report to the board of the economic development district that awarded
2 the abatement detailing the recipient's compliance with the terms of the
3 abatement agreement, including without limitation updates on investment
4 levels, employment figures, and other relevant performance-based criteria.

5 (b) The failure of a recipient of an abatement under this subchapter
6 to meet the agreed-upon terms of the abatement may result in the:

7 (1) Revocation of the abatement of the property charge increment
8 or the sales charge increment, or both; and

9 (2) Board of the economic development district's requiring:

10 (A) Repayment of the abated property charge increment and
11 the sales charge increment; or

12 (B) Payment of any performance security.

13 14 Subchapter 7 – Economic Development District Bonds

15 16 14-177-701. Issuance of bonds – Terms and conditions.

17 (a) The formation charter may authorize the board of the economic
18 development district being formed to issue bonds to finance economic
19 development construction within the economic development district in
20 accordance with the economic development plan.

21 (b) The board of an economic development district shall determine the
22 terms of bonds issued under this subchapter, including the maturity, interest
23 rate, and repayment schedule for the bonds, based on the projected cash flow
24 from available funds and the financial needs of the projects proposed to be
25 funded by the bonds.

26 (c) A two-thirds majority vote of the board of an economic development
27 district is required to approve bonds issued under this subchapter.

28 (d) Approval for the issuance of bonds from the establishing authority
29 of the economic development district may be included in the formation
30 charter.

31 32 14-177-702. Repayment of bonds – Oversight.

33 (a) The repayment of bonds issued under this subchapter may be funded
34 through, paid for, and secured by available funds as determined by the board
35 of the economic development district.

36 (b)(1) Available funds may be pledged as security for bonds issued

1 under this subchapter to allow the economic development district to use the
2 available funds to service debt obligations related to the bonds.

3 (2) If available funds are pledged for the repayment of bonds
4 under this subsection, the board of an economic development district shall
5 establish a detailed plan demonstrating the sufficiency of the available
6 funds to cover debt service requirements while maintaining the operational
7 and developmental objectives and obligations of the economic development
8 district.

9 (c) The board of an economic development district shall:

10 (1) Establish a bond oversight committee to:

11 (A) Monitor the use of bond proceeds under this
12 subchapter; and

13 (B) Ensure that the bond proceeds are used for the
14 purposes specified in the bond issuance documents; and

15 (2) Conduct regular audits to assess the:

16 (A) Management and utilization of bond proceeds under this
17 subchapter; and

18 (B) Adequacy of the available funds to service debt
19 obligations related to the bonds issued under this subchapter.

20
21 14-177-703. Guarantee of bond repayment.

22 (a) To enhance the creditworthiness of bonds issued under this
23 subchapter and to support substantial economic development initiatives, an
24 establishing authority may guarantee the repayment of bonds issued by an
25 economic development district using any portion or combination of the
26 property charge baseline, sales charge baseline, reserved property charge,
27 and reserved sales charge received by the establishing authority.

28 (b) An establishing authority's guarantee of bonds under this section
29 shall be structured as follows:

30 (1) For the first three (3) years after the issuance of the
31 bonds, the establishing authority may guarantee up to one hundred percent
32 (100%) of the bond repayments;

33 (2) For the fourth and fifth year after the issuance of the
34 bonds, the establishing authority may guarantee up to fifty percent (50%) of
35 the bond repayments; and

36 (3) For the sixth and seventh years after the issuance of the

1 bonds, the establishing authority may guarantee up to thirty-three percent
2 (33%) of the bond repayments.

3 (c) The maturity date of bonds guaranteed under this section may
4 extend beyond the term of the guarantee provided by the establishing
5 authority.

6 (d) A decision to guarantee the repayment of bonds under this section
7 shall be approved by a majority vote of the members of the establishing
8 authority.

9 (e) An establishing authority that guarantees the repayment of bonds
10 under this section shall:

11 (1)(A) Establish a special guarantee fund from which guaranteed
12 amounts will be paid.

13 (B) The special guarantee fund established under
14 subdivision (e)(1)(A) of this section shall be replenished annually with the
15 specified portion of the property charge baseline, reserved property charge,
16 sales charge baseline, and reserved sales charge received by the economic
17 development district.

18 (C) An establishing authority that establishes a special
19 guarantee fund under subdivision (e)(1)(A) of this section shall establish
20 protocols to manage the special guarantee fund to ensure that there are
21 sufficient funds available to meet the guarantee obligations of the
22 establishing authority under this section as they become due;

23 (2) Conduct an annual independent audit of the special guarantee
24 fund established under subdivision (e)(1)(A) of this section and the
25 management of the special guarantee fund to ensure transparency and proper
26 use of the establishing authority's revenues; and

27 (3) Implement risk mitigation strategies, including without
28 limitation setting aside reserve funds or obtaining reinsurance, to manage
29 the potential fiscal impact of the guarantee provided under this section.

30 (f)(1) Before approving a guarantee under this section, an
31 establishing authority shall conduct a risk assessment to evaluate the
32 potential financial impact on the establishing authority's finances.

33 (2) The risk assessment required under subdivision (f)(1) of
34 this section shall consider the:

35 (A) Viability of the projects funded by the bonds issued
36 under this chapter; and

1 (B) Expected revenues of the economic development
2 district.

3
4 SECTION 1. DO NOT CODIFY. Contingent effective date.

5 This act is effective on and after January 1, 2027, contingent on
6 Senate Joint Resolution 15 of the Ninety-Fifth General Assembly being
7 referred to the people and adopted at the 2026 general election.

8
9
10 Referred requested by the Arkansas Senate
11 Prepared by: JLL/AMS
12
13