

SUMMARY OF PROPOSAL #24
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: To Repeal the Income Tax Exemptions for Windmill Blade Manufacturers

Summary of Proposal for Consideration

To repeal the income tax exemption for windmill blade manufacturers and windmill blade and windmill components manufacturers under Arkansas Code §§ 26-51-311 and 26-51-312, effective for tax years beginning January 1, 2019.

Fiscal Analysis

Repeal of the income tax exemption for windmill blade manufacturers and windmill blade and windmill components manufacturers may result in an unknown per year increase to general revenue based on figures from FY16, as provided by the Department of Finance and Administration's "Individual & Corporate Income Tax Revenue Impact of Exemptions" presentation to the Arkansas Tax Reform and Relief Legislative Task Force on April 26, 2018.

Legal Analysis

Background

Arkansas currently allows an income tax exemption for windmill blade manufacturers and windmill blade and windmill components manufacturers.

ACT 990 of 2007 created the income tax exemption for qualified windmill blade manufacturing. A windmill blade manufacturer meets the requirements for the income tax exemption if the manufacturer is classified in the North American Industry Classification System (NAICS) Code 333611, as in effect January 1, 2007; the manufacturer is located in the state before December 31, 2007; the manufacturer expends a minimum of one hundred fifty million dollars (\$150,000,000) in the state within six (6) years of signing a financial incentive agreement with the Arkansas Economic Development Commission (AEDC); and the manufacturer hires a minimum of one thousand (1,000) employees in the state within six (6) years of signing a financial incentive agreement with AEDC.

ACT 736 of 2009 created the income tax exemption for qualified windmill blade and windmill components manufacturing. To qualify for the tax exemption, a windmill blade or windmill components manufacturer must: be classified in the (NAICS) Code 333611, as in effect January 1, 2009; here in the state after January 1, 2008; and sign a financial incentive agreement with the AEDC after January 1, 2008. These provisions have not been materially amended since 2009.

Potential Legal Issues

None.

Other States

- Iowa: Does not have an income tax exemption for windmill blade manufacturers or windmill blade and windmill components manufacturers.
- Louisiana: Does not have an income tax exemption for windmill blade manufacturers or windmill blade and windmill components manufacturers.
- Mississippi: Mississippi has an income tax exemption for a business that manufactures or assembles systems or components used in the generation of clean energy, including wind, that locates or expands in Mississippi that will have a minimum capital investment in the state of fifty million dollars (\$ 50,000,000.00) and will create a minimum of two hundred fifty (250) new, full-time jobs. (Miss. Code Ann. § 57-113-1)
- Missouri: Does not have an income tax exemption for windmill blade manufacturers or windmill blade and windmill components manufacturers.
- Oklahoma: Does not have an income tax exemption for windmill blade manufacturers or windmill blade and windmill components manufacturers. However, Oklahoma had an income tax credit for manufacturers of small wind turbine products that was based on the square footage of rotor swept area of advanced small wind turbines manufactured in the state, but the credit was offered only for 2003-2012, with a carry-forward period of ten (10) years. Accordingly, that credit will expire by the 2022 tax year. (68 Okla. St. Ann. § 2357.32B)
- Tennessee: A Tennessee certified green energy supply chain manufacturer is allowed a green energy tax credit against the applicable franchise and excise taxes in an amount equal to the amount by which the certified green energy supply chain manufacturer's electricity cost exceeds the charge that would have been made for the total delivered electricity if the maximum certified rate had been applied during the applicable tax year. To be a certified green energy supply chain manufacturer, the manufacturer must have made a required capital investment in excess of two hundred fifty million dollars (\$250,000,000) in constructing, expanding, or remodeling a facility that is certified to be a facility engaged in manufacturing a product that is necessary for the production of green energy. (T. C. A. § 67-4-2109)
- Texas: Texas provides an exemption from the franchise tax for manufacturers of solar energy devices and component parts, and according to the Comptroller of Texas, wind energy is included in the definition of "solar energy" for purposes of this exemption. (Tex. Tax Code § 171.056; 34 TAC § 3.583)