EXHIBIT D-4a

ARKANSAS INC

Presentation to the Tax Reform and Relief Legislative Task Force

Senator Jim Hendren, Chair

Representative Lane Jean, Chair

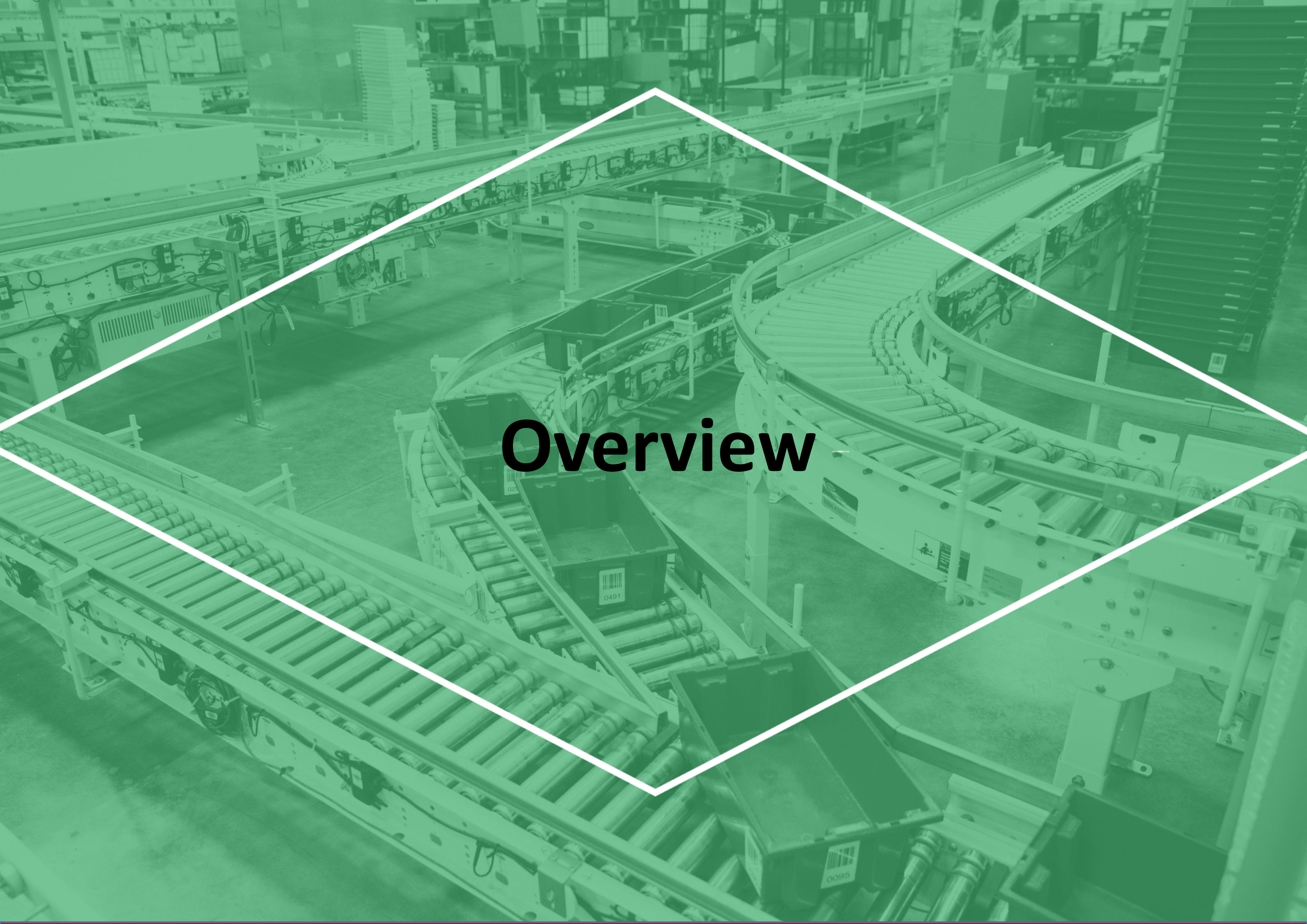
Arkansas Economic Development Commission

October 29, 2018

Mike Preston, Executive Director

Presentation Overview

- Overview
- Corporate Tax Rate
- Apportionment Formula
- Throwback Rule
- Equity Investment Tax Credit
- Tourism Development
- New Market Tax Credit
- Summary



Overview

Overview

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- Arkansas's state tax rankings are consistently lower than competitor states
- 2019 State Business Tax Climate Index: corporate taxes (40^{th}) and overall (46^{th})
- NC, MO, FL, GA, and OK all ranked in the Top 10

Corporate Tax Rate

Corporate Tax Rate

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- Top rate (6.5%) is higher than competitor states of NC (3%); MS and SC (5%); FL (5.5%); GA, KY, MI, and OK (6%); and, MO and IN (6.25%)
- MO, NC, AZ, IN, and NM have recently lowered rates

Corporate Tax Rate

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- Companies and consultants frequently cite Arkansas's high corporate taxes as uncompetitive, necessitating the use of corporate income tax incentives
- Currently 9 states have top rates below 6%, with IN soon to be the 10th state
- Any reduction in the top corporate tax rate would aid competitiveness

Apportionment Formula

Apportionment Formula

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- Most state apportionment formulas were established in the 1950s and 1960s as three factor plant, payroll, and sales
- During the past few years, the trend has been single sales, or single sales option, formulas
- Approximately 30 states now have some type of single sales apportionment formula

Apportionment Formula

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- Single sales factor states include GA, IN, LA, MO, NC, SC, TN, and TX (gross receipts)
- Companies and consultants understand that the addition of plant and payroll will cost more in Arkansas than in single sales factor states further necessitating the need to offer incentives to remain competitive

Apportionment Formula

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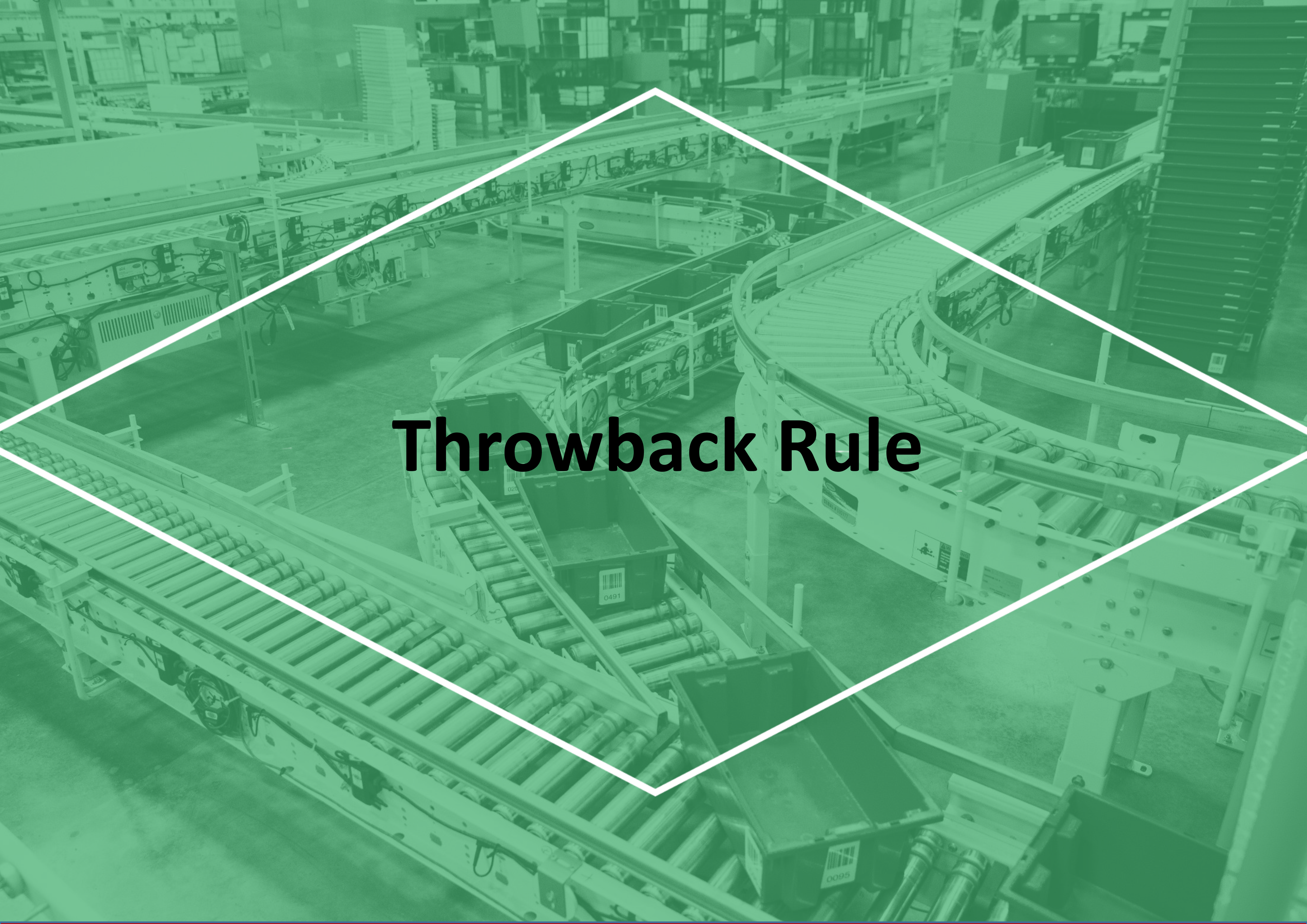
- AEDC recommends adoption of a single sales formula option by the Task Force



Throwback Rule

Throwback Rule

- Act 413 of 1961 adopted the “throwback rule”
- “Nowhere” sales are captured and placed in the Arkansas sales tax factor (Arkansas Code § 26-51-716)

Throwback Rule

- Arkansas is one of approximately 25 states that has a throwback rule affecting corporate income taxation
- FL, GA, IN, NC, OH, SC, TX, and VA do not have a throwback rule (TN's applies only to sales to the US government)

Throwback Rule

- Application of the throwback rule can significantly affect a multi-state company's tax burden in states that have a throwback rule by taxing significant portions of "nowhere income" not attributable to taxable sales in other states
- AEDC recommends that the Task Force propose elimination of the throwback rule

Equity Investment Tax Credit

Equity Investment Tax Credit

- Created by Act 566 of 2007
- Sellable state income or premium tax credit offered at the discretion of AEDC Executive Director
- Credit = 33 1/3% of eligible equity investments to investors in targeted early-stage, start-up businesses
- Tax credit certificates issued to investors by AEDC after concurrent review and approval by AEDC and ADFA

Equity Investment Tax Credit

- Purpose of program is to encourage capital investments in targeted, early stage businesses creating jobs paying 150% of the lesser of the county average wage or the state average wage

Equity Investment Tax Credit

- EITC has been a catalyst in stimulating investment in early stage technology companies, creating a community of entrepreneurs and growing tech companies which would not be nearly as robust, or even exist, without the EITC

Equity Investment Tax Credit

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- Annual issuance of tax credits capped at $6.25M. Only once has AEDC approached the cap.
- Between 2013-2017, AEDC approved 88 projects, 66 of which have had credits issued:
    - Incented equity raise: $86.7M
    - Credits Offered: $28.4M
    - Credits Taken: $24.6M
    - Projected Jobs: 1,516
    - Average Hourly Wage: $37.05

Equity Investment Tax Credit

- As of September, 407 jobs at $38.07 AHW reported
- Notable companies include Aptegy, a K-12 communication/information software company in LR. Their software is used by hundreds of school districts in most states
- Field Agent, Home Dx/Now Diagnostic, Movista, RevUnit, and Acorn Influence

Equity Investment Tax Credit

- DFA data on income tax credits

Calendar Year	Credits Issued	Credits Used
2007	$300,000	$0
2008	$1,170,364	$216,666
2009	$2,386,937	$1,050,349
2010	$4,625,746	$572,588
2011	$2,910,319	$2,722,582
2012	$2,115,679	$3,384,761
2013	$2,856,212	$2,158,372
2014	$3,227,686	$3,494,835
2015	$6,242,195	$3,550,674
2016	$4,740,763	$3,382,516
2017	$4,206,413	$3,750,251

Tourism Development

Tourism Development Act

- Tourism Development Act (sales tax credit) enacted in 1997
- State sales tax credits of 15%–25% of eligible expenditures applied against the increased sales tax liability of the approved project

Tourism Development Act

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- The percentage of sales tax credits is determined by total approved project costs: $500,000 in high unemployment counties are eligible for a credit of 25% of eligible project expenditures
- $1 million projects are eligible for a credit of 15% of eligible project expenditures

Tourism Development Act

- Projects are co-approved by the AEDC Executive Director and the Director of the Arkansas Department of Parks and Tourism
- Since January 1, 2009, AEDC has approved 15 projects: $263.3M investment

Tourism Development Act

- DFA data on sales and use tax credits

Calendar Year	Credits Issued	Credits Used
2009	$2,093,712	$3,123,084
2010	$1,866,827	$3,334,370
2011	$302,603	$3,586,794
2012	$127,364	$3,759,060
2013	$14,392,370	$3,485,059
2014	$2,750,580	$4,137,078
2015	$4,278,134	$3,886,170
2016	$3,563,985	$4,003,544
2017	$473,413	$3,600,610

Tourism Development Act

- Tourism Development Act (Income Tax Credit)
- Income tax credit equal to 4% of payroll of new, full-time permanent employees
- Same expenditure criteria and approval process

Tourism Development Act

- DFA data on income tax credits

Calendar Year	Credits Issued	Credits Used
2009	$13,371	$6,918
2010	$10,826	$9,472
2011	$33,010	$9,788
2012	$32,982	$20,530
2013	$4,842	$26,643
2014	$5,976	$0
2015	$5,453	$0
2016	$0	$0
2017	$0	$0

New Market Tax Credit

New Market Tax Credit

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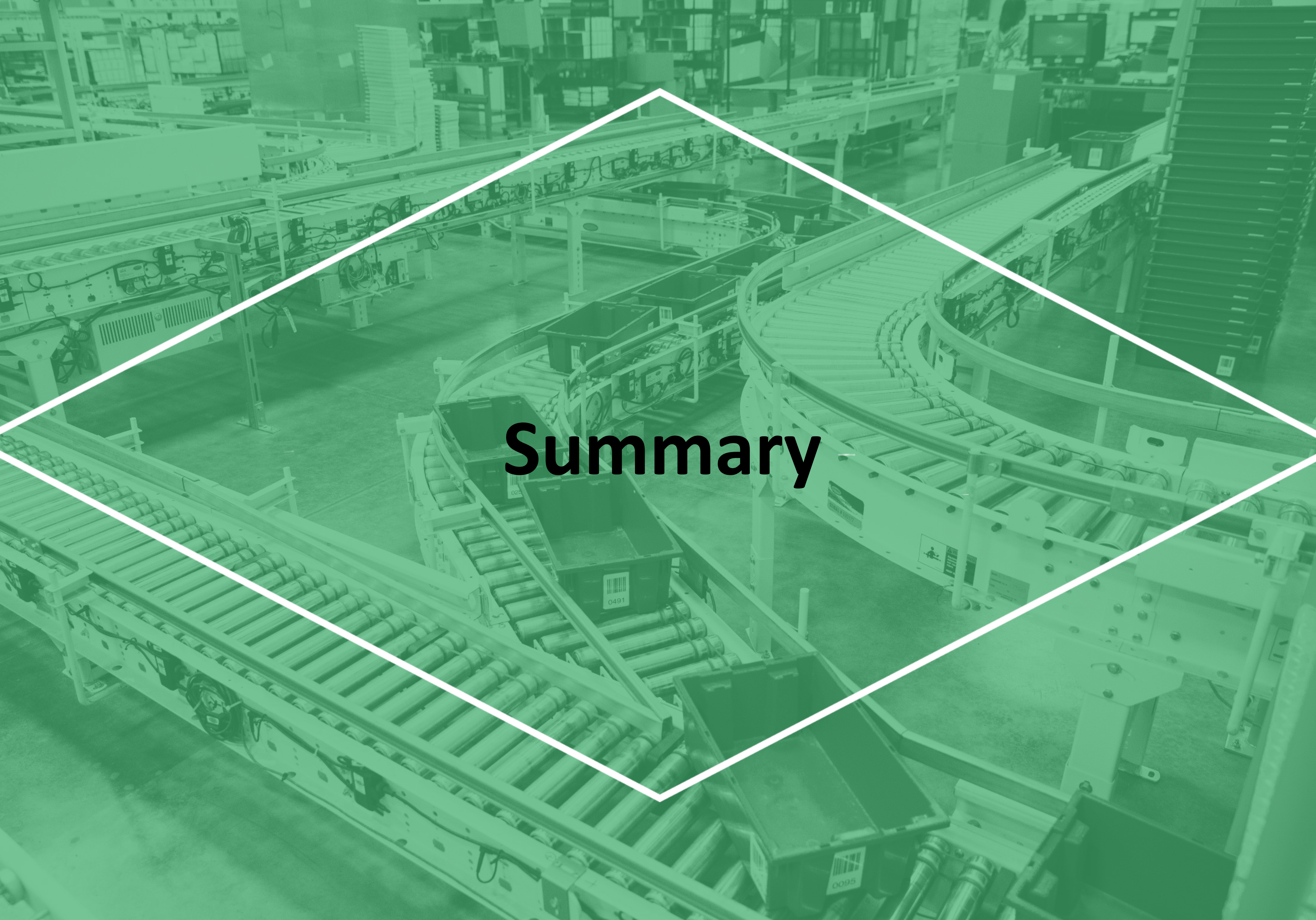
- Established by Act 1474 of 2013 as the New Markets Jobs Act
- Premium tax credits up to 58% to companies that make qualified equity investments in qualified community development entities that invest capital and equity in eligible qualified active low-income community businesses

New Market Tax Credit

- Qualifiers include: business eligibility (type, size, wage); equity investment; 3rd party positive revenue impact assessment by Qualified Community Development Entity; job creation
- Certify up to $166M in investments
- **Program is no longer available to new projects- sunset**

New Market Tax Credit

- Actual investments subject to credit $144.9M
- 58% of $144.9M = $84.066M in credits for 27 different projects affecting 23 different companies
- Credits available to be taken (Over 7 years): Yr 1 and 2 - $0; Yr 3 - $17,393,096, Yr 4 - $17,393,096, Yr 5 - $17,393,096, Year 6 - $15,943,671, Yr 7 - $15,943,671
- It is estimated that 888 net new jobs at



Summary

Summary

- Arkansas is frequently at a competitive disadvantage when companies consider the tax burden of projects
- Proposals being evaluated by the Task Force have the potential to lower the tax burden of companies located in Arkansas, raising Arkansas's competitiveness for projects among competing states, and effectuating economic growth

Summary

- I will continue to work with the Task Force, the Governor, and the legislature during the 92nd General Assembly to implement the recommendations that are being formulated by this thorough process

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ARKANSAS ECONOMIC DEVELOPMENT COMMISSION

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