

State of Arkansas

76th General Assembly

Regular Session, 1987

SENATE BILL 390

By: Senators Bearden and Ingram

"AN ACT TO GIVE TAXPAYERS OPERATING QUALIFIED STEEL MILLS AN EXTENDED PERIOD TO CLAIM THE INCOME TAX NET OPERATING LOSS DEDUCTION AND THE ENTERPRISE ZONE INCOME TAX JOB CREDIT, TO EXEMPT THEIR PURCHASES OF NATURAL GAS AND ELECTRICITY FROM SALES AND USE TAX; AND FOR OTHER PURPOSES."

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

SECTION 1. To claim the benefits of this Act, a taxpayer must obtain a certification from the Director of the Arkansas Department of Industrial Development certifying to the Arkansas Revenue Division that the taxpayer:

A. Operates a steel mill in Arkansas which began production after the effective date of this Act, and

B. Has invested, after the effective date of this Act, in excess of one hundred and twenty million dollars (\$120,000,000.00) in the steel mill which investment expenditure is for one of the following:

1. Property purchased for use in the construction of a building or buildings or any addition or improvement thereon to house the steel mill.

2. Machinery and equipment to be located in or in connection with the steel mill. Motor vehicles of a type subject to registration shall not be considered as machinery and equipment.

3. Project planning costs, construction labor costs (including on-site direct labor and supervision, whether employed by a contractor or the project owner); architectural/engineering fees; right-of-way purchases; utility extensions; site preparation; parking lots; disposal or containment systems; water and sewer treatment systems; rail spurs; streets and roads; purchase of mineral rights; land; buildings; building renovation; production, processing and testing equipment; freight charges; building demolition; material handling equipment; drainage systems; water tanks and reservoirs; storage faci-

lities; equipment rental; contractor's cost plus fees; builders risk insurance; original spare parts, job administrative expenses; office furnishings and equipment; rolling stock; capitalized start-up costs as recognized by generally accepted accounting principals; and other costs related to the construction.

Production and processing equipment, as used in the preceding paragraph includes machinery and equipment essential for the receiving, storing, processing and testing of raw materials and the production, storage, testing, and shipping of finished products, including facilities for the production of: steam, electricity, chemicals, and such other materials that are essential to the manufacturing process, but which are consumed in the manufacturing process and do not become essential components of the finished product. For the purposes of this Act, the term "invested" shall include expenditures made from the proceeds of bonds (including interim notes or other evidence of indebtedness) issued by a municipality, county, or an agency or instrumentality of a municipality, county or the State of Arkansas, if the obligation to repay the bonds, including interest thereon, is a legal, binding obligation, directly or indirectly, of the taxpayer.

SECTION 2. Taxpayers qualified under Section 1 of this Act, entitled to a net operating loss deduction as provided in Section 13(1) of Act 118 of 1929, as amended, (Ark. Stat. Ann. §84-2016(1)) may carry forward that deduction to the next succeeding taxable year following the year of such net operating loss and annually thereafter for a total period of ten (10) years or until such net operating loss has been exhausted, whichever is earlier. The net operating loss deduction must be carried forward in the order named above.

SECTION 3. Taxpayers qualified under Section 1 of this Act, entitled to the enterprise Zone Act income tax credit provided in Section 7(c), of Act 813 of 1983, as amended, (Ark. Stat. Ann. §9-1707(c)), may use the credit in the taxable year in which the credit arose and, if the entire credit cannot be used in the year earned, the remainder may be used in the succeeding nine years or until the credit is exhausted, whichever occurs first.

SECTION 4. Sales of natural gas and electricity to taxpayers qualified under Section 1 of this Act for use in connection with the steel mill shall be

exempt from the Gross Receipts Tax levied by Act 386 of 1941, as amended, (Ark. Stat. Ann. §84-1091 et seq.) and the Compensating (Use) Tax Act, Act 487 of 1949, as amended, (Ark. Stat. Ann. §84-1301 et seq.), and any other state or local tax administered under those Acts.

SECTION 5. The provisions of the Arkansas Enterprise Zone Act of 1983, Act 813 of 1983, as amended, (Ark. Stat. Ann. §9-1701 et seq.) are hereby adopted by this Act. Steel mills qualified under Section 1 of this Act shall claim the benefits provided by the Arkansas Enterprise Zone Act under this Act without regard for any amendment or repeal of the Arkansas Enterprise Zone Act, provided the steel mill business otherwise meets the requirements for claiming the benefits of the Arkansas Enterprise Zone Act.

SECTION 6. REPEALER. All laws and parts of laws in conflict with this Act are hereby repealed.

SECTION 7. EMERGENCY. Unemployment in Arkansas has reached emergency proportions and can only be remedied by attracting new industry. Offering tax incentives is an effective method of attracting business to Arkansas. This Act offers incentives which will reduce unemployment levels. Therefore, an emergency is declared to exist and this Act, being necessary for the immediate preservation of the public peace, health and safety, shall be in full force and effective from and after its passage and approval.

