

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 84th General Assembly  
3 Regular Session, 2003  
4

As Engrossed: H4/4/03

# A Bill

HOUSE BILL 2794

5 By: Representatives R. Smith, *Haak*  
6 By: *Senator Bryles*  
7

## For An Act To Be Entitled

10 AN ACT TO ESTABLISH DIAMOND ZONES TO STIMULATE  
11 ECONOMIC DEVELOPMENT; AND FOR OTHER PURPOSES.

### Subtitle

14 AN ACT TO ESTABLISH DIAMOND ZONES TO  
15 STIMULATE ECONOMIC DEVELOPMENT.  
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18 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
19

20 *SECTION 1. Arkansas Code Title 15, Chapter 4, is amended to add an*  
21 *additional subchapter to read as follows:*

22 15-4-2801. Legislative Intent.

23 (a) The General Assembly of this state finds and declares that there  
24 exists in this state a continuing need for programs to assist certain local  
25 governmental units in encouraging economic development, the consequent job  
26 creation and retention, and ancillary economic growth in this state.

27 (b) To achieve the purposes described in this section, it is  
28 necessary to assist and encourage the creation of diamond zones and to  
29 provide temporary relief from certain taxes within the diamond zones.  
30

31 15-4-2802. As used in this subchapter:

32 (1) "County executive" means the judge of a county court;

33 (2) "Department" means the Arkansas Department of Economic  
34 Development;

35 (3) "Development plan" means a written plan that addresses the  
36 criteria in § 15-4-2806 and includes all of the following:



1                   (A) A map of the proposed diamond zone that  
2 indicates the geographic boundaries, the total area, and the present use and  
3 conditions generally of the land and structures within those boundaries;

4                   (B) Evidence of community support and commitment  
5 from residential and business interests;

6                   (C) A description of the methods proposed to  
7 increase economic opportunity and expansion, facilitate infrastructure  
8 improvement, and identify job training opportunities;

9                   (D) Current social, economic, and demographic  
10 characteristics of the proposed diamond zone and anticipated improvements in  
11 education, health, human services, public safety, and employment if the  
12 diamond zone is created;

13                   (E) Efforts by the local government to attract jobs  
14 which provide health care benefits, retirement benefits, and other employee  
15 benefits; and

16                   (F) Any other information required by the  
17 department;

18                   (4) "Diamond zone" means a contiguous geographic area  
19 designated under this subchapter;

20                   (5) "Distressed area" means an area that, on the date of  
21 application for designation as a diamond zone, either qualifies as a Tier IV  
22 county or is located within a Tier IV county as defined in § 15-4-2704;

23                   (6) "Local governmental unit" means a county, city of the  
24 first class, city of the second class, or incorporated town;

25                   (7) "Person" means an individual, partnership, corporation,  
26 association, limited liability company, governmental entity, or other legal  
27 entity;

28                   (8) "Qualified local governmental unit" means a county, city  
29 of the first class, city of the second class, or incorporated town that  
30 contains an eligible distressed area;

31                   (9) "Review board" means the diamond zone review board  
32 created in § 15-4-2804;

33                   (10) "Rural area" means an area that lies outside of the  
34 boundaries of an urban area; and

35                   (11) "Urban area" means an urbanized area as determined by  
36 the Economics and Statistics Administration, United States Bureau of the

1 Census according to the most recent census.

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3 15-4-2803. (a) One (1) or more qualified local governmental units  
4 may apply to the Diamond Zone Review Board to designate the qualified local  
5 governmental unit or units as a diamond zone if all of the following criteria  
6 are met:

7 (1) The geographic area of the proposed diamond zone is  
8 located within the boundaries of the qualified local governmental unit or  
9 units that apply;

10 (2) The application includes a development plan;

11 (3) The proposed diamond zone is not larger than one county  
12 in size;

13 (4) The application includes the proposed duration of diamond  
14 zone status, not to exceed fifteen (15) years;

15 (5) If the qualified local governmental unit is a county, the  
16 county executive's written approval of the application; and

17 (6) If the qualified local governmental unit is a city or  
18 town, written approval of the application by the city's or town's mayor or  
19 manager.

20 (b)(1) A qualified local governmental unit may submit not more than  
21 one (1) application to the review board for designation as a diamond zone.

22 (2) A resolution provided by a local governmental unit under  
23 § 15-4-2806 does not constitute an application of a local governmental unit  
24 for a diamond zone under this subchapter.

25  
26 15-4-2804. (a)(1) The Diamond Zone Review Board is created. The  
27 review board shall consist of:

28 (A) The Director of the Department of Economic  
29 Development, or the director's designee;

30 (B) The Director of the Arkansas Department of  
31 Finance and Administration, or the director's designee;

32 (C) The Director of the Arkansas Employment Security  
33 Department, or the director's designee;

34 (D) Two (2) members appointed by the Governor of the  
35 State of Arkansas for terms of two (2) years;

36 (E) One (1) member appointed by the President Pro

1 Tempore of the Arkansas Senate for a term of two (2) years; and

2 (F) One (1) member appointed by the Speaker of the  
3 Arkansas House of Representatives for a term of two (2) years.

4 (2) The appointments of members to the review board shall be  
5 made within thirty (30) days of the effective date of this subchapter.

6 (b) The review board shall review all applications submitted by  
7 qualified local governmental units and make recommendations to the Governor  
8 based on the criteria contained in § 15-4-2806.

9 (c) Members of the review board shall serve without compensation for  
10 their membership on the review board, but members of the review board may  
11 receive reasonable reimbursement for necessary travel and expenses.

12  
13 15-4-2805. (a) The Governor shall review all recommendations  
14 submitted by the Diamond Zone Review Board and determine which applications  
15 meet the criteria contained in § 15-4-2806.

16 (b) After the Governor notifies the review board that applications  
17 meet the criteria contained in § 15-4-2806, the review board shall do all of  
18 the following:

19 (1) Designate diamond zones;

20 (2) Subject to subsection (c) of this section, approve or  
21 reject the duration of diamond zone status; and

22 (3) Subject to subsection (c) of this section, approve or  
23 reject the geographic boundaries and the total area of the diamond zone as  
24 submitted in the application.

25 (c) The review board shall not alter the geographic boundaries of the  
26 diamond zone or the duration of diamond zone status described in the  
27 application unless the qualified local governmental unit or units and the  
28 local governmental unit or units in which the diamond zone is to be located  
29 consent by resolution to the alteration.

30 (d) The designation of a diamond zone under this subchapter shall  
31 take effect on January 1 of the year following designation.

32  
33 15-4-2806. (a) In order to designate a geographic area as a diamond  
34 zone, the Diamond Zone Review Board shall determine that the proposed diamond  
35 zone is a distressed area.

36 (b) The review board shall also consider the following criteria in

1 designating a diamond zone:

2 (1) Shall give priority to applications that include new  
3 business activity;

4 (2) The viability of the development plan;

5 (3) Whether the development plan is creative and innovative;

6 (4) Public and private commitment to and other resources  
7 available for the proposed diamond zone;

8 (5) How diamond zone designation would relate to a broader  
9 plan for the community as a whole;

10 (6) The level of demonstrated cooperation from surrounding  
11 communities;

12 (7) How the local regulatory burden will be eased for  
13 businesses operating in the proposed diamond zone;

14 (8) Public and private commitment to improving abandoned real  
15 property; and

16 (9) Any other information required by the review board.

17 (c) The review board shall not designate an area as a diamond zone  
18 unless each local governmental unit within which the proposed diamond zone is  
19 to be located provides a resolution from its governing body that states if  
20 the diamond zone designation is granted.

21  
22 15-4-2807. (a) The Diamond Zone Review Board shall not designate  
23 more than nine (9) diamond zones within this state.

24 (b) Not more than six (6) of the diamond zones shall be located in  
25 urban areas and not more than four (4) of the diamond zones shall be located  
26 in rural areas.

27 (c) For purposes of determining whether a diamond zone is located in  
28 an urban area or rural area under this section, if any part of a diamond zone  
29 is located within an urban area, the entire diamond zone shall be considered  
30 to be located in an urban area.

31  
32 15-4-2808. (a) Except as otherwise provided in § 15-4-2809, and  
33 subject to the limitations contained in subsection (b) and (c) of this  
34 section, an individual who is a resident of a diamond zone or a business that  
35 is located and conducts business activity within a diamond zone shall be  
36 exempt from state and local income taxes during the duration of the diamond

1 zone status.

2 (b)(1) The income tax exemption provided by this section shall first  
3 be available for tax years beginning on or after January 1 of the year  
4 following the designation of a geographic area as a diamond zone.

5 (2) An individual is not eligible for the income tax  
6 exemption provided by this section unless the diamond zone is the  
7 individual's primary place of residence during each year for which the  
8 exemption is claimed.

9  
10 15-4-2809. (a) During the last three (3) years that the taxpayer is  
11 eligible for the exemption provided in § 15-4-2808, the exemption shall be  
12 reduced by the following percentages:

13 (1) For the tax year that is two (2) years before the final  
14 year of designation as a diamond zone, the percentage shall be twenty-five  
15 percent (25%);

16 (2) For the tax year immediately preceding the final year of  
17 designation as a diamond zone, the percentage shall be fifty percent (50%);  
18 and

19 (3) For the tax year that is the final year of designation as  
20 a diamond zone, the percentage shall be seventy-five percent (75%).

21 (b) An individual who is a resident of a diamond zone or a business  
22 that is located and conducts business activity within a diamond zone is not  
23 eligible for the exemption provided in § 15-4-2808 if the taxpayer is  
24 delinquent on the payment of any state and local income taxes during the ten-  
25 year period immediately preceding the designation as a diamond zone.

26 (c) An individual who is a resident of a diamond zone is eligible for  
27 the exemption provided in § 15-4-2808 until the Department of Finance and  
28 Administration determines that the aggregate state and local tax revenue  
29 forgone as a result of the exemption granted under this subchapter to that  
30 individual reaches two million dollars (\$2,000,000).

31 (d) With respect to businesses located and conducting business  
32 activity within a diamond zone, the exemption from state and local income  
33 taxes shall only apply to income derived from the business activities  
34 conducted within a diamond zone.

35  
36 15-4-2810. (a) The form of the application for a diamond zone

1 designation shall be as specified by the Department of Economic Development.

2 (b) The Diamond Zone Review Board may request any information from an  
3 applicant, in addition to that contained in an application, as may be needed  
4 to permit the review board to discharge its responsibilities under this  
5 subchapter.

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7 15-4-2811. This subchapter shall be construed liberally to effectuate  
8 the legislative intent and the purposes of this subchapter and as complete  
9 and independent authority for the performance of each and every act and thing  
10 authorized by this subchapter, and all powers granted by this subchapter  
11 shall be broadly interpreted to effectuate the intent and purposes of this  
12 subchapter and not as a limitation of powers.

13  
14 15-4-2812. (a) The Department of Economic Development shall annually  
15 report to the General Assembly on the economic effects of this subchapter in  
16 each diamond zone.

17 (b) The report shall include, but is not limited to, all of the  
18 following for each diamond zone:

19 (1) Number of new jobs created;

20 (2) Average hourly wage of new jobs created; and

21 (3) Annual percentage change of adjusted gross income of  
22 residents of diamond zones.

23 /s/ R. Smith, et al  
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