

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 *As Engrossed: H2/24/05 H3/18/05 H4/1/05 S4/11/05*

2 85th General Assembly

# A Bill

3 Regular Session, 2005

HOUSE BILL 1899

4

5 By: Representative Ragland

6 By: *Senator Trusty*

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## For An Act To Be Entitled

10 AN ACT TO AMEND THE ARKANSAS TOURISM DEVELOPMENT  
11 ACT; TO CHANGE QUALIFICATION REQUIREMENTS; TO ADD  
12 DEFINITIONS; TO CHANGE INCOME TAX BENEFITS FOR  
13 JOB CREATION; AND FOR OTHER PURPOSES.

14

15

## Subtitle

16

AN ACT TO AMEND THE ARKANSAS TOURISM  
DEVELOPMENT ACT.

17

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

21

22 SECTION 1. Arkansas Code § 15-11-503 is amended to read as follows:

23 15-11-503. Definitions.

24 As used in this subchapter:

25 (1) "Agreement" means an agreement entered into pursuant to §  
26 15-11-506 by and between the Director of the Department of Economic  
27 Development and an approved company with respect to a tourism attraction  
28 project;

29 (2) "Approved company" means any eligible company that is  
30 seeking to undertake a tourism attraction project and is approved by the  
31 director pursuant to §§ 15-11-505 and 15-11-506;

32 (3) "Approved costs" means:

33 (A) Obligations incurred for labor and to vendors,  
34 contractors, subcontractors, builders, suppliers, deliverymen, and  
35 materialmen in connection with the acquisition, construction, equipping, and  
36 installation of a tourism attraction project;



1 (B) The costs of acquiring real property or rights in real  
2 property in connection with a tourism attraction project and any costs  
3 incidental thereto;

4 (C) The cost of contract bonds and insurance of all kinds  
5 that may be required or necessary during the course of the acquisition,  
6 construction, equipping, and installation of a tourism attraction project  
7 which is not paid by the vendor, supplier, deliveryman, contractor, or  
8 otherwise provided;

9 (D) All costs of architectural and engineering services,  
10 including, but not limited to, estimates, plans and specifications,  
11 preliminary investigations, and supervision of construction and installation,  
12 as well as for the performance of all the duties required by or consequent to  
13 the acquisition, construction, equipping, and installation of a tourism  
14 attraction project;

15 (E) All costs required to be paid under the terms of any  
16 contract for the acquisition, construction, equipping, and installation of a  
17 tourism attraction project;

18 (F) All costs required for the installation of utilities  
19 in connection with a tourism attraction project, including, but not limited  
20 to, water, sewer, sewage treatment, gas, electricity, and communications, and  
21 including off-site construction of utility extensions paid for by the  
22 approved company; and

23 (G) All other costs comparable with those described in  
24 this section;

25 (4) "Director" means the Director of the Department of Economic  
26 Development or the director's designated representative;

27 (5) "Eligible company" means any corporation, limited liability  
28 company, partnership, registered limited liability partnership, sole  
29 proprietorship, business trust, or any other entity that invests a minimum of  
30 five hundred thousand dollars (\$500,000) in a high unemployment county or one  
31 million dollars (\$1,000,000) in any other county for the purpose of  
32 constructing, operating, or intending to operate a tourism attraction  
33 project, whether owned or leased, within the state that meets the standards  
34 promulgated by the director pursuant to § 15-11-504;

35 (6) "Final approval" means the action taken by the director  
36 authorizing the eligible company to receive inducements under §§ 15-11-507

1 and 15-11-509;

2 (7)(A) *"High unemployment" means an unemployment rate equal to*  
3 *or in excess of one hundred fifty percent (150%) of the state's average*  
4 *unemployment rate for the preceding calendar year as specified by statewide*  
5 *annual labor force statistics compiled by the Arkansas Employment Security*  
6 *Department when the state's annual average unemployment rate is six percent*  
7 *(6%) or below.*

8 (B) *When the state's annual average unemployment rate is*  
9 *above six percent (6%), "high unemployment" means equal to or in excess of*  
10 *three percent (3%) above the state's average unemployment rate for the*  
11 *preceding calendar year as specified by statewide annual labor force*  
12 *statistics compiled by the Arkansas Employment Security Department;*

13 (8)(A) *"Increased state sales tax liability" means that portion*  
14 *of an approved company's reported state sales, i.e., gross receipts tax*  
15 *liability resulting from taxable sales of goods and services to its customers*  
16 *at the tourist attraction for any monthly sales tax reporting period after*  
17 *the approved company provides the certification required by § 15-11-507(b),*  
18 *which exceeds that reported state sales tax liability for sales to its*  
19 *customers for the same month in the calendar year immediately preceding that*  
20 *certification.*

21 (B) *If an approved company purchases an existing tourism*  
22 *attraction which was selling goods and services at the time of purchase and*  
23 *which may or may not have been entitled to the benefits of this subchapter*  
24 *prior to such a purchase, the "increased state sales tax liability" resulting*  
25 *from any investments in the tourism attraction by the new owners means that*  
26 *portion of the approved company's reported state sales, or gross receipts,*  
27 *tax liability resulting from taxable sales of goods and services to its*  
28 *customers at the tourism attraction for any monthly sales tax reporting*  
29 *period after the approved company provides the certification required by §*  
30 *15-11-507(b) which exceeds the reported state sales tax liability for sales*  
31 *made by the seller of the tourism attraction for the same month in the*  
32 *calendar year immediately preceding that certification.*

33 (C) *The prohibitions against disclosure of confidential*  
34 *tax information provided in § 26-18-303 shall not apply for purposes of*  
35 *computing the credit available under this subchapter;*

36 (9) *"Inducements" means the Arkansas sales tax credit as*

1 prescribed in § 15-11-507 or the Arkansas income tax credit as prescribed in  
2 § 15-11-509, or both;

3 (10) "Investment threshold" means the minimum amount of approved  
4 costs that must be incurred in order to qualify for eligibility;

5 ~~(10)(A)(i)~~ (11)(A)(i) "New full-time permanent employee" means a  
6 position or job which was created as a result of a tourism attraction project  
7 and which is filled by one (1) or more employees or contractual employees who  
8 were Arkansas taxpayers during the year in which the tax credits or  
9 incentives were earned or claimed.

10 (ii) ~~The position or job held by the employee or~~  
11 ~~employees must have been filled for at least twenty-six (26) consecutive~~  
12 ~~weeks with work~~ an average of at least thirty (30) hours per week.

13 (B) However, in order to qualify for the provisions of  
14 this subchapter, a contractual employee must be offered a ~~benefit~~ benefits  
15 package comparable to a direct employee of the business seeking incentives  
16 under this subchapter;

17 (12) "Payroll" means the total taxable wages, including overtime  
18 and bonuses, paid during the preceding tax year of the approved company to  
19 new full-time permanent employees hired after the date of the signed  
20 financial incentive agreement; and

21 ~~(11)(A)~~ (13)(A) "Tourism attraction" means:

- 22 (i) Cultural or historical sites;
- 23 (ii) Recreational or entertainment facilities;
- 24 (iii) Areas of natural phenomena or scenic beauty;
- 25 (iv) Theme parks;
- 26 (v) Amusement or entertainment parks;
- 27 (vi) Indoor or outdoor plays or music shows;
- 28 (vii) Botanical gardens; and
- 29 (viii) Cultural or educational centers.

30 (B) A tourism attraction shall not include:

31 (i) Lodging facilities, unless the facilities  
32 constitute a portion of a tourism attraction project and represent less than  
33 sixty percent (60%) of the total approved costs of the tourism attraction  
34 project or unless the project meets the special rules outlined in § 15-11-  
35 510;

36 (ii) Facilities that are primarily devoted to the

1 retail sale of goods, unless the goods are created at the site of the tourism  
2 attraction project or if the sale of goods is incidental to the tourism  
3 attraction project;

4 (iii) Facilities that are not open to the general  
5 public;

6 (iv) Facilities that do not serve as a likely  
7 destination where individuals who are not residents of the state would remain  
8 overnight in commercial lodging at or near the tourism attraction project;

9 (v) Facilities owned by the State of Arkansas or a  
10 political subdivision of the state; or

11 (vi)(a) Facilities established for the purpose of  
12 conducting legalized gambling.

13 (b) However, a facility regulated under the  
14 Arkansas Horse Racing Law, § 23-110-101 et seq., or the Arkansas Greyhound  
15 Racing Law, § 23-111-101 et seq., shall be a tourism attraction for purposes  
16 of this subchapter for any approved project as outlined in subdivision  
17 (10)(A) of this section or for an approved project relating to pari-mutuel  
18 racing at the facility and not for establishing a casino or for offering  
19 casino-style gambling; ~~and~~

20 ~~(12)~~(14) "Tourism attraction project" or "project" means the:

21 (A) Acquisition, including the acquisition of real estate  
22 by leasehold interest with a minimum term of ten (10) years, construction,  
23 and equipping of a tourism attraction; and

24 (B) Construction and installation of improvements to  
25 facilities necessary or desirable for the acquisition, construction, and  
26 installation of a tourism attraction, including, but not limited to:

27 (i) Surveys;

28 (ii) Installation of utilities, which may include  
29 water, sewer, sewage treatment, gas, electricity, communications, and similar  
30 facilities; and

31 (iii) Off-site construction of utility extensions to  
32 the boundaries of the real estate on which the facilities are located, all of  
33 which are to be used to improve the economic situation of the approved  
34 company in a manner that will allow the approved company to attract persons.  
35

36 SECTION 2. Arkansas Code § 15-11-504 is amended to read as follows:

1 15-11-504. Evaluation standards - Tourism attraction project  
2 applications.

3 (a) The Director of the Department of Economic Development shall  
4 establish standards for the making of applications for inducements to  
5 eligible companies and their tourism attraction projects by the promulgation  
6 of administrative regulations in accordance with the Arkansas Administrative  
7 Procedure Act, § 25-15-201 et seq.

8 (b) With respect to each eligible company making an application to the  
9 director for inducements and with respect to the tourism attraction project  
10 described in the application, the director shall make inquiries and request  
11 materials of the applicant that shall include, but shall not be limited to:

12 (1) Marketing plans for the project that target individuals who  
13 are not residents of the state;

14 (2) A description and location of the project;

15 (3) Capital and other anticipated expenditures for the project  
16 *that indicate that the total cost of the project shall exceed five hundred*  
17 *thousand dollars (\$500,000) in a high unemployment county and one million*  
18 *dollars (\$1,000,000) in all other counties and the anticipated sources of*  
19 *funding ~~therefor~~ for the project;*

20 (4) The anticipated employment and wages to be paid at the  
21 project;

22 (5) Business plans which indicate the average number of days in  
23 a year in which the project will be in operation and open to the public; and

24 (6) The anticipated revenues and expenses generated by the  
25 project.

26 (c) The Department of Economic Development shall analyze the data made  
27 available by the eligible company and collect and analyze additional  
28 information as is necessary to determine that the tourism attraction project  
29 will:

30 (1) Develop a marketing plan that targets at least twenty-five  
31 percent (25%) of its visitors from among persons who are not residents of the  
32 state;

33 (2) *Have costs in excess of five hundred thousand dollars*  
34 *(\$500,000) in a high unemployment county and one million dollars (\$1,000,000)*  
35 *in all other counties;*

36 (3) Have a significant and positive economic impact on the state

1 considering, among other factors, the extent to which the tourism attraction  
2 project will compete directly with existing tourism attractions in the state  
3 and the amount by which increased tax revenues from the tourism attraction  
4 project will exceed the sales tax credit allowed pursuant to § 15-11-507;

5 (4) Produce sufficient revenues and public demand to be  
6 operating and open to the public on a regular and persistent basis; and

7 (5) Not adversely affect existing employment in the state.  
8

9 SECTION 3. Arkansas Code § 15-11-505(e), concerning standards for  
10 preliminary and final approval of tourism companies and projects, is amended  
11 to read as follows:

12 (e) After a review of the relevant materials, other information made  
13 available to the director, and the completion of other inquiries, the  
14 director may give final approval to the eligible company's application for a  
15 tourism attraction project and may grant the approval to the eligible company  
16 ~~the status of an approved company in the form of a financial incentive~~  
17 agreement.  
18

19 SECTION 4. Arkansas Code § 15-11-506(b) and (c), concerning contracts  
20 for tourism attraction projects, are amended to read as follows:

21 (b) The terms and provisions of each agreement shall include, but  
22 shall not be limited to:

23 (1) The amount of approved costs, which shall be determined by  
24 negotiations between the Director of the Department of Economic Development  
25 and the approved company;

26 (2)(A)(i) The eligibility date for incurring project costs.

27 (ii) ~~A date certain~~ The eligibility date shall be  
28 the date by which the approved company shall have completed the tourism  
29 attraction project.

30 (B) Within three (3) months of the completion date, the  
31 approved company shall document the actual cost of the tourism attraction  
32 project through a certification of such costs by an independent certified  
33 public accountant acceptable to the Director of the Department of Economic  
34 Development; and

35 (3) The following provisions:

36 (A)(i) The term shall be ten (10) years from the later of:

1 (a) The date of the final approval of the  
2 tourism attraction project; or

3 (b) The completion date specified in the  
4 agreement, if the completion date is within two (2) years of the date of the  
5 final approval of the tourism attraction project.

6 (ii) However, the term of the agreement may be  
7 extended for up to two (2) additional years by the Director of the Department  
8 of Economic Development, with the advice and consent of the Director of the  
9 Department of Finance and Administration, if the Director of the Department  
10 of Economic Development determines that the failure to complete the tourism  
11 attraction project within two (2) years resulted from unanticipated and  
12 unavoidable delay in the construction of the tourism attraction project, the  
13 project as originally planned will require more than two (2) years to  
14 complete, or resulted from a merger, acquisition, or other change in business  
15 ownership or business structure;

16 (B) In any sales tax reporting period during which an  
17 agreement is in effect, if the increased state sales tax liability of the  
18 approved company exceeds the state sales tax credit available to the approved  
19 company, then the approved company shall pay the excess to the state as sales  
20 tax;

21 (C) Within forty-five (45) days after the end of each  
22 calendar year ~~of the approved company~~, the approved company shall supply the  
23 Director of the Department of Economic Development with such reports and  
24 certifications as the Director of the Department of Economic Development may  
25 request, demonstrating to the satisfaction of the Director of the Department  
26 of Economic Development that the approved company is in compliance with the  
27 provisions of this subchapter; and

28 (D) The approved company shall not receive a credit  
29 against the Arkansas sales tax imposed by § 26-52-301 et seq., with respect  
30 to any calendar year if in any calendar year following the first year of the  
31 agreement the tourism attraction project is not operating and open to the  
32 public on a regular and persistent basis.

33 (c) The agreement shall not be ~~transferrable~~ transferable or  
34 assignable by the approved company without the written consent of the  
35 Director of the Department of Economic Development.

36



1 SECTION 5. Arkansas Code § 15-11-507(b) and (c), concerning tourism  
2 attraction project sales tax credits, are amended to read as follows:

3 (b)(1)(A)(i)(a) An approved company ~~whose agreement provides that it~~  
4 ~~shall expend approved costs of more than five hundred thousand dollars~~  
5 ~~(\$500,000) but less than one million dollars (\$1,000,000)~~ shall be entitled  
6 to a credit if the company certifies to the Director of the Department of  
7 *Finance and Administration that it has expended at least five hundred*  
8 *thousand dollars (\$500,000) in a high unemployment county and one million*  
9 *dollars (\$1,000,000) in all other counties in approved costs and the Director*  
10 of the Department of Economic Development certifies that the approved company  
11 is in compliance with this subchapter.

12 *(b)(1) The Director of the Department of*  
13 *Finance and Administration shall then issue a sales tax credit memorandum to*  
14 *the approved company equal to ~~ten percent (10%)~~ fifteen percent (15%) of the*  
15 *approved costs.*

16 *(2) However, in high unemployment*  
17 *counties the Director of the Department of Finance and Administration shall*  
18 *issue a credit memorandum to the approved company equal to twenty-five*  
19 *percent (25%) of the approved costs.*

20 *(c) The sales tax credit memorandum shall not*  
21 *include an offset of the tourism tax levied under § 26-52-1001-26-52-1006.*

22  
23 *~~(b)(ii) Subsequent requests for credit for~~*  
24 *additional certified approved costs ~~in excess of five hundred thousand~~*  
25 *dollars (\$500,000) but less than one million dollars (\$1,000,000) shall*  
26 *result in a sales tax credit equal to ~~ten percent (10%)~~ of the approved costs*  
27 *shall be filed with the Department of Finance and Administration during the*  
28 *term of the agreement.*

29 *~~(ii) If the company subsequently expends additional~~*  
30 *certified approved costs so that the total amount of expended approved costs*  
31 *exceeds one million dollars (\$1,000,000), then the sales tax credit*  
32 *memorandum shall equal ~~twenty five percent (25%)~~ of the approved costs in*  
33 *excess of one million dollars (\$1,000,000).*

34 *~~(B)(i) An approved company whose agreement provides that~~*  
35 *it shall expend approved costs in excess of one million dollars (\$1,000,000)*  
36 *shall be entitled to a credit if the company certifies to the Director of the*

1 ~~Department of Finance and Administration that it has expended at least one~~  
2 ~~million dollars (\$1,000,000) in approved costs and the Director of the~~  
3 ~~Department of Economic Development certifies that the approved company is in~~  
4 ~~compliance with this subchapter.~~

5 ~~(ii) The Director of the Department of Finance and~~  
6 ~~Administration shall then issue a sales tax credit memorandum to the approved~~  
7 ~~company equal to twenty five percent (25%) of the approved costs.~~

8 ~~(iii) The credit on all subsequent additional~~  
9 ~~certified approved costs shall be equal to twenty five percent (25%) of the~~  
10 ~~costs.~~

11 ~~(C)(i)(B)(i)~~ The Director of the Department of Finance and  
12 Administration may require proof of expenditures.

13 (ii) Additional credit memoranda may be issued as  
14 the approved company certifies additional expenditures of approved costs.

15 (2)(A) No sales tax credit memorandum shall be issued for any  
16 approved costs expended after the expiration of two (2) years from the date  
17 the agreement was signed by the Director of the Department of Economic  
18 Development and the approved company.

19 (B) However, the Director of the Department of Economic  
20 Development, with the advice and consent of the Director of the Department of  
21 Finance and Administration, may authorize sales tax credits for approved  
22 costs expended up to four (4) years from the date the agreement was signed if  
23 the Director of the Department of Economic Development determines that the  
24 failure to complete the tourism attraction project within two (2) years  
25 resulted from:

26 (i) Unanticipated and unavoidable delay in the  
27 construction of the tourism attraction project;

28 (ii) The tourism attraction project, as originally  
29 planned, will require more than two (2) years to complete; or

30 (iii) A change in business ownership or business  
31 structure resulting from a merger or acquisition.

32 (c) The credit memorandum issued pursuant to subsection (b) of this  
33 section may be used to offset a portion of the reported state sales, or gross  
34 receipts, tax liability of the approved company for all sales tax reporting  
35 periods following the issuance of the credit memorandum, subject to the  
36 following limitations:

1 (1) Only increased state sales tax liability as defined in this  
2 subchapter may be offset by the issued credit;

3 (2)(A)~~(i)~~ An approved company whose agreement provides that it  
4 *shall expend approved costs in excess of five hundred thousand dollars*  
5 *(\$500,000) in a high unemployment county and one million dollars (\$1,000,000)*  
6 *in all other counties* shall be entitled to use one hundred percent (100%) of  
7 the issued credit to offset increased state sales tax liability during the  
8 first year if its tax liability is equal to or greater than the amount issued  
9 in the state sales tax credit memorandum.

10 ~~(ii)(B)~~ Unused credits may be carried forward for a period  
11 of nine (9) years~~;~~ and

12 ~~(B)(i)~~ ~~An approved company whose agreement provides that~~  
13 ~~it shall expend approved costs of more than five hundred thousand dollars~~  
14 ~~(\$500,000) but less than one million dollars (\$1,000,000) shall be entitled~~  
15 ~~to use one hundred percent (100%) of the issued credit to offset increased~~  
16 ~~sales tax liability during the first year if its tax liability is equal to or~~  
17 ~~greater than the amount issued in the state sales tax credit memorandum.~~

18 ~~(ii)~~ ~~Unused credits may be carried forward for a~~  
19 ~~period of nine (9) years;~~ and

20 (3) All issued credit memoranda shall expire at the end of the  
21 month following the expiration of the agreement as provided in § 15-11-506.

22 (4) Except as provided in § 15-11-511, credit memoranda shall  
23 not be used to offset any tax other than state sales tax.

24  
25 SECTION 6. Arkansas Code § 15-11-509 is amended to read as follows:

26 15-11-509. Tourism attraction project income tax credit.

27 (a) Tourism attraction projects meeting the eligibility requirements  
28 under § 15-11-503(12)(A) are entitled to receive an income tax credit based  
29 upon a percentage of the payroll of the new full-time permanent employees  
30 working at the tourism attraction project.

31 ~~(a)(b)~~ Upon notification from the Director of the Department of  
32 Economic Development that an approved company has entered into a tourism  
33 attraction project agreement and is entitled to the income tax credit  
34 provided by this section, the Director of the Department of Finance and  
35 Administration shall provide the approved company with such forms and  
36 instructions as are necessary to claim those credits.

1       ~~(b)(c)(1)~~ The approved company shall certify the number and payroll of  
2 the new full-time permanent employees to the Revenue Division of the  
3 Department of Finance and Administration.

4               (2) Upon certification by the company, the Department of Finance  
5 and Administration shall authorize an income tax credit equal to ~~one hundred~~  
6 ~~(100) times the average hourly wage paid, with a maximum of three thousand~~  
7 ~~dollars (\$3,000) per net new full-time permanent employee of an~~ four percent  
8 (4%) of the payroll of the new full-time permanent employees of the approved  
9 tourism attraction project qualifying for benefits under this act.

10       ~~(e) The division shall authorize an income tax credit allowed under~~  
11 ~~this section that shall increase by a factor of four (4) equal to four~~  
12 ~~hundred (400) multiplied by the average hourly wage paid, with a maximum~~  
13 ~~credit of six thousand dollars (\$6,000) if the business is located in a high-~~  
14 ~~unemployment county.~~

15       (d) To be counted as a net new full-time permanent employee for the  
16 purpose of qualifying for the tax credits provided by this section, the  
17 employee in the position or job must have been an Arkansas taxpayer during  
18 the year in which the tax credits were earned.

19       (e) In the event it is found that any approved company receiving the  
20 benefits contained in this section has failed to comply with the conditions  
21 contained in this act, that company shall be disqualified from receiving any  
22 further benefits under this act and shall be liable for payment of such  
23 additional income taxes as may be due after the income tax credits provided  
24 for in this section are disallowed, plus interest.

25       (f) If the Department of Finance and Administration determines that an  
26 approved company is no longer qualified to participate in this act, it shall  
27 decertify the company. Any company so decertified shall not receive any  
28 benefits under this act.

29       (g) For projects receiving final approval after March 1, 1999, the  
30 credit may be applied against the approved company's income tax liability for  
31 the succeeding nine (9) years or until the credit is entirely used, whichever  
32 occurs first.

33  
34       SECTION 7. Arkansas Code § 15-11-510(b)(1), concerning special rules  
35 for certain tourism lodging facilities, is amended to read as follows:

36       (b)(1) A lodging facility qualifying as a tourism attraction project

1 under this section shall be entitled to the sales tax benefits as provided in  
2 ~~§ 15-11-507(b)(1)(B)~~ § 15-11-507(b)(1)(A), provided that all other  
3 requirements of this subchapter regarding tourism attraction projects are  
4 satisfied.

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*/s/ Ragland*