

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 88th General Assembly
3 Regular Session, 2011

A Bill

HOUSE BILL 1118

4
5 By: Representatives Pennartz, S. Malone, D. Altes, McLean
6 By: Senator Files

For An Act To Be Entitled

9 AN ACT TO ESTABLISH AN INVESTMENT TAX CREDIT FOR THE
10 REHABILITATION AND DEVELOPMENT OF CENTRAL BUSINESS
11 IMPROVEMENT DISTRICTS; TO ESTABLISH AN EMERGENCY; AND
12 FOR OTHER PURPOSES.

Subtitle

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16 TO ESTABLISH AN INVESTMENT TAX CREDIT FOR
17 THE REHABILITATION AND DEVELOPMENT OF
18 CENTRAL BUSINESS IMPROVEMENT DISTRICTS
19 AND TO ESTABLISH AN EMERGENCY.

20
21
22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

23
24 SECTION 1. Arkansas Code 26, Chapter 51 is amended to add an
25 additional subchapter to read as follows:

26 Subchapter 24 - Arkansas Central Business Improvement District
27 Rehabilitation and Development Investment Tax Credit Act.

28
29 26-51-2401. Title.

30 This subchapter shall be known and may be cited as the "Arkansas
31 Central Business Improvement District Rehabilitation and Development
32 Investment Tax Credit Act".

33
34 26-51-2402. Purpose.

35 The purpose of this subchapter is to encourage economic development
36 within central business improvement districts by promoting the rehabilitation



1 and development of structures within the central business improvement
2 districts.

3
4 26-51-2403. Definitions.

5 As used in this subchapter:

6 (1) "Central business improvement district" means the central
7 business district of any municipality of the first-class or municipality of
8 the second-class of the state that has been designated as a central business
9 improvement district under the Central Business Improvement District Act, §
10 14-184-101 et seq.;

11 (2) "Development" means the new construction of a structure or
12 the expansion or rehabilitation of an existing structure;

13 (3) "Eligibility certificate" means a certificate:

14 (A) Authorized and issued by the governing body of the
15 central business improvement district certifying that a project is a
16 qualified project, has met the requirements of this subchapter, and is an
17 eligible central business improvement district property; and

18 (B) That specifies the total amount of qualified
19 rehabilitation or development expenditures allowed;

20 (4) "Eligible central business improvement district property"
21 means property that is located within the physical boundaries of a central
22 business improvement district and is a qualified project;

23 (5) "Governing body of the central business improvement
24 district" means the board of commissioners of the central business
25 improvement district;

26 (6) "Governing body of the municipality" means the city council,
27 board of directors, commission, or other municipal body exercising general
28 legislative power in the municipality;

29 (7) "Investment tax credit" means the Arkansas Central Business
30 Improvement District Rehabilitation and Development investment tax credit
31 under this subchapter;

32 (8) "Qualified project" means eligible central business
33 improvement district property that has met the requirements of § 26-51-
34 2404(b) and has been approved for rehabilitation or development by the
35 governing body of the central business improvement district where the
36 eligible central business improvement district property is located;

1 (9)(A) "Qualified rehabilitation or development expenditures"
2 means expenditures approved by the governing body of the central business
3 improvement district where the eligible central business improvement district
4 property is located that meets the requirements of this subchapter.

5 (B) "Qualified rehabilitation or development expenditures"
6 does not include:

7 (i) The cost of acquiring the eligible central
8 business improvement district property or realtor's fees associated with the
9 eligible central business improvement district property;

10 (ii) Taxes due on the eligible central business
11 improvement district property;

12 (iii) Insurance costs;

13 (iv) Costs of landscaping; or

14 (v) Sales and marketing costs; and

15 (10) "Taxpayer" means an individual, a partnership, limited
16 liability company, or corporation subject to the state income tax imposed by
17 the Income Tax Act of 1929, § 26-51-101 et seq.

18
19 26-51-2404. Qualified project.

20 (a) To apply for a designation as a qualified project, a taxpayer
21 shall submit to the governing body of the central business improvement
22 district where the property to be rehabilitated or developed is located all
23 forms and fees required by the governing body of the central business
24 improvement district.

25 (b) To qualify as eligible central business improvement district
26 property, the taxpayer shall demonstrate that the property to be
27 rehabilitated or developed meets the following requirements:

28 (1) The project must be planned within the physical boundaries
29 of the central business improvement district;

30 (2) A full set of plans by a licensed architect must be
31 submitted to the governing body of the central business improvement district
32 where the property to be rehabilitated or developed is located;

33 (3) The project must meet all zoning and building codes of the
34 municipality in which the property to be rehabilitated or developed is
35 located;

36 (4) The project must meet the design guidelines, be compatible

1 with the overall plan for the central business improvement district, and have
2 a use that the governing body of the central business improvement district
3 determines as maintaining the overall integrity of the central business
4 improvement district;

5 (5) The qualified rehabilitation or development expenditures for
6 the project must have occurred on or after the effective date of this act;
7 and

8 (6) The qualified rehabilitation or development expenditures for
9 the project must be greater than fifty thousand dollars (\$50,000).

10 (c) After evaluating the information provided by the taxpayer, the
11 governing body of the central business improvement district shall issue a
12 determination about whether the property to be rehabilitated or developed is
13 a qualified project.

14 (d)(1) If the taxpayer is dissatisfied with the determination made by
15 the governing body of the central business improvement district, the taxpayer
16 may request that a review of that determination be made by the governing body
17 of the municipality.

18 (2)(A) The request for review shall be made in writing to the
19 governing body of the municipality within thirty (30) days from the date of
20 the determination of the governing body of the central business improvement
21 district under subsection (c) of this section.

22 (B) The decision of the governing body of the municipality
23 is a final decision.

24
25 26-51-2405. Eligibility certificate.

26 (a) After a property to be rehabilitated or developed is designated a
27 qualified project under § 26-51-2404 and the taxpayer completes the
28 rehabilitation or development work, the taxpayer shall submit to the
29 governing body of the central business improvement district where the
30 eligible central business improvement district property is located all
31 documentation and forms required by the governing body of the municipality
32 and the governing body of the central business improvement district to verify
33 that the qualified project has been completed.

34 (b)(1) If the governing body of the central business improvement
35 district determines that the qualified project has been successfully
36 completed, the governing body of the central business improvement district

1 shall issue an eligibility certificate.

2 (2) Before issuance of the eligibility certificate under this
 3 subsection (b), the governing body of the central business improvement
 4 district shall verify with the Department of Finance and Administration that
 5 sufficient investment tax credits are remaining for the current fiscal year.

6 (c)(1) If the taxpayer is dissatisfied with the determination made by
 7 the governing body of the central business improvement district under
 8 subsection (b) of this section, the taxpayer may request that a review of
 9 that determination be made by the governing body of the municipality.

10 (2)(A) The request for review shall be made in writing to the
 11 governing body of the municipality within thirty (30) days from the date of
 12 the determination of the governing body of the central business improvement
 13 district under subsection (b) of this section.

14 (B) The decision of the governing body of the
 15 municipality is a final decision.

16 (d) Upon issuance of an eligibility certificate, the governing body of
 17 the central business improvement district immediately shall report in writing
 18 to the Department of Finance and Administration:

- 19 (1) The name and address of the taxpayer;
- 20 (2) The taxpayer identification number;
- 21 (3) The date of issuance of the eligibility certificate;
- 22 (4) The amount of the eligibility certificate; and
- 23 (5) Any other information as determined necessary by the
 24 department.

25
 26 26-51-2406. The projected rehabilitation or development expenditures.

27 (a) The projected qualified rehabilitation or development expenditures
 28 must occur during a period not to exceed eighteen (18) months.

29 (b) For the rehabilitation or development of an existing structure,
 30 the projected qualified rehabilitation or development expenditures must equal
 31 or exceed the adjusted basis of the existing structure, excluding the land,
 32 before the qualified rehabilitation or development work begins.

33
 34 26-51-2407. Investment tax credits.

35 (a) There is allowed an investment tax credit against the tax imposed
 36 by the Income Tax Act of 1929, § 26-51-101 et seq., for any taxpayer

1 incurring costs and expenses that are qualified rehabilitation or development
2 expenditures of eligible central business improvement district property.

3 (b) The investment tax credit is equal to twenty percent (20%) of up
4 to the first one million dollars (\$1,000,000) of qualified rehabilitation or
5 development expenditures incurred for a qualified project.

6 (c)(1) The investment tax credit for a qualified project covering
7 income-producing eligible central business improvement district property
8 shall be taken in the tax year in which the eligible central business
9 improvement district property is placed in service.

10 (2) The investment tax credit for a qualified project covering
11 residential eligible central business improvement district property or other
12 commercial eligible central business improvement district property shall be
13 taken in the tax year the qualified project is completed.

14 (d) A taxpayer who receives an investment tax credit under this
15 section shall not claim any other state or local tax credit or deduction
16 based on the qualified rehabilitation or development expenditures except for
17 the deduction for normal depreciation of the eligible central business
18 improvement district property.

19 (e) The Department of Finance and Administration shall maintain
20 an ongoing record of the eligibility certificates awarded each fiscal year.

21
22 26-51-2408. Procedure to claim the investment tax credit.

23 (a) To claim the investment tax credit, a taxpayer shall submit the
24 eligibility certificate issued by the governing body of the central business
25 improvement district to the Department of Finance and Administration.

26 (b)(1) In addition to the submission under subsection (a) of this
27 section, the taxpayer shall submit an eligibility certificate at the time of
28 filing the taxpayer's income tax return.

29 (2) If the taxpayer fails to attach the eligibility certificate
30 to the taxpayer's income tax return, an investment tax credit is not allowed
31 with respect to the qualified project for that tax year until the eligibility
32 certificate is provided to the Department of Finance and Administration.

33
34 26-51-2409. Credits exceeding tax liability – Assignment.

35 (a)(1) The amount of the investment tax credit that may be used by a
36 taxpayer for a taxable year shall not exceed the amount of income tax due

1 from the taxpayer.

2 (2) Any unused investment tax credit may be carried over for
3 seven (7) consecutive taxable years for credit against the state income tax
4 due from the taxpayer.

5 (3)(A) The investment tax credit may be transferred, sold, or
6 assigned only one (1) time.

7 (B) A taxpayer who transfers, sells, or assigns the
8 investment tax credit shall notify in writing the Department of Finance and
9 Administration within thirty (30) days the following information:

10 (i) The name, address, and taxpayer identification
11 number of the transferee, purchaser, or assignee of the investment tax
12 credit;

13 (ii) The original issuance date of the investment
14 tax credit and the date of the transfer, purchase, or assignment of the
15 investment tax credit; and

16 (iii) The amount paid for the investment tax credit
17 by the transferee, purchaser, or assignee.

18 (C)(i) A transferee, purchaser, or assignee of an
19 investment tax credit is entitled for the remaining carry forward period to
20 the investment tax credit under this subchapter only to the extent the
21 investment tax credit is still available and only for the portion of the
22 investment tax credit that has not been previously claimed by the transferor,
23 seller, or assignor.

24 (ii) A transferee, purchaser, or assignee may not
25 transfer, sell, or assign the investment tax credit.

26 (D) The Department of Finance and Administration may
27 refuse to recognize the investment tax credit if the transferor, seller,
28 assignor or the transferee, purchaser, or assignee of the investment tax
29 credit fails to submit the eligibility certificate and any transfer,
30 purchase, or assignment documents.

31 (4) An investment tax credit granted to a partnership, a limited
32 liability company taxed as a partnership, or multiple owners of eligible
33 central business improvement district property shall be passed through to the
34 partners, members, or owners respectively on a pro rata basis or pursuant to
35 an executed agreement between or among the partners, members, or owners
36 documenting an alternative distribution method.

1 (b)(1) Any assignee of an investment tax credit may use an acquired
2 investment tax credit to offset up to one hundred percent (100%) of the state
3 income tax due from the assignee, but the offset shall not exceed the amount
4 of income tax due for the taxable year.

5 (2) An assignor of an investment tax credit shall perfect an
6 assignment to an assignee of an investment tax credit by notifying the
7 Department of Finance and Administration in writing within thirty (30)
8 calendar days following the effective date of the assignment and shall
9 provide any information required by the Department of Finance and
10 Administration to administer and carry out this subchapter.

11
12 26-51-2410. Fees.

13 (a) The governing body of the central business improvement district
14 may charge a fee of two hundred fifty dollars (\$250) for the services it
15 provides under this subchapter.

16 (b) The fee collected under subsection (a) of this section by
17 the governing body of the central business improvement district shall be
18 considered cash funds of the central business improvement district and shall
19 be used for the administration of this subchapter.

20
21 26-51-2411. Enforcement.

22 (a)(1) The Director of the Department of Finance and Administration
23 may make rules and prescribe forms for a taxpayer to claim the investment tax
24 credit provided by this subchapter and for the proper enforcement of the
25 claim.

26 (2) The Department of Finance and Administration shall consult
27 with the governing bodies of the central business improvement districts in
28 making rules under this subchapter to maintain consistency with the purpose
29 and intent of this subchapter.

30 (b) A fee collected under § 26-51-2204 by the governing body of the
31 central business improvement district shall be deposited into the treasury
32 cash fund of the governing body of a central business improvement district
33 receiving the fee.

34 (c) The Department of Finance and Administration and the governing
35 body of a central business improvement district may inspect facilities and
36 records of a taxpayer requesting or receiving an investment tax credit as

1 necessary to verify a claim.

2 (d) The Director of the Department of Finance and Administration shall
3 demand the repayment of any investment tax credits taken in excess of the
4 investment tax credit allowed by this subchapter.

5
6 26-51-2412. Effective date.

7 (a) This act is effective for tax years beginning on and after January
8 1, 2012, and expires December 31, 2017.

9 (b) An unused investment tax credit under this act that is earned
10 before the end of the 2017 tax year may be carried forward on an income tax
11 return for up to seven (7) years after the year in which the investment tax
12 credit was first earned or until exhausted, whichever event occurs first.

13
14 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
15 General Assembly of the State of Arkansas that the central business
16 improvement districts in Arkansas municipalities are in need of
17 rehabilitation and development; that the state and country are in an economic
18 recession; that providing an investment tax credit would encourage the needed
19 rehabilitation and development of the central business improvement districts
20 in this state; that the rehabilitation and development would provide jobs to
21 Arkansans; and that the investment tax credit would provide an economic
22 stimulus to the State of Arkansas. Therefore, an emergency is declared to
23 exist and this act being necessary for the preservation of the public peace,
24 health, and safety shall become effective on:

25 (1) The date of its approval by the Governor;

26 (2) If the bill is neither approved nor vetoed by the Governor, the
27 expiration of the period of time during which the Governor may veto the bill;
28 or

29 (3) If the bill is vetoed by the Governor and the veto is overridden,
30 the date the last house overrides the veto.

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