

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1779

Bill Subtitle: TO AMEND THE WOOD ENERGY PRODUCTS AND FOREST MAINTENANCE INCOME TAX CREDIT; AND TO ALLOW AN INCOME TAX CREDIT FOR WOOD ENERGY PRODUCTS AND FOREST MAINTENANCE EXPANSION PROJECTS.

Basic Change :

Sponsors: Rep. Wardlaw and Sen. Gilmore

HB1779 amends various provisions of the Arkansas Wood Energy Products and Forest Maintenance Income Tax Credit. Act 594 of 2021 created the Logging and Wood Fiber Transportation Job Creation Incentive Act (the Act). The Act provides an income tax credit for wood energy product and forest maintenance projects. The credit is equal to 30% of the purchase price of qualifying equipment with a required minimum investment of \$50,000,000 for the project. Up to \$5,000,000 of the credits may be redeemed each year. The credits will carry forward in perpetuity until used and the credits may be sold by the taxpayer.

To qualify for the credit, the taxpayer must apply with the Arkansas Economic Development Commission (AEDC), demonstrate the minimum \$50,000,000 investment, and sign an economic incentive agreement. The taxpayer is also required to create at least 100 new full-time permanent jobs with an average salary of \$60,000 per year. The project must also show a positive economic benefit based on an evaluation by AEDC and the DFA Office of Economic Analysis and Tax Research.

Under Act 594, a qualifying project was required to have a certified closing date by December 31, 2023. HB1779 adds to the Act a definition of "qualified wood energy products and forest maintenance expansion project." Under the new definition, the project would qualify for the credit if the project was certified to have commenced construction by January 1, 2023 with a closing date by December 31, 2025. HB1779 makes other corresponding changes to integrate the new definition into the Act.

HB1779 is effective for tax years beginning on and after January 1, 2023.

Revenue Impact :

Wood Energy Products and Forest Maintenance income tax credits are available up to \$5,000,000 per project. The State of Arkansas may elect to purchase the tax credits at 80% face value. A purchase of tax credits would reduce general revenues up to \$4,000,000 per project per year. No tax credits would be issued to a taxpayer unless the project is determined to have a positive cost benefit analysis as certified by AEDC in consultation with DFA and an incentive agreement with specified performance criteria and claw back provisions is signed by the taxpayer and AEDC.

Taxpayer Impact :

A taxpayer will be able to qualify for the tax credit by expanding an existing qualified wood energy products and forest maintenance expansion facility.

Resources Required :

Computer programs, tax forms, and instructions will need to be updated. The Arkansas Integrated Revenue System (AIRS) will require programming at an estimated cost of \$8,000.

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1779

Bill Subtitle: TO AMEND THE WOOD ENERGY PRODUCTS AND FOREST MAINTENANCE INCOME TAX CREDIT; AND TO ALLOW AN INCOME TAX CREDIT FOR WOOD ENERGY PRODUCTS AND FOREST MAINTENANCE EXPANSION PROJECTS.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

The Arkansas Economic Development Commission, the Office of Economic Analysis and Tax Research, and Department of Finance and Administration employees will need to be educated as well as the tax community.

Other Comments :

None.

Legal Analysis :

None.