

State of Arkansas  
93rd General Assembly  
Regular Session, 2021

As Engrossed: H4/15/21  
**A Bill**

HOUSE BILL 1314

By: Representative Hillman  
By: Senator Hill

### For An Act To Be Entitled

AN ACT TO AMEND THE WATER RESOURCE CONSERVATION AND  
DEVELOPMENT INCENTIVES ACT; AND FOR OTHER PURPOSES.

### Subtitle

TO AMEND THE WATER RESOURCE CONSERVATION  
AND DEVELOPMENT INCENTIVES ACT.

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

SECTION 1. Arkansas Code § 26-51-1005(b)(1) and (2), concerning the income tax credit for certain water impoundments under the Water Resource Conservation and Development Incentives Act, are amended to read as follows:

(b)(1) The tax credit allowed to each approved applicant shall not exceed the lesser of fifty percent (50%) of the project cost incurred or ~~ninety thousand dollars (\$90,000)~~ one hundred twenty thousand dollars (\$120,000).

(2)(A) The amount of tax credit allowed to each approved applicant per project that may be used for a taxable year shall not exceed the lesser of:

(i) The amount of individual or corporate income tax otherwise due; or

(ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen thousand dollars (\$18,000).

(B) If the approved applicant is a pass-through entity such as a partnership, a limited liability company taxed as a partnership, a Subchapter S corporation, or a fiduciary, the amount of tax credit that may



be used for a taxable year shall not exceed the lesser of:

(i) The aggregate amount of individual or corporate income tax otherwise due by all members of the pass-through entity; or

(ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen thousand dollars (\$18,000).

SECTION 2. Arkansas Code § 26-51-1007(b), concerning the income tax credit for surface water conversion outside critical areas under the Water Resource Conservation and Development Incentives Act, is amended to read as follows:

(b)(1) The tax credit allowed to each approved applicant shall not exceed the lesser of ~~ten percent (10%)~~ twenty-five percent (25%) of the project cost incurred or ~~twenty-seven thousand dollars (\$27,000)~~ thirty-five thousand dollars (\$35,000).

(2)(A) The amount of tax credit allowed to each approved applicant per project that may be used for a taxable year may not exceed the lesser of:

(i) The amount of individual or corporate income tax otherwise due; or

(ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen thousand dollars (\$18,000).

(B) If the approved applicant is a pass-through entity such as a partnership, a limited liability company taxed as a partnership, a Subchapter S corporation, or a fiduciary, the amount of tax credit that may be used for a taxable year shall not exceed the lesser of:

(i) The aggregate amount of individual or corporate income tax otherwise due by all members of the pass-through entity; or

(ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen thousand dollars (\$18,000).

(3) Any unused tax credit may be carried over for a maximum of ~~two (2)~~ fifteen (15) consecutive taxable years following the taxable year in which the credit originated.

SECTION 3. Arkansas Code § 26-51-1008 is amended to read as follows:

26-51-1008. Credit granted – Surface water conversion within critical areas.

(a) For projects located within critical groundwater areas and counties contiguous to counties with areas designated as critical groundwater areas, there shall be allowed a credit against the tax imposed by the Income Tax Act of 1929, § 26-51-101 et seq., to an approved applicant for the reduction of groundwater use by substitution of surface water for water used for industrial, commercial, agricultural, or recreational purposes.

(b)(1) For agricultural or recreational projects, there shall be allowed a tax credit to each approved applicant not to exceed the lesser of fifty percent (50%) of the project cost incurred or ~~twenty-seven thousand dollars (\$27,000)~~ thirty-five thousand dollars (\$35,000).

(2)(A) The amount of tax credit allowed to each approved applicant per project that may be used for a taxable year may not exceed the lesser of:

(i) The amount of individual or corporate income tax otherwise due; or

(ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen thousand dollars (\$18,000).

(B) If the approved applicant is a pass-through entity such as a partnership, a limited liability company taxed as a partnership, a Subchapter S corporation, or a fiduciary, the amount of tax credit that may be used for a taxable year shall not exceed the lesser of:

(i) The aggregate amount of individual or corporate income tax otherwise due by all members of the pass-through entity; or

(ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen thousand dollars (\$18,000).

(3) Any unused tax credit may be carried over for a maximum of ~~two (2)~~ fifteen (15) consecutive taxable years following the taxable year in which the credit originated.

(c)(1) For industrial or commercial projects, there shall be allowed a tax credit to each approved applicant not to exceed the lesser of fifty percent (50%) of the project cost incurred or one million dollars (\$1,000,000).

(2)(A) The amount of tax credit allowed to each approved applicant per project that may be used for a taxable year may not exceed the lesser of:

(i) The amount of individual or corporate income tax

otherwise due; or

(ii) Two hundred thousand dollars (\$200,000).

(B) If the approved applicant is a pass-through entity such as a partnership, a limited liability company taxed as a partnership, a Subchapter S corporation, or a fiduciary, the amount of tax credit that may be used for a taxable year shall not exceed the lesser of:

(i) The aggregate amount of individual or corporate income tax otherwise due by all members of the pass-through entity; or

(ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen thousand dollars (\$18,000).

(3) Any unused tax credit may be carried over for a maximum of ~~four~~ (4) fifteen (15) consecutive taxable years following the taxable year in which the credit originated.

SECTION 4. Arkansas Code § 26-51-1009(b), concerning the income tax credit for land leveling for water conservation under the Water Resource Conservation and Development Incentives Act, is amended to read as follows:

(b)(1) The tax credit allowed to each approved applicant shall not exceed the lesser of ~~ten percent (10%)~~ twenty-five percent (25%) of the project cost incurred or ~~twenty-seven thousand dollars (\$27,000)~~ thirty-five thousand dollars (\$35,000).

(2)(A) The amount of tax credit allowed to each approved applicant per project that may be used for a taxable year may not exceed the lesser of:

(i) The amount of individual or corporate income tax otherwise due; or

(ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen thousand dollars (\$18,000).

(B) If the approved applicant is a pass-through entity such as a partnership, a limited liability company taxed as a partnership, a Subchapter S corporation, or a fiduciary, the amount of tax credit that may be used for a taxable year shall not exceed the lesser of:

(i) The aggregate amount of individual or corporate income tax otherwise due by all members of the pass-through entity; or

(ii) ~~Nine thousand dollars (\$9,000)~~ Eighteen thousand dollars (\$18,000).

(3) Any unused tax credit may be carried over for a maximum of ~~two (2)~~ fifteen (15) consecutive taxable years following the taxable year in which the credit originated.

SECTION 5. Arkansas Code § 26-51-1013(b)(1), concerning the annual compilation of credits and the total amount of credits that can be approved under the Water Resource Conservation and Development Incentives Act, is amended to read as follows:

(b)(1) When the total amount of tax credits used pursuant to the provisions of this subchapter exceeds ~~ten million dollars (\$10,000,000)~~ twenty million dollars (\$20,000,000) in any calendar year, the tax credits established by this subchapter shall expire on December 31 of the calendar year following the calendar year in which the tax credits used pursuant to the provisions of this subchapter exceeded ~~ten million dollars (\$10,000,000)~~ twenty million dollars (\$20,000,000).

SECTION 6. EFFECTIVE DATE. This act is effective for tax years beginning on or after January 1, 2021.

*/s/Hillman*

**APPROVED: 4/25/21**