

Department of Finance and Administration

Legislative Impact Statement

Bill: SB933

Bill Subtitle: TO AMEND THE ARKANSAS ALTERNATIVE FUELS DEVELOPMENT ACT; AND TO PROVIDE A TAX CREDIT FOR THE PRODUCTION OF ALTERNATIVE FUELS.

Basic Change :

Senator D. Wyatt
Representative McLean

This bill adds a new incentive to the Arkansas Department of Agriculture's Alternative Fuels Development program in the form of income tax credits to producers of alternative fuels. Alternative fuels are defined to include biofuel, ethanol, compressed natural gas, propane gas, or a synthetic transportation fuel. The income tax credit would be equal to ten cents (\$.10) per gallon of alternative fuels produced. Taxpayers claiming an income tax credit are not allowed to receive a production grant incentive in the same year. Existing incentives offered by the Department of Agriculture are provided in the form of grant incentives to producers, processors and distributors and rebate incentives for converting school buses. The act is effective for tax years beginning on or after January 1, 2014.

Revenue Impact :

\$4,800,000 Annual Revenue Loss to State General Revenues

[Based on gallonage information provided by the Arkansas Agriculture Department, production information provided by Arkansas propane manufacturers and compressed natural gas tax reports submitted to DFA]

Taxpayer Impact :

Producers of alternative fuels including biofuel, ethanol, compressed natural gas, propane gas, or synthetic transportation fuel are allowed a credit equal to 10 cents per gallon of alternative fuel produced. Taxpayers will be required to document the amount of yearly production to claim the credit.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Education of staff personnel in the change in the law.

Other Comments :

Credit may need to be administered through the Tax Credit Section. The amount of production could be verified then a credit certificate would be issued to the taxpayer. The credit would be entered and tracked in AIRS.

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Legal Analysis :

SB933 amends the Arkansas Alternative Fuels Development Act, specifically Ark. Code Ann. §15-13-301 et seq., concerning the Arkansas Alternative Fuels Development Program, to provide an income tax credit for the production of alternative fuels in the amount of 10 cents per gallon of alternative fuel produced.

Taxpayers claiming the credit cannot claim a production grant incentive under the provisions of Ark. Code Ann. §15-13-302, but can claim a feedstock processor incentive under Ark. Code Ann. §15-13-303. DFA is authorized, but not required, to promulgate rules in consultation with the Arkansas Agriculture Department. The bill does not limit the number of years a taxpayer may claim the credit, nor does it prohibit a refund if the amount of the credit would result in a refund to the producer.

The incentives found at Ark. Code Ann. §15-13-301 et seq. are not tax incentives in the form of credits or exemptions but are instead grant incentives, overseen by the Arkansas Agriculture Department, that provide grants to alternative fuel producers, feedstock processors, and alternative fuel distributors. Therefore, this subchapter of the code contains no mechanism for the claiming and administration of an income tax credit and the bill contains no such mechanism. In order to ensure proper reporting, enforcement, and administration of the credit, it is recommended that the credit be created under Title 26, Chapter 51 of the Arkansas Code, concerning income taxes.

The effective date is on or after January 1, 2014, only for alternative fuels produced after that date.