

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas
90th General Assembly
Regular Session, 2015

As Engrossed: H3/17/15 H3/24/15
A Bill

HOUSE BILL 1718

By: Representative Baine
By: Senator B. Pierce

For An Act To Be Entitled

AN ACT TO PROVIDE INCENTIVES FOR THE DEVELOPMENT OF
AN ENTERTAINMENT DISTRICT; TO *CREATE THE ARKANSAS
ENTERTAINMENT DISTRICT ACT*; AND FOR OTHER PURPOSES.

Subtitle

*TO PROVIDE INCENTIVES FOR THE DEVELOPMENT
OF AN ENTERTAINMENT DISTRICT; AND TO
CREATE THE ARKANSAS ENTERTAINMENT
DISTRICT ACT.*

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

*SECTION 1. Arkansas Code Title 15, Chapter 11, is amended to add an
additional subchapter to read as follows:*

Subchapter 10 – Arkansas Entertainment District Act

15-11-1001. Title.

*This subchapter shall be known and may be cited as the "Arkansas
Entertainment District Act".*

15-11-1002. Definitions.

As used in this subchapter:

*(1) "Entertainment district" means a district for public and
private uses that is:*

*(A) Developed for the purpose of serving as an anchor
attraction consisting of various performing arts events; and*



(B) Located in one (1) or more counties that do not have an individual population greater than one hundred thousand (100,000) based on the most recent federal decennial census;

(2) "Entertainment item" means tangible personal property or services offered primarily for the purposes of entertainment within an entertainment district, including the following:

(A) A ticket to a performing arts event, such as a concert, show, or theater production; and

(B) Tangible personal property that is:

(i) Related to a performing arts event, such as souvenirs, memorabilia, or clothing containing the logo or name of the performing arts event or a performing artist participating in a performing arts event; and

(ii) Is sold within the entertainment district on the day of a live performing arts event;

(3) "Performing arts event" means a creative activity involving drama, music, dance, or a combination of drama, music, and dance that is performed in front of a live audience within an entertainment district; and

(4) "Qualifying business" means a business that:

(A) Is located and conducts business in an entertainment district, including business as a nonprofit organization;

(B) Derives income from the sale of entertainment items within an entertainment district;

(C) Makes a capital investment of at least ten million dollars (\$10,000,000) within the entertainment district; and

(D) At an establishment within one hundred (100) miles of the entertainment district and within two (2) years of locating within the entertainment district, did not cease or substantially reduce operations of a nature similar to those being performed at the business's establishment in the entertainment district.

15-11-1003. Creation of an entertainment district.

(a) One (1) or more cities or counties, or both, may apply to the Arkansas Economic Development Commission to designate an area located wholly within the applying cities and counties as an entertainment district.

(b) The application submitted under this section shall:

(1) Include a written development plan that contains at least the following information:

(A) A description of the new business activity that will be conducted within the proposed entertainment district;

(B) Evidence of any adverse economic or socioeconomic conditions within the proposed entertainment district;

(C) Public and private commitment to and other resources available for the proposed entertainment district;

(D) How the designation of an entertainment district will relate to the broader plan for the community as a whole;

(E) The level of demonstrated cooperation among the applying and surrounding cities, counties, and communities;

(F) How any local regulatory burdens will be reduced for businesses operating within the proposed entertainment district;

(G) A map of the proposed entertainment district that indicates the geographic boundaries, the total area, and the present use and conditions generally of the land and structures within the boundaries;

(H) A description of the methods proposed to increase economic opportunity and expansion, facilitate infrastructure improvement, and identify job training opportunities; and

(I) Any other information required by the commission;

(2) Be in the form and manner required by the commission;

(3) Contain sufficient information to allow the commission to determine if the proposed entertainment district qualifies under this subchapter; and

(4) Be submitted by the chief elected officer of each city and county submitting the application or, if there is not a chief elected officer of a city or county submitting the application, the governing body of the city or county.

(c)(1) The commission shall review each application submitted under this section and determine whether the proposed entertainment district meets the requirements and serves the purposes of this subchapter.

(2) Upon approval of an application under this section, the commission shall designate the proposed entertainment district.

15-11-1004. Tax incentives.

In an entertainment district:

(1) Each qualifying business is eligible for the income tax:

(A) Exemption under § 26-51-314; and

(B) Credit under § 26-51-515; and

Sales of materials and services used in constructing a qualifying business are sales and use tax exemption under § 26-52-451.

15-11-1005. Applicability.

The tax incentives provided under this subchapter:

(1) May be combined with any other incentives available for the entertainment district or the businesses within the entertainment district; and

(2) Are available for an entertainment district for fifteen (15) years from the creation of the entertainment district.

15-11-1006. Limitations on entertainment districts.

(a) Within an entertainment district a person shall not:

(1) Take an alcoholic beverage from the premises of a facility that has a permit issued by the Alcoholic Beverage Control Board;

(2) Consume an alcoholic beverage in an facility that does not have a permit issued by the board; or

(3) Consume an alcoholic beverage outside of a facility that has a permit issued by the board.

(b) The Alcoholic Beverage Control Board shall not issue a Class B Private Club License for a facility within an entertainment district.

15-11-1007. Rules.

The Arkansas Economic Development Commission shall promulgate rules to implement and administer this subchapter.

SECTION 2. Arkansas Code Title 26, Chapter 51, Subchapter 3, is amended to add an additional section to read as follows:

26-51-314. Income from sale of entertainment items.

(a) As used in this section, "entertainment district", "entertainment item", and "qualifying business" have the same meanings stated in § 15-11-1002.

(b)(1) Income from the sale of an entertainment item within an entertainment district by a qualifying business is exempt from the income tax levied under the Income Tax Act of 1929, § 26-51-101 et seq.

(2) The exemption allowed under this section does not include income derived from Internet, mail-order, and catalog sales of entertainment items.

SECTION 3. Arkansas Code Title 26, Chapter 51, Subchapter 5, is amended to add an additional section to read as follows:

26-51-515. Costs of construction in entertainment district.

(a) As used in this section:

(1) "Costs of construction" means:

(A) Obligations incurred for labor and to vendors, contractors, subcontractors, builders, suppliers, deliverymen, and materialmen in connection with the acquisition, construction, equipping, and installation of qualifying business in an entertainment district;

(B) The costs of acquiring real property or rights in real property in connection with a qualifying business in an entertainment district and any costs incidental to the acquisition of real property or rights in real property in connection with a qualifying business in an entertainment district;

(C) The cost of contract bonds and insurance of all kinds that may be required or necessary during the course of the acquisition, construction, equipping, and installation of a qualifying business in an entertainment district that is not paid by the vendor, supplier, deliveryman, contractor, or otherwise provided;

(D) The costs of architectural and engineering services, including without limitation estimates, plans and specifications, preliminary investigations, and supervision of construction and installation, as well as for the performance of the duties required by or consequent to the acquisition, construction, equipping, and installation of a qualifying business in an entertainment district;

(E) The costs required to be paid under the terms of any contract for the acquisition, construction, equipping, and installation of a qualifying business in an entertainment district;

(F) The costs required for the installation of utilities

in connection with a qualifying business in an entertainment district, including without limitation water, sewer, sewage treatment, gas, electricity, communications, and off-site construction of utility extensions paid for by the qualifying business; and

(G) Other costs comparable with those described in this section;

(2) "Entertainment district" means the same as defined in § 15-11-1002; and

(3) "Qualifying business" means the same as defined in § 15-11-1002.

(b) There is allowed an income tax credit against the income tax imposed under this chapter in the amount equal to twenty-five percent (25%) of a qualifying business's costs of construction within an entertainment district.

(c) The amount of the income tax credit under this section that may be claimed by the taxpayer in a tax year shall not exceed the amount of income tax due by the taxpayer.

(d) Any unused income tax credit under this section may be carried forward for five (5) consecutive tax years following the tax year in which the income tax credit was earned.

SECTION 4. Arkansas Code Title 26, Chapter 52, Subchapter 4, is amended to add an additional section to read as follows:

26-52-451. Construction materials and services in an entertainment district.

(a) As used in this section, "qualifying business" means the same as defined in § 15-11-1002.

(b) The gross receipts or gross proceeds derived from the sale of materials and services used in the construction of a qualifying business are exempt from the gross receipts tax levied under this chapter and the compensating use tax levied by the Arkansas Compensating Tax Act of 1949, § 26-53-101 et seq.

SECTION 5. EFFECTIVE DATE. This act is effective for tax years beginning on or after January 1, 2015.

/s/Baine