

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

State of Arkansas
94th General Assembly
Regular Session, 2023

A Bill

HOUSE BILL 1669

By: Representatives Pilkington, J. Richardson

By: Senator C. Penzo

For An Act To Be Entitled

AN ACT TO ELIMINATE BARRIERS TO STARTING A NEW BUSINESS; TO AMEND ARKANSAS INCOME TAX LAW; TO ALLOW CERTAIN NEW BUSINESSES TO DEFER PAYING CERTAIN INCOME TAXES; TO CREATE THE ARKANSAS ENTREPRENEUR EXTENSION PROGRAM; AND FOR OTHER PURPOSES.

Subtitle

TO ELIMINATE BARRIERS TO STARTING A NEW BUSINESS; TO AMEND ARKANSAS INCOME TAX LAW; TO ALLOW CERTAIN NEW BUSINESSES TO DEFER PAYING CERTAIN INCOME TAXES; AND TO CREATE THE ARKANSAS ENTREPRENEUR EXTENSION PROGRAM.

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

SECTION 1. Arkansas Code Title 4, Chapter 25, Subchapter 1, is amended to add an additional section to read as follows:

4-25-111. Waiver of licensing fee, permit fee, and registration costs for certain new businesses – Definitions.

(a) As used in this section:

(1) "Eligible new business" means a domestic corporation, an Arkansas limited liability company, or other business entity headquartered in Arkansas that:

(A) Is newly formed and registered to perform an occupation or business activity in this state;



(B) Is owned by an individual or individuals who have not owned a business entity in Arkansas during the five (5) years before the date of registration under subdivision (a)(1)(A) of this section; and

(C) Submits a request for a waiver under subsection (b) of this section or subsection (c) of this section at the time of registration with a state entity or local government;

(2) "Eligible new business owner" means an individual who has organized an eligible new business in this state;

(3) "Filing fee" means a charge incurred for transacting or processing documentation by a state entity or a local government to organize and operate a business in this state;

(4) "Licensing fee" means a sum of money required by a state entity or a local government for a license, certificate, registration, permit, or other form of authorization required by law or rule that is required for an individual to organize and operate a business in this state;

(5)(A) "Local government" means an office, board, commission, department, council, bureau, or other agency of state government having authority to license, certify, register, permit, or otherwise authorize an individual to engage in a business in this state.

(B) "Local government" includes:

(i) A county;

(ii) A city of the first class or city of the second class;

(iii) An incorporated town; or

(iv) Any other district or political subdivision or any office, board, commission, or agency of these political subdivisions;

(6) "Permit fee" means a sum of money required by a state entity or a local government to organize and operate a business in this state;

(7) "Registration costs" means any costs required by a state entity or a local government to register a business in order for the business to organize and operate in this state; and

(8) "State entity" means any instrumentality of state government, including without limitation a board, commission, committee, advisory board, office, department, institution, bureau, council, administrative program, agency, or division.

(b) Notwithstanding any law to the contrary, the filing fees, permit

fees, licensing fees, and registration costs associated with the formation of an eligible new business in this state shall be waived for the first five (5) years for an applicant who owns an eligible new business if the eligible new business submits a waiver to the state entity or local government and the state entity or local government grants the waiver for the eligible new business.

(c) Notwithstanding any law to the contrary, a licensing entity shall not require a fee to be paid for individuals who are seeking to receive a license in this state for the first five (5) years if the applicant is an eligible business owner and submits a waiver to the state entity or local government and the state entity or local government grants the waiver for the eligible new business owner.

(d) The fee waiver does not include fees for:

- (1) A criminal background check;
- (2) An examination or a test; or
- (3) Medical or drug screenings.

(e) A state entity and local government may publish on the website maintained by the state entity or local government:

- (1) Notice of the fee waiver; and
- (2) Any relevant forms that an applicant is required to

complete.

(f) A state entity may promulgate any necessary rules to implement this section.

SECTION 2. Arkansas Code Title 26, Chapter 51, Subchapter 8, is amended to add an additional section to read as follows:

26-51-818. New business income-tax deferral.

(a) As used in this section, an "eligible new business" means a domestic corporation, an Arkansas limited liability company, or other business entity headquartered in Arkansas that:

(1) Files for the deferral under subsection (b) of this section within twelve (12) calendar months of having registered with the Secretary of State; and

(2) Is owned by an individual or individuals who have not owned a business entity in Arkansas during the five (5) years before the date of registration under subdivision (a)(1) of this section.

(b) An eligible new business may, upon grant of an application for an extension under subsection (c) of this section, defer payment of the annual income tax due under the Income Tax Act of 1929, § 26-51-101 et seq. with respect to carrying on or doing business on the entire net income receiving during the income year.

(c)(1) The Secretary of the Department of Finance and Administration shall establish a tax-deferral process entitled the "Arkansas Entrepreneur Extension Program".

(2) Under the program, the secretary shall create an application process for an applicant to demonstrate eligibility.

(3) If the applicant's business qualifies as an eligible new business, the secretary shall grant the eligible new business an extension of no more than five (5) years in which to pay the tax due on the net income of the eligible new business.

(4) An eligible new business shall be granted only one (1) extension.

(d) The secretary shall promulgate any necessary rules to implement this section.

SECTION 3. DO NOT CODIFY. EFFECTIVE DATE. This act shall be effective on and after January 1, 2024.

SECTION 4. DO NOT CODIFY. Rules.

(a) When adopting the initial rules required under this Section 2 of this act, the Secretary of the Department of Finance and Administration shall file the final rules with the Secretary of State for adoption under § 25-15-204(f):

(1) On or before January 1, 2024; or

(2) If approval under § 10-3-309 has not occurred by January 1, 2024, as soon as practicable after approval under § 10-3-309.

(b) The secretary shall file the proposed rules with the Legislative Council under § 10-3-309(c) sufficiently in advance of January 1, 2024, so that the Legislative Council may consider the rules for approval before January 1, 2024.