

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

State of Arkansas
95th General Assembly
Regular Session, 2025

As Engrossed: H3/10/25

A Bill

HOUSE BILL 1216

By: Representative Long

For An Act To Be Entitled

AN ACT TO CREATE THE FREE MARKET ZONES ACT; TO PROVIDE TAX INCENTIVES FOR BUSINESS ENTITIES LOCATED IN AN OPPORTUNITY ZONE; TO EXEMPT A BUSINESS LOCATED IN AN OPPORTUNITY ZONE FROM THE INCOME TAX, THE CORPORATE FRANCHISE TAX, AND THE ELECTIVE PASS-THROUGH ENTITY TAX; AND FOR OTHER PURPOSES.

Subtitle

TO CREATE THE FREE MARKET ZONES ACT; AND TO EXEMPT A BUSINESS LOCATED IN AN OPPORTUNITY ZONE FROM THE INCOME TAX, THE CORPORATE FRANCHISE TAX, AND THE ELECTIVE PASS-THROUGH ENTITY TAX.

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

SECTION 1. DO NOT CODIFY. Title.

This act shall be known and may be cited as the "Free Market Zones Act".

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

26-51-317. Business located in opportunity zone – Definition.

(a) As used in this section, "opportunity zone" means a population census tract located in Arkansas that is designated as a qualified opportunity zone under 26 U.S.C. § 1400Z-1, as of January 1, 2019.

(b) There is allowed an exemption from the income tax imposed by this



chapter for a business entity that:

(1) Locates in an opportunity zone on or after the effective date of this act; and

(2) Is required to file a corporate income tax return under this chapter.

SECTION 3. Arkansas Code § 26-51-460 is repealed.

~~26-51-460. Opportunity zones — Definition.~~

~~(a) Except as provided in subsection (b) of this section, 26 U.S.C. § 1400Z-2, as in effect on January 1, 2018, regarding opportunity zones, is adopted for the purpose of computing Arkansas income tax liability.~~

~~(b) As used in this section and for purposes of the adoption of 26 U.S.C. § 1400Z-2, “opportunity zone” means a population census tract located in Arkansas that is designated as a qualified opportunity zone under 26 U.S.C. § 1400Z-1, as of January 1, 2019.~~

SECTION 4. Arkansas Code § 26-54-102(b), concerning the entities that are not included in the definition of "corporation" under the Arkansas Corporate Franchise Tax Act of 1979, is amended to add an additional subdivision to read as follows:

(4) A business entity that:

(A) Locates in an opportunity zone, as defined in § 26-51-317, on or after the effective date of this act; and

(B) Is required to file a:

(i) Corporate income tax return under the Income Tax Act of 1929, § 26-51-101 et seq.; or

(ii) Tax return under the Elective Pass-Through Entity Tax Act, § 26-65-101 et seq.

SECTION 5. Arkansas Code Title 26, Chapter 65, Subchapter 1, is amended to add an additional section to read as follows:

26-65-109. Exemption for business located in opportunity zone — Definition.

(a) As used in this section, “opportunity zone” means a population census tract located in Arkansas that is designated as a qualified opportunity zone under 26 U.S.C. § 1400Z-1, as of January 1, 2019.

(b) There is allowed an exemption from the tax imposed by this chapter for a business entity that:

(1) Locates in an opportunity zone on or after the effective date of this act; and

(2) Is subject to the tax levied under this chapter.

SECTION 6. EFFECTIVE DATE. Sections 1-5 of this act are effective for tax years beginning on or after January 1, 2025.

/s/Long