



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1922

Bill Subtitle: TO AMEND THE CONSOLIDATED INCENTIVE ACT OF 2003; TO CREATE AN INCOME TAX CREDIT FOR RELOCATING CORPORATE HEADQUARTERS TO THIS STATE; AND TO ENCOURAGE CORPORATIONS TO RELOCATE TO ARKANSAS.

Sponsors:

Rep. Maddox and Sen. Dismang

Basic Change:

HB1922 makes several changes to the Consolidated Incentive Act of 2003. Specifically, HB1922:

- Provides that the investment tax credit now available to offset an applicant's income tax liability may alternatively be used to offset their sales tax liability, based on the election made by the applicant;
- Provides that the investment tax credit amount allowed may be up to 10% of eligible project costs rather than the set 10% credit under current law;
- Repeals the income tax credit and the sales and use tax credit for technology-based enterprises;
- Creates a new income tax credit for businesses that relocate a corporate headquarters to Arkansas. This new credit is equal to 50% of the payroll for qualifying employees; and
- Provides that a business receiving any of the tax incentives authorized by the Consolidated Incentive Act of 2003 will lose some or all of those incentives if they fail to timely certify their annual payroll figures or fail to timely claim the credits.

Businesses that relocate a corporate headquarters to Arkansas could receive an income tax credit of up to 50% of their payroll for new, full-time permanent employees. The credit is available if the business employs at least the minimum number of employees and pays a wage that is equal to a percentage of the average hourly wage for the state or for the county where the headquarters is located, whichever is less. The required number of employees and the average wage to be paid is dependent on the tier of the county where the new headquarters is located, as follows:

- Tier 1 County - Employ at least 300 employees and pay 150% of average wage;
- Tier 2 County - Employ at least 250 employees and pay 125% of average wage;
- Tier 3 County - Employ at least 200 employees and pay 115% of average wage; or
- Tier 4 County - Employ at least 150 employees and pay 110% of average wage.

The income tax credit may be used to offset a percentage of the business's income tax liability resulting from the relocation of its headquarters to Arkansas, as follows:

- Years 1-5: 100%
- Year 6: 80%
- Year 7: 60%
- Year 8: 40%
- Year 9: 20%
- Year 10: 0%



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Unused credits resulting from corporate headquarters relocation may not be carried forward, may not be sold or transferred, and expire if not used.

HB1922 is effective for tax years beginning on or after January 1, 2026.

Fiscal Impact:

Revenue neutral.

[Fiscal impact is revenue neutral because an approved project is required to have a positive cost-benefit to the state as certified by the Director of AEDC as well as an incentive agreement between the taxpayer and AEDC.]

Taxpayer Impact:

A taxpayer who relocates a corporate headquarters to Arkansas may be eligible for a 10% sales and use tax credit for project cost as well as be eligible for an income tax credit for up to 50% of the taxable wages of new full-time permanent employees hired as a result of the project.

Resources Required:

Computer programs, tax forms, and instructions will need to be updated. Arkansas Integrated Revenue System (AIRS) programming costs are estimated to be \$24,000 to implement and maintain the tax credit.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Department employees will need to be educated as well as the tax community.

Other Comments:

None.

Legal Analysis:

None.