

1 State of Arkansas
2 95th General Assembly
3 Regular Session, 2025
4

As Engrossed: H3/12/25

A Bill

HOUSE BILL 1303

5 By: Representatives Jean, Achor, F. Allen, Andrews, Barker, Beaty Jr., Beck, Bentley, S. Berry, Breaux,
6 K. Brown, M. Brown, Joey Carr, Cavenaugh, Childress, Cozart, Dalby, Eaves, Eubanks, Evans, K.
7 Ferguson, Gonzales, Henley, Holcomb, Hollowell, L. Johnson, Lynch, Maddox, Magie, M. McElroy,
8 McNair, Milligan, J. Moore, K. Moore, Painter, Pearce, Perry, Puryear, J. Richardson, Richmond, Rye,
9 Schulz, M. Shepherd, Springer, Steimel, Tosh, Unger, Vaught, Walker, Wardlaw, Warren, D. Whitaker,
10 Wooldridge, Wooten

11 By: Senators Stone, J. Boyd, Crowell, B. Davis, Dees, Flippo, Gilmore, K. Hammer, Hester, M. McKee
12

For An Act To Be Entitled

14 AN ACT TO CREATE TAX INCENTIVES RELATED TO
15 SUSTAINABLE AVIATION FUEL; TO CREATE THE SUSTAINABLE
16 AVIATION FUEL INCENTIVE ACT; TO CREATE AN INCOME TAX
17 CREDIT RELATED TO SUSTAINABLE AVIATION FUEL; AND FOR
18

Subtitle

21 TO CREATE THE SUSTAINABLE AVIATION FUEL
22 INCENTIVE ACT; AND TO CREATE AN INCOME
23 TAX CREDIT RELATED TO SUSTAINABLE
24 AVIATION FUEL.
25

26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
27

28 SECTION 1. Arkansas Code Title 26, Chapter 51, is amended to add an
29 additional subchapter to read as follows:

30 Subchapter 29 – Sustainable Aviation Fuel Incentive Act

31
32 26-51-2901. Title.

33 This subchapter shall be known and may be cited as the "Sustainable
34 Aviation Fuel Incentive Act".
35

36 26-51-2902. Definitions.



1 As used in this subchapter:

2 (1) "Incentive agreement" means an agreement entered into by a
3 business and the Arkansas Economic Development Commission to provide the
4 business an incentive to locate a new qualified sustainable aviation fuel
5 project in the state;

6 (2)(A) "New full-time permanent employee" means a position or
7 job that:

8 (i) Is created pursuant to an executed incentive
9 agreement;

10 (ii) Is filled by one (1) or more employees or
11 contractual employees who:

12 (a) Were Arkansas taxpayers during the year in
13 which the tax credits or incentives were earned;

14 (b)(1) Work at or fill a position dedicated to
15 the qualified sustainable aviation fuel project identified in the incentive
16 agreement.

17 (2) A new employee of the business that
18 enters into the incentive agreement under this subchapter who does not work
19 at the qualified sustainable aviation fuel project may be counted if the new
20 employee:

21 (A) Otherwise meets the definition
22 of a new full-time permanent employee;

23 (B) Is subject to the Arkansas
24 Income Tax Withholding Act of 1965, § 26-51-901 et seq.;

25 (C) Is paid an annual salary of at
26 least seventy-five thousand dollars (\$75,000); and

27 (D) Is verified by reports and
28 methods established as required by the incentive agreement; and

29 (c)(1) Are not employees hired by a qualified
30 manufacturer of sustainable aviation fuel before the date the incentive
31 agreement was executed unless:

32 (A) The position or job filled by
33 the existing employee was created in accordance with the incentive agreement;
34 and

35 (B) The position vacated by the
36 existing employee was either filled by a subsequent employee or no subsequent

1 employee will be hired because the qualified manufacturer of sustainable
2 aviation fuel no longer conducts the particular business activity requiring
3 that classification.

4 (2) If the Director of the Arkansas Economic Development
5 Commission and the Secretary of the Department of Finance and Administration
6 find that a significant impairment of Arkansas job opportunities for existing
7 employees will otherwise occur, they may jointly authorize the counting of
8 existing employees as new full-time permanent employees; and

9 (iii) Has been filled for at least twenty-six (26)
10 consecutive weeks with an average of at least thirty (30) hours worked per
11 week.

12 (B) "New full-time permanent employee" includes a
13 contractual employee who works at the qualified sustainable aviation fuel
14 project identified in the incentive agreement only if the contractual
15 employee is offered a benefits package comparable to a direct employee of the
16 qualified manufacturer of sustainable aviation fuel seeking incentives under
17 this subchapter;

18 (3) "Qualified manufacturer of sustainable aviation fuel" means
19 a taxpayer who:

20 (A) Is a natural person, a company, or a corporation that
21 is engaged in the manufacture, refinement, or processing of sustainable
22 aviation fuel in this state;

23 (B) Uses more than eighty percent (80%) of the electricity
24 and natural gas consumed in the manufacture, refinement, or processing of
25 sustainable aviation fuel to provide power for reactors, distillation
26 columns, heaters, pumps, compressors, coolers, and other sustainable aviation
27 fuel production and processing equipment; and

28 (C) Has an incentive agreement;

29 (4) "Qualified sustainable aviation fuel project" means a
30 facility located in the state that:

31 (A) Manufactures sustainable aviation fuel;

32 (B) Has an installed facility cost of more than two
33 billion dollars (\$2,000,000,000), as verified by the commission;

34 (C) Will employ seventy-five (75) or more new full-time
35 permanent employees; and

36 (D) Begins construction on or before December 31, 2027;

1 (5) "Sustainable aviation fuel" means kerosene-type jet fuel
2 derived from wood biomass; and

3 (6) "Sustainable aviation fuel production and processing
4 equipment" means machinery and equipment that are essential for the
5 receiving, storing, processing, and testing of raw materials used in
6 producing or processing sustainable aviation fuel or the production, storage,
7 testing, and shipping of a finished product of a qualified sustainable
8 aviation fuel project, or both.

9
10 26-51-2903. Qualified manufacturer of sustainable aviation fuel
11 credit.

12 (a)(1) There is allowed an income tax credit against the income tax
13 imposed by this chapter in an amount equal to thirty percent (30%) of the
14 cost of sustainable aviation fuel production and processing equipment
15 purchased for use in the state by a qualified manufacturer of sustainable
16 aviation fuel that has:

17 (A) Obtained a certification from the Director of the
18 Arkansas Economic Development Commission certifying to the Department of
19 Finance and Administration that the qualified manufacturer of sustainable
20 aviation fuel:

21 (i) Operates a qualified sustainable aviation fuel
22 project or has a qualified sustainable aviation fuel project in production;
23 and

24 (ii) Has invested more than two billion dollars
25 (\$2,000,000,000) after the effective date of this act in a qualified
26 sustainable aviation fuel project for:

27 (a) Property purchased for use in the
28 construction of one (1) or more buildings or an addition or improvement to a
29 building to be used for producing sustainable aviation fuel;

30 (b) Machinery and equipment located in or used
31 in connection with the qualified sustainable aviation fuel project, excluding
32 motor vehicles that are subject to registration; or

33 (c) Project planning costs or construction
34 labor costs, including without limitation:

35 (1) On-site direct labor and supervision
36 whether employed by a contractor or the owner of the qualified sustainable

1 aviation fuel project;
2 (2) Architectural fees or engineering
3 fees, or both;
4 (3) Right-of-way purchases;
5 (4) Utility extensions;
6 (5) Site preparation;
7 (6) Parking lots;
8 (7) Disposal or containment systems;
9 (8) Water and sewer treatment systems;
10 (9) Rail spurs;
11 (10) Streets and roads;
12 (11) Purchase of mineral rights;
13 (12) Land;
14 (13) Buildings;
15 (14) Building renovation and demolition;
16 (15) Production, processing, and testing
17 equipment;
18 (16) Freight charges;
19 (17) Material handling equipment;
20 (18) Drainage systems;
21 (19) Water tanks and reservoirs;
22 (20) Storage facilities;
23 (21) Equipment rental;
24 (22) Contractors' cost plus fees;
25 (23) Builders' risk insurance;
26 (24) Original spare parts;
27 (25) Job administrative expenses;
28 (26) Office furnishings and equipment;
29 (27) Rolling stock;
30 (28) Capitalized start-up costs as
31 recognized by generally accepted accounting principles; and
32 (29) Other costs related to the
33 construction of the qualified sustainable aviation fuel project;
34 (B) Obtained a certification from the Secretary of the
35 Department of Energy and Environment certifying to the Department of Finance
36 and Administration that:

1 (i) The qualified manufacturer of sustainable
2 aviation fuel is engaged in the business of manufacturing, producing,
3 refining, or processing sustainable aviation fuel; and

4 (ii) The machinery and equipment purchased are
5 sustainable aviation fuel production and processing equipment;

6 (C) Received a positive cost-benefit analysis, including
7 without limitation an analysis of other incentives offered by the State of
8 Arkansas with respect to the qualified sustainable aviation fuel project
9 subject to the income tax credit, as certified by the Director of the
10 Arkansas Economic Development Commission in consultation with the Chief
11 Fiscal Officer of the State; and

12 (D) An incentive agreement with performance criteria and
13 claw-back provisions as required under subsection (d) of this section.

14 (2) The income tax credit allowed under this section for a
15 taxpayer in a tax year shall not exceed the lesser of ten million dollars
16 (\$10,000,000) or the amount of income tax due by a taxpayer in a tax year.

17 (b) Any unused income tax credit under this section that cannot be
18 claimed in a tax year may be carried forward indefinitely.

19 (c)(1)(A) A qualified manufacturer of sustainable aviation fuel that
20 cannot claim income tax credits allowed under this section shall sell or
21 transfer for value the income tax credits allowed under this section to the
22 State of Arkansas for eighty percent (80%) of the face value in lieu of the
23 right of the qualified manufacturer of sustainable aviation fuel to claim the
24 income tax credits as allowed under this section.

25 (B) No more than ten million dollars (\$10,000,000) of the
26 income tax credits in the possession and control of a qualified manufacturer
27 of sustainable aviation fuel under this section may be sold or transferred in
28 a tax year.

29 (2) Any unused income tax credits that cannot be sold or
30 transferred in a tax year under subdivision (c)(1) of this section may be
31 carried forward indefinitely.

32 (3)(A) By July 15 of each year, a qualified manufacturer of
33 sustainable aviation fuel with possession and control of income tax credits
34 under this section that the qualified manufacturer of sustainable aviation
35 fuel cannot claim shall provide notice to the Department of Finance and
36 Administration of the amount of the income tax credits, subject to the

1 limitations stated in subdivision (c)(1) of this section, to be sold or
2 transferred for value.

3 (B) The State of Arkansas shall pay the purchase price
4 equal to eighty percent (80%) of the face value of all of the income tax
5 credits included in the notice required under subdivision (c)(3)(A) of this
6 section on or before June 30 of the year following the year in which the
7 notice was provided.

8 (C) Income tax credits under this section that are sold or
9 transferred for value to the State of Arkansas are extinguished upon payment
10 of the purchase price as if claimed against the income tax imposed by this
11 chapter.

12 (D)(i) If the State of Arkansas fails to timely pay the
13 purchase price required under subdivision (c)(3)(B) of this section for the
14 income tax credits included in the notice required under subdivision
15 (c)(3)(A) of this section, before the end of the taxable year following the
16 taxable year in which a failure to pay occurs, the qualified manufacturer of
17 sustainable aviation fuel may sell or transfer for value the income tax
18 credits to one (1) or more persons.

19 (ii)(a) Except as provided in subdivision
20 (c)(3)(D)(ii)(b) of this section, a person to whom income tax credits are
21 sold or transferred under subdivision (c)(3)(D)(i) of this section may claim
22 the income tax credits in accordance with applicable law.

23 (b) An income tax credit sold or transferred
24 for value to a person or persons under this subdivision (c)(3)(D) shall not
25 expire before the later of the end of:

26 (1) The carry-forward period for the
27 income tax credits under applicable law; or

28 (2) The third taxable year following the
29 year in which the income tax credits were sold or transferred for value under
30 this section.

31 (iii) The sale or transfer of income tax credits
32 under this subdivision (c)(3)(D) shall be:

33 (a) Reported to the Department of Finance and
34 Administration in writing by the qualified manufacturer of sustainable
35 aviation fuel; and

36 (b) Confirmed in writing by the Department of

1 Finance and Administration under the Department of Finance and
2 Administration's promulgated rules.

3 (d) The issuance, sale, and transfer of an income tax credit allowed
4 under this section is subject to an incentive agreement with performance
5 criteria and claw-back provisions between a taxpayer and the Arkansas
6 Economic Development Commission that:

7 (1)(A) Is subject to the approval of the Chief Fiscal Officer of
8 the State to ensure that the cost-benefit analysis required under subdivision
9 (a)(1)(C) of this section is met and maintained for a test period that is the
10 longer of the life of the income tax credits or twelve (12) years, subject to
11 the limitation stated in subdivision (d)(1)(B) of this section.

12 (B) The test period described in subdivision (d)(1)(A) of
13 this section shall not be longer than fifteen (15) years; and

14 (2) Includes without limitation the:

15 (A) Capital investment for the qualified sustainable
16 aviation fuel project;

17 (B) New full-time permanent employee positions created by
18 the qualified sustainable aviation fuel project;

19 (C) Annual salary requirements for the new full-time
20 permanent employee positions created by the qualified sustainable aviation
21 fuel project;

22 (D) Timeline for fulfilling the investment and job
23 creation targets stated in the performance criteria and claw-back agreement
24 for the qualified sustainable aviation fuel project; and

25 (E) Conditions for the claw-back provisions, which are
26 triggered if, during the test period stated in subdivision (d)(1) of this
27 section, the taxpayer:

28 (i) Does not meet the required targets of the
29 qualified sustainable aviation fuel project related to capital investment,
30 job creation, timeline, or annual salary amounts; or

31 (ii) Fails to maintain a positive cost-benefit
32 analysis.

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34 26-51-2904. Rules.

35 The Secretary of the Department of Finance and Administration may
36 promulgate rules to implement and administer this subchapter.

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SECTION 2. EFFECTIVE DATE. Section 1 of this act is effective for tax years beginning on or after January 1, 2025.

/s/Jean