

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

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, Cavanaugh, 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, Flipppo, 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 INCOME TAX
17 CREDITS RELATED TO SUSTAINABLE AVIATION FUEL; TO
18 CREATE A SALES AND USE TAX EXEMPTION ON UTILITIES
19 USED TO PRODUCE SUSTAINABLE AVIATION FUEL; AND FOR
20 OTHER PURPOSES.

Subtitle

24 TO CREATE THE SUSTAINABLE AVIATION FUEL
25 INCENTIVE ACT; TO CREATE INCOME TAX
26 CREDITS RELATED TO SUSTAINABLE AVIATION
27 FUEL; AND TO CREATE A SALES AND USE TAX
28 EXEMPTION ON UTILITIES USED TO PRODUCE
29 SUSTAINABLE AVIATION FUEL.

31 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
32

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

35 Subchapter 29 – Sustainable Aviation Fuel Incentive Act
36



1 26-51-2901. Title.

2 This subchapter shall be known and may be cited as the "Sustainable
 3 Aviation Fuel Incentive Act".

4
 5 26-51-2902. Definitions.

6 As used in this subchapter:

7 (1) "End user" means an entity that purchases sustainable
 8 aviation fuel for that entity's own use;

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

13 (3)(A) "New full-time permanent employee" means a position or
 14 job that:

15 (i) Is created pursuant to an executed incentive
 16 agreement;

17 (ii) Is filled by one (1) or more employees or
 18 contractual employees who:

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

21 (b)(1) Work at or fill a position dedicated to
 22 the facility identified in the incentive agreement.

23 (2) A new employee of the business that
 24 enters into the incentive agreement under this subchapter who does not work
 25 at the facility may be counted if the new employee:

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

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

30 (C) Meets an average hourly wage
 31 threshold equal to or greater than the state average hourly wage for the
 32 preceding calendar year; and

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

35 (c)(1) Are not employees hired by a business
 36 before the date the incentive agreement was executed unless:

1 (A) The position or job filled by
2 the existing employee was created in accordance with the incentive agreement;
3 and

4 (B) The position vacated by the
5 existing employee was either filled by a subsequent employee or no subsequent
6 employee will be hired because the business no longer conducts the particular
7 business activity requiring that classification.

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

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

17 (B) "New full-time permanent employee" includes a
18 contractual employee who works at the facility identified in the incentive
19 agreement only if the contractual employee is offered a benefits package
20 comparable to a direct employee of the business seeking incentives under this
21 subchapter;

22 (4) "Producer" means a business located in the state that
23 manufactures sustainable aviation fuel;

24 (5) "Qualified sustainable aviation fuel project" means a
25 facility that:

26 (A) Manufactures sustainable aviation fuel;

27 (B) Has an installed facility cost of more than two
28 billion dollars (\$2,000,000,000);

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

31 (D) Begins construction on or before December 31, 2026;
32 and

33 (6) "Sustainable aviation fuel" means naphtha-type jet fuel
34 derived from wood biomass.

35
36 26-51-2903. Sustainable aviation fuel end user credit.

1 (a) There is allowed an income tax credit against the income tax
2 imposed by this chapter in an amount equal to one dollar and nine cents
3 (\$1.09) per gallon over one hundred thousand (100,000) gallons of sustainable
4 aviation fuel purchased by an end user in the tax year.

5 (b) The amount of the income tax credit under this section that may be
6 claimed by a taxpayer in a tax year shall not exceed fifty percent (50%) of
7 the amount of the taxpayer's income tax liability for that tax year.

8 (c) A taxpayer who claims an income tax credit under this section
9 shall not claim any other state income tax credit or deduction for the
10 purchase of sustainable aviation fuel.

11
12 26-51-2904. Sustainable aviation fuel producer credit.

13 (a)(1) There is allowed an income tax credit against the income tax
14 imposed by this chapter in an amount equal to thirty percent (30%) of the
15 cost of sustainable aviation fuel production equipment purchased or
16 facilities constructed for use in the state by a producer that has been
17 certified as owning a qualified sustainable aviation fuel project.

18 (2) The income tax credit allowed under this section shall not
19 exceed the lesser of ten million dollars (\$10,000,000) or the amount of
20 income tax due by a taxpayer.

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

23 (c)(1) The income tax credit allowed under this section may be
24 transferred, sold, or assigned.

25 (2) The transfer, sale, or assignment of an income tax credit
26 under this subsection shall be confirmed in writing by the Department of
27 Finance and Administration.

28 (d) An income tax credit under this section shall not be authorized
29 without:

30 (1) A cost-benefit analysis, including without limitation an
31 analysis of other incentives offered by the State of Arkansas with respect to
32 the qualified sustainable aviation fuel project subject to the income tax
33 credit, as certified by the Director of the Arkansas Economic Development
34 Commission in consultation with the Chief Fiscal Officer of the State; and

35 (2) An incentive agreement with performance criteria and
36 clawback provisions as required under subsection (e) of this section.

1 (e) The issuance, sale, and transfer of an income tax credit
2 authorized under this section is subject to an incentive agreement with
3 performance criteria and clawback provisions between a taxpayer and the
4 commission that:

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

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

12 (2) Includes without limitation the:

13 (A) Capital investment for the qualified sustainable
14 aviation fuel project;

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

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

20 (D) Timeline for fulfilling the investment and job
21 creation targets stated in the performance and clawback agreement for the
22 qualified sustainable aviation fuel project; and

23 (E) Conditions for the clawback provisions, which are
24 triggered if, during the test period stated in subdivision (e)(1) of this
25 section, the taxpayer:

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

29 (ii) Fails to maintain a positive cost-benefit
30 analysis.

31
32 26-51-2905. Rules.

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

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1 SECTION 2. Arkansas Code Title 26, Chapter 52, Subchapter 4, is
2 amended to add an additional section to read as follows:

3 26-52-457. Utility services for sustainable aviation fuel project
4 facilities – Definitions.

5 (a) As used in this section:

6 (1) "Producer" means a business located in the state that
7 manufactures sustainable aviation fuel;

8 (2) "Sustainable aviation fuel" means naphtha-type jet fuel
9 derived from wood biomass; and

10 (3) "Utility services" means electricity, liquefied petroleum
11 gas, or natural gas.

12 (b)(1) The gross receipts or gross proceeds derived from the sale of
13 utility services used by a producer of sustainable aviation fuel are exempt
14 from the gross receipts tax levied by this chapter, and the compensating use
15 tax levied by the Arkansas Compensating Tax Act of 1949, § 26-53-101 et seq.

16 (2) Utility services sold for a purpose other than the purposes
17 stated in subdivision (b)(1) of this section is subject to the full gross
18 receipts tax levied by this chapter, and the full compensating use tax levied
19 by the Arkansas Compensating Tax Act of 1949, § 26-53-101 et seq.

20 (c)(1) Utility services subject to the exemption provided under this
21 section shall be separately metered from utility services used for any other
22 purpose by a taxpayer.

23 (2) Rules promulgated under subsection (e) of this section may
24 establish additional or alternative requirements for the metering of
25 utilities under this section.

26 (d) Before allowing the exemption of utility services under this
27 section, the Secretary of the Department of Finance and Administration may
28 require a seller of utility services to obtain a certificate from a taxpayer
29 certifying that the taxpayer is eligible for the exemption.

30 (e) The secretary shall promulgate rules for the proper administration
31 of this section.

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33 SECTION 3. EFFECTIVE DATES.

34 (a) Section 1 of this act is effective for tax years beginning on or
35 after January 1, 2025.

36 (b) Section 2 of this act is effective on the first day of the

1 calendar quarter following the effective date of this act.

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