Arkansas Emerging Technology Development Act of 1999
(Act 976 of 1999, as amended)
Emerging Technology
Rules & Regulations

I. Introduction

The Arkansas Emerging Energy Technology Development Act of 1999 was passed by the 82nd General Assembly of the State of Arkansas and provides an economic incentive to manufacturers of high growth energy technologies that are on the verge of full entry into the world market. *Act* 976 of 1999 establishes a state income tax credit of 50 percent of the cost of purchasing or constructing a facility that designs, develops, or produces photovoltaics (solar cells), electric vehicle components, or fuel cells. Act 1284 of 2001 expanded the list of technologies to include the designing, developing or producing of Stirling engines, microturbines and nanotechnology devices as being eligible for the benefits of this incentive. Since nanotechnology devices may or may not be energy related, the term energy was dropped from the title of this act. Eligible costs include land, infrastructure, renovation, building improvements, and machinery.

The major goals of Arkansas' economic development package are to provide an environment that creates a diversity of economic opportunities for Arkansas; expand the state's ability to attract higher paying jobs; and enhance recruitment, training, and retention of a talented Arkansas workforce.

For additional information contact:
Arkansas Department of Economic Development
Business Development Section
One Capitol Mall
Little Rock, AR 72201
(501) 682-7319

II. Definitions

A. "<u>Department</u>" means the Department of Economic Development.

B. "<u>Director</u>" is the Director of the Department of Economic Development.

C. "<u>Electric vehicle equipment</u>" means those products designed, manufactured, and produced as original equipment components and intended for express use in an electric powered vehicle which may qualify for registration and licensure as a passenger vehicle by the State of Arkansas.

D. "Electric powered vehicles" may include vehicles powered only by electric batteries, vehicles powered by a combination of electric batteries and internal combustion engines, and vehicles powered by fuel cell equipment. Electric powered vehicles must be capable of being licensed by the State of Arkansas for use on any highway, including interstate highways.

E. "Emerging energy technology(ies)" include photovoltaic devices, electric vehicle equipment, fuel cells, microturbines and Stirling engines.

F. "Facility(ies)" shall be taken to mean those buildings and equipment necessary for the design, development, and production of emerging energy technologies for which eligible costs, for the purpose of this tax credit, include land acquisition, infrastructure improvements, renovation, building improvements, machinery, and other manufacturing equipment.

G. "Fuel cells" means those products designed, manufactured, and produced to convert hydrocarbon fuel to heat and electricity by electrochemical means.

H. "Microturbines" means one (1) megawatt or smaller, high-speed generator power plant that included the turbine, compressor, generator, all of which are on a single shaft, as well as the power electronics to deliver power to the grid.

I. "Nanotechnology" means the materials and systems whose structures and components exhibit novel and significantly improved physical, chemical, and biological properties, phenomena, and processes due to their nanoscale size.

J. "Photovoltaic devices" means those products designed, manufactured, and produced to convert sunlight directly into electricity.

K. "Project start date" means the date that the application is received by the Department and the date after which eligible costs may be incurred for purposes of this credit.

L. "Stirling engine" means a high-temperature, high-pressure externally heated engine that uses an alternatively heated and cooled working gas.

M. "Taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which taxable income is computed.

N. "Taxpayer" includes any individual, fiduciary, or corporation subject to Arkansas State Income Tax.

III. To Qualify for the Program

A. Eligible companies

1. Companies who are expanding or locating in Arkansas which design, develop, or otherwise produce or manufacture "photovoltaic devices", "electric powered vehicles", "electrical vehicle equipment", "fuel cells", "microturbines", "Stirling engines", or "nanotechnology" devices will qualify for this incentive.

2. This income tax credit is not available for any facility or equipment that was used in the manufacturing of any of the technologies listed in Section III (A) (1) above on or before January 1, 2000.

3. The company must be defined as a sole proprietorship, partnership, limited liability company, corporation, or any business entity in any form of business enterprise located within the state of Arkansas.

B. Applicants

1. To be able to receive the income tax credit, the company must submit an application on a form prescribed by the Department (see Section V), and the Department must approve or deny the company's application and project plan within 90 days of the project start date (see Section IV-A).

2. The application and project plan must be sent to:

   Arkansas Department of Economic Development
   Incentive Coordinator
   One Capitol Mall
   Little Rock, AR 72201

IV. Powers and Duties of the Department of Economic Development

A. Within 90 days of the receipt of an application (project start date), with all required supporting documents, the Department will notify the Company of approval or denial of the application. If the Company is approved, the Department will forward all documentation to the Department of Finance and Administration (DF&A).

B. The Department will certify to the Commissioner of Revenues, DF&A, that the Company meets the eligibility requirements.

C. In the event the Company disagrees with the decision on qualification rendered by the Department, the Company may, within fifteen (15) days of receipt of notification of ineligibility, give notice of the disagreement and request a meeting to review the decision.

D. Upon receiving certification from the Department that the Company is eligible, DF&A will contact the Company and provide the forms and instructions needed for the Company to receive the credits in accordance with this program.

E. At the end of each taxable year, the Department of Finance and Administration will issue a tax credit memorandum after the Company's expenditures have been determined to be eligible. This tax credit memorandum must be attached to the taxpayers' income tax return in order to claim the credit.

V. Terms of the Incentive Agreement

In order for an Arkansas taxpayer to benefit from the provisions of this incentive, the taxpayer must:

A. Complete an application on a form prescribed by the Department;

B. Include information on the form, or attached to the form, which clearly identifies:

1. The name, address, physical location, company contact and telephone number of the business applying for the incentive;
2. A detailed project plan that fully explains the costs of facility, equipment, and all other expenditures pertaining to the project;
3. Employers Federal I.D. number and Arkansas sales and use tax number;
4. Present and projected employment numbers;
5. SIC classification;
6. A description of the emerging technology related activities to be pursued;
7. Information on the ownership of the company applying for benefits; and
8. A certification that the information contained in the application that the information contained in the application is true and correct.

VI. Administration of Benefits

A. Eligible taxpayers will be entitled to a state income tax credit of fifty percent (50%) of the amount spent during the taxable year to purchase or construct facilities.

The credit shall be determined in the following manner:

B. The credit will become available at the end of the taxable year in which qualified expenditures are made;

C. If the entire credit cannot be used in the year earned, the remainder may be carried forward and applied against Arkansas state income tax for the next-succeeding taxable year and annually thereafter for a total period of fourteen (14) years, or until the credit is used entirely, whichever occurs first; and

D. The credit shall not exceed the amount of the tax imposed for the taxable year reduced by the sum of all state tax credits allowable except for payment of taxes made by or on behalf of the taxpayer.

VII. <u>Restrictions</u>

A. With the exception of normal depreciation, the taxpayer cannot claim any other state income tax credit or deduction based on the purchase of machinery or equipment for which an income tax credit had already been claimed under this program;

B. The costs of service contracts unrelated to the construction of the facility and sales tax will be disallowed in determining the amount of the credit; and

C. The credit cannot be claimed for any portion of the facility costs that were provided by federal, State, or local grants.