



*A natural for business*

## Arkansas Fact Book

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# Overview

## Arkansas

The Arkansas Economic Development Commission welcomes your interest in Arkansas. **Arkansas is a Natural for Business**, noted as a leader in the South for its favorable business climate and low cost of doing business.

Arkansas is proud of the four homegrown Fortune 500 companies headquartered here: Dillard's, Murphy Oil, Tyson Foods and Wal-Mart.

Many Arkansas companies and communities are making headlines:

- In October 2011, Business Insider named two Arkansas counties, Craighead and Saline, among 20 American Cities and Counties that Could be the Next Silicon Valley.
- The location of HP in Conway, Arkansas was named one of four national projects of the year by *Area Development* magazine
- *Forbes* recently named the Northwest Arkansas MSA the second best area in the U.S. for recession recovery.
- *Southern Business and Development* magazine named Little Rock one of the "Top Ten Small Markets in the South for Foreign Investment."
- *Southern Business and Development* included Paragould and Russellville, Arkansas "Hot Markets in a Cold Economy."
- The Brookings Institution recently named Little Rock the seventh strongest economy in the U.S.

Diversity of industry is evident in Arkansas. Just a few of the recent locations and expansions include:

- **Manufacturing:** Caterpillar, LM Wind Power, Anchor Packaging, Nordex
- **Food Processing:** MARS, Tyson Foods, Nestlé
- **Aeronautics:** Dassault Falcon Jet, Lockheed Martin, Aviation Repair Technologies
- **Distribution:** Infinity Intermodal, Fed-Ex Freight, Skil-Bosch
- **Info-Tech:** Hewlett Packard (HP), ARVEST, IntelliTrans, Experian
- **Customer Service Centers:** NEW, Accent Marketing, Pinnacle

Employers give favorable ratings to Arkansas workers for their work ethic, skills, productivity and low turnover rates. Businesses report great success in recruiting quality and reliable people.

The average cost of living for all of Arkansas' MSAs is consistently below the national average. Businesses also enjoy low tax obligations through a variety of incentives, exemptions, credits and refunds.

Because of its central location, Arkansas provides a valuable transportation advantage. Halfway between Canada and Mexico, the Carolinas and California, Arkansas is only a tank of gas away from one-third of the nation's population.

Home to hundreds of lakes, streams and rivers, 51 state parks and three national forests, Arkansas offers a great variety of recreational opportunities.

Fishermen enjoy the 700,000 acres covered by water, including the Little Red River, home of the world-record brown trout. Canoeing is popular, especially on America's first national river, the Buffalo. Hunters can pursue a wide variety of game, and hikers enjoy the Sugarloaf Trail, America's first national nature trail, as well as many others. Several of Arkansas' 181 golf courses are championship quality.

Arkansas enjoys the four seasons in moderation, and the longer spring and fall seasons provide a mild climate. Average temperatures range from 33° to 50° F in January and 91° F in July. The annual relative humidity averages 57 percent. Arkansas receives approximately 45 to 55 inches of rainfall a year, while Little Rock receives less than 4 inches of annual frozen precipitation.

Local culture, history and the arts are featured in more than 200 cultural institutions in Arkansas, including symphonies, community and professional theater and ballet groups, museums, galleries and a nationally respected arts center. Pioneer settlements, Native American sites and antebellum homes are preserved as part of Arkansas' colorful history. Architect Fay Jones' Thorncrown Chapel on the outskirts of Eureka Springs was named one of the top 10 designs of the 20th century.

In the Historic Arkansas Museum in Little Rock, visitors can explore the rich heritage of the state's oldest neighborhood and then take an easy stroll to enjoy the unique shopping and cuisine in the city's downtown River Market District along the south bank of the Arkansas River.

The William J. Clinton Presidential Center opened in 2004 in the River Market District. It houses the largest archival collection in American Presidential history and attracts people from all over the world. In a restored 1899 passenger train depot adjacent to the Center is the University of Arkansas Clinton School of Public Service, which offers a master's degree in public service.

Nearby the Clinton Center is the headquarters of Heifer International, a worldwide hunger-relief agency that fosters self-reliance by providing livestock to families around the world.

Hot Springs is home to Oaklawn Park, which celebrated its 100th year of thoroughbred racing in 2004. And Southland Greyhound Park in West Memphis is the largest dog racing track in the Mid-South.

A varied array of local festivals and craft shows feature Arkansas themes – from the Watermelon Festival in Hope to the Arkansas Blues and Heritage Festival on the Mississippi River to the War Eagle Crafts Fair in the Ozarks.

Arkansas communities vary from sophisticated urban centers to small rural hometowns.

Many retirees find Arkansas a great place to live, and the state will attract even more as the baby boomers grow older. The state ranks among the top in the U. S. in both retiree relocation and income. U. S. News and World Report consistently lists the University of Arkansas for Medical Sciences in Little Rock among America's Best Graduate Schools. The UAMS geriatric

clinical care program and primary care program were also highly ranked. The UAMS Medical Center has been named one of America's Best Hospitals for nine consecutive years.

Also noted for medical research, UAMS doctors have announced major discoveries in treating osteoporosis through bone regeneration. The university's Arkansas Cancer Research Center is internationally known in several specialty areas, such as multiple myeloma. Arkansas Children's Hospital is among the top 10 pediatric hospitals in the nation.

The UAMS Biomedical Biotechnology Center houses the Arkansas BioVentures incubator, which propels startup biotech companies into the marketplace. The Arkansas Biosciences Institute conducts agricultural and medical research initiatives and encourages science-based economic development in Arkansas. The Genesis Incubator at the University of Arkansas in Fayetteville is another platform for successful high-tech companies.

Of Arkansas' 44 colleges, universities and technical institutes, eight drew top honors from U. S. News and World Report in 2009.

Education at all levels is valued in the state. Arkansas leads the nation in Environmental and Spatial Technology (EAST) Labs, a hands-on, advanced computer course that prepares students for the high-tech workplace while they work on important community service projects.

Arkansas was one of the first states in the nation to establish a residential public high school for academically advanced juniors and seniors. The Arkansas School for Mathematics, Science and the Arts in Hot Springs consistently ranks among the top 1 percent of schools in the nation.

We invite you to visit our Web site for more information: [www.arkansasedc.com](http://www.arkansasedc.com). You'll see why **Arkansas is a Natural for Business.**

# Education

Arkansas has a strong commitment to provide every citizen with the opportunity for lifelong learning, from pre-kindergarten through postsecondary and on to continuing education.

In the past few years, the state has invested almost \$1 billion of new revenues into the K-12 public education system, including a 26 percent increase in teacher salaries and more than \$100 million for school facility improvements.

Arkansas is the only state in the nation with a 10 rating for early childhood education quality standards, according to the National Institute of Education Research.

More than 60 percent of Arkansas students at each grade level scored at or above proficient on both the mathematics and literacy Arkansas Augmented Benchmark Exams. The exams, administered in April 2009 to 209,000 third- through eighth- graders, are recognized nationally as some of the most rigorous in the country. Academic growth is also evident in the state's norm-referenced exams, End of Course Exams and end-of- level Grade 11 Literacy exam.

Arkansas continues to see increases in the number of public school students taking Advanced Placement examinations in the 2008-2009 school year as well as an overall better performance on those tests. The number of test takers increased by 8.2 percent to 18,437 in 2009, the number of tests administered increased by 6.7 percent to 30,114, and the number of tests with scores of 3, 4 or 5 (on a scale of 1 to 5) increased by 8.1 percent to 8,654

The Arkansas P-16 Partnership works to create a seamless education for students while allowing a more effective use of education dollars. Involving all the state education agencies and institutions, pre-school through college, as well as officials from the legislative and executive branch, business leaders, educators and parents, the Partnership builds on work already underway that stresses clear, high standards and fair, objective accountability measures. It also enables employers to find diplomas, certificates and licenses more dependable as evidence of what a prospective employee knows and can do.

## Elementary/Secondary Education

The Arkansas legislature requires that the state's education system produce academically competent students who can demonstrate their competency in a core curriculum and apply their knowledge and skills. Rigorous learning standards have been defined in the Arkansas Curriculum Frameworks, discipline-based documents that clearly describe what students must master by grades 4, 8 and 12.

A successful elementary school experience is the foundation for the rest of a child's education. And to ensure all students are ready to learn in the early grades, the Arkansas Better Chance for

School Success program provides pre-school programs for at-risk students, from birth through 5 years old. Arkansas corporations support this program, understanding the necessity of improving education not only for their own economic success, but for the entire state's future.

For students in grades K-4, Smart Start is a comprehensive approach to improving reading and mathematics achievement. The goal of Smart Start is to have all children meet or exceed grade-level requirements in reading and mathematics by grade 4.

Smart Step emphasizes student achievement in grades 5-8, providing the resources, materials and expertise for middle-school educators to help Smart Start students continue their academic progress.

Smart Start and Smart Step are part of the Arkansas Comprehensive Testing, Assessment and Accountability Program, a system covering pre-kindergarten through 12th grade that incorporates the recommendations of the Excellence in Arkansas Public Education Task Force. It consists of six related components:

- Academic standards
- Professional development
- Student assessment
- Public reporting of achievement
- School improvement planning
- Rewards and sanctions

The Arkansas School for Mathematics, Science and the Arts in Hot Springs – a residential public high school for academically advanced juniors and seniors – consistently ranks among the top 1 percent of schools in the nation. More than 200 students are enrolled in the school which also serves as a training center for teachers to develop curriculum and offers extensive statewide distance learning.

Through advanced technology, Arkansas students excel in rural as well as urban school districts. More than 100 Arkansas schools offer Environmental and Spatial Technology (EAST), a nationally acclaimed program supported by a collaborative partnership involving Intergraph Corporation, several universities and the Arkansas Department of Education. In project-based lab classes, students use geographic information systems (GIS) and computer-aided design (CAD) to develop real-world applications for community projects, such as:

- Improving 911 responses by mapping rural areas and displaying the information on laptop computers in fire and police vehicles,
- Providing school boards with alternate bus routes in rapidly expanding districts, and
- Conducting environmental studies on urban wetlands.

Secondary vocational education is available to every public school student in the state, either at the high school or a secondary area vocational center that serves students from surrounding school districts. Career orientation, which introduces students to different careers and workplace expectations, is required of every student at the junior high school level as a prerequisite for all programs of study/career majors developed by the Department of Workforce Education.

Arkansas has restructured high school vocational education to help students make a smoother transition from school to postsecondary education and/or the workplace. Career opportunities,

“High Schools that Work,” and youth apprenticeship are part of this systemic change that provides students with academically challenging courses.

Arkansas employers significantly participate in many school-to-work activities, such as Bridging the Gap, an exemplary program sponsored by businesses, universities and foundations. Educators from all over the state attend a two-week “boot camp,” where employers instruct them in skills required in today’s workplace. The educators then intern for two weeks at companies throughout Arkansas.

## **Workforce Development**

Workforce development is a priority of the state’s technical colleges and institutes, which work with local business and industry to meet existing and new workforce needs. More than 95 percent of the state’s population lives within a 30-mile radius of one of these institutions.

Relying on extensive employer involvement, the Arkansas Association of Two-Year Colleges developed the Workforce Readiness Curriculum. The association’s Workforce Consortium serves more than 2,100 Arkansas businesses each year.

The Economic Development Commission’s regionally based coordinators develop customized training programs for existing companies and assist with the formation of local workforce development consortia, formal organizations of businesses and industries that identify common training needs in the community. Consortia – as well as individual companies – are eligible for training grants from the Department’s Existing Workforce Training Program.

Arkansas’s Workforce Investment Board coordinates one-stop centers throughout the state to ensure consistent training for jobs in Arkansas.

The Arkansas Economic Development Commission has partnered with six sister agencies to develop the Arkansas Career Readiness Certificate (CRC) program, which allows employers to locate the skilled workforce required to maintain global competitiveness. The CRC also gives prospective employees the ability to document the existing skills that they possess.

The Arkansas Technical Careers Student Loan Forgiveness Program was designed to attract students to the high-demand fields of advanced manufacturing, computer/information technology, and biomedical/ biotechnology. The program forgives college loans for students who work in Arkansas in these areas after graduation.

## Higher Education

In Arkansas there are 33 public colleges and universities, two technical institutes, a medical school, and two law schools, as well as 11 independent colleges and universities.

Enrollment in higher education institutions in Arkansas has increased steadily for years. From the 2008 Academic Year (2007-08) to the 2009 Academic Year (2008-09), annual unduplicated enrollment at Arkansas higher education institutions increased by 3.6 percent. Over the five year period from the 2005 Academic Year (2004-05) to the 2009 Academic Year (2008-09), annual unduplicated enrollment at Arkansas higher education institutions increased by 13.4 percent.

Eight Arkansas institutions drew honors from U. S. News and World Report in 2009.

Engineering students at the University of Arkansas' High Density Electronics Center design innovations like micro-chip housing for various applications in the automobile industry.

The University of Arkansas at Little Rock, an urban university in the heart of the state's capital city, houses the "Cyber College," the College of Information Science and Systems Engineering. It is one of only a few academic institutions in the country with a Virtual Reality Center featuring a 3-D CAVE immersive environment. The Cyber College is also among a small group of U. S. universities with an accredited degree program in construction management, as well as a degree in systems engineering, with options in mechanical, electrical, computing and telecommuting engineering.

The challenges of an aging population are getting a high degree of attention at the University of Arkansas for Medical Sciences in Little Rock. UAMS houses one of only three geriatric departments in the country affiliated with a college of medicine. The department trains professionals in this developing area of medical treatment, prevention, wellness and functional independence. U.S. News and World Report ranks the UAMS Department of Geriatrics among the top 10 in the nation and regularly includes UAMS among America's best hospitals and graduate schools.

UAMS is now undertaking a huge campus expansion, the largest construction effort in Arkansas since the series of navigational locks was built on the Arkansas River in the 1960s.

## Research and Development

UAMS is also noted for medical research. Arkansas doctors have announced major discoveries in treating osteoporosis through bone regeneration. The university's Arkansas Cancer Research Center is internationally known in several areas, including multiple myeloma, a cancer of the

plasma cell. More patients with myeloma are treated at the UAMS Myeloma Institute for Research and Therapy than anywhere else in the world. UAMS physicians and surgeons also staff Arkansas Children's Hospital in Little Rock, one of the largest pediatric hospitals in the nation.

The UAMS College of Medicine's Biomedical Biotechnology Center (BBC) connects scientific research and industry. The BBC administers Arkansas BioVentures, a business development initiative that includes a technology business incubator program for bio-medical entrepreneurs, links to capital resources and access to scientists in academia, federal labs and industry.

BioVentures has propelled numerous new companies into the marketplace – transferring more than 165 patent applications to businesses. UAMS forecasts two or three companies will start up each year. Examples of client companies are Safe Foods Corporation, which makes food safety technologies that reduce contamination during processing, and Contour Med, which makes custom-fitting prosthetics for breast cancer patients.

UAMS is part of a scientific corridor in central Arkansas that fosters cooperative research projects involving the Veterans Administration Medical Center and the National Center for Toxicological Research (NCTR). Located between Little Rock and Pine Bluff, NCTR is the U. S. Food and Drug Administration's primary center for risk assessment. Adjacent to NCTR is the Pine Bluff Arsenal, the nation's premiere chemical and biological defense arsenal, with more than \$1 billion in assets.

UAMS, Arkansas Children's Hospital; Arkansas State University; the University of Arkansas Division of Agriculture; and the University of Arkansas, Fayetteville are members of the Arkansas Biosciences Institute (ABI), created as the major research component of the Tobacco Settlement Proceeds Act of 2000. ABI scientists focus on agricultural research with medical implications, bioengineering research that expands genetic knowledge and nutrition, and other research aimed at preventing and treating congenital and hereditary conditions of cancer.

Arkansas State University has a Ph.D. program in molecular biosciences, focusing on plant biotechnology systems including plant-made pharmaceuticals, nutraceuticals and diagnostic tools for food science. Participants will be involved in a variety of disciplines including agriculture, medicine, forensics, environmental sciences, food sciences and renewable energy.

The University of Arkansas's GENESIS Business Incubator is recognized as one of the most outstanding small business technology transfer programs in the country and has been used internationally as a model for similar programs.

# Human Resources

Arkansans have a strong work ethic and are committed to a job well done. The state has a workforce of well-educated, motivated people who can meet the needs of any business.

## Population

	1990	2000	2009 estimate
<b>United States</b>	<b>248,790,925</b>	<b>281,421,906</b>	<b>304,059,724</b>
<b>Arkansas</b>	<b>2,350,624</b>	<b>2,673,400</b>	<b>2,855,390</b>

Major Urban Centers	2009 Estimate
Little Rock/North Little Rock/Conway MSA.....	685,488
Fayetteville/Springdale/Rogers/Bentonville MSA .....	464,623
Fort Smith MSA.....	293,063
Texarkana MSA.....	137,486
Pine Bluff MSA.....	100,694
Jonesboro/Craighead County MSA .....	120,139
Hot Springs MSA.....	98,479
Memphis/Tennessee/Arkansas/Mississippi MSA .....	1,304,926

## Employment and Demographic Trends

Manufacturers and service industries, particularly business and health services, continue to expand, creating more job opportunities for Arkansans.

<b>Arkansas Labor Force</b>	
<b>2010 Annual Update</b>	
Civilian labor force	1,353,000
Non-farm payroll jobs	1,163,200
Unemployment rate	7.9%

## **Manufacturing Employment**

Arkansas's diverse industrial base provides an ample supply of experienced manufacturing workers. In 2008, Arkansas's manufacturing sector accounted for 17.1% percent of the state's jobs, as well as 17.4% percent of the state's gross state product. Throughout the years the sector has shifted from agriculture-based to light manufacturing to more sophisticated processes and products such as wind turbines, transportation equipment, and primary and fabricated metals.

According to the Bureau of Labor Statistics, in 2009, the average hourly earnings of production workers in Arkansas was \$14.07, or 80 percent of the national average of \$17.58.

Established in Arkansas in 1959, Tyson Foods Inc. is the state's largest manufacturer and a Fortune 500 business. Other top manufacturing companies include Georgia-Pacific LLC, Husqvarna Home Products, Baldor Electric, Dassault Aviation Group, Simmons Prepared Foods Inc. and Georges Inc.

## **Service Sector Employment**

Services (non-government) now account for a large share of Arkansas's employment (35 percent) as well as Arkansas's gross state product (33.6 percent). Employment in the natural resources mining, health services and government sectors has also grown substantially.

## **Agriculture-Related Employment**

Agriculture and agriculture-related biotechnology also play an integral part in Arkansas' economy. The state leads the nation in rice production with 92.9 million cwt harvested in 2008, is the second largest poultry producer with 1.17 billion birds raised and processed in 2007, and is the third largest producer of catfish.

## **Technology Employment**

Arkansas's information technology companies, such as Verizon and Acxiom, are concentrated in Pulaski and Faulkner Counties. Several research centers and biotechnology-related industries – including the Biomedical Biotechnology Center, the Genesis Incubator, the National Center for Toxicological Research, the Dale Bumpers National Rice Germplasm Evaluation and Enhancement Center, and the Stuttgart Harry K. Dupree Aquaculture Fisheries Center – are in Pulaski, Washington, Jefferson and Arkansas Counties.

Because the state has experienced steady growth in technology employment, several Arkansas universities have developed new degree programs that provide skilled workers for these emerging industries. For instance, recently instituted degree programs include Systems Engineering and Information Sciences, Biomedical Engineering, Cell and Molecular Biology, and Molecular Biotechnology programs.

## **Workforce Potential**

Even though Arkansas's unemployment rate consistently falls below the national average, there is a large group of workers seeking new opportunities. Demographic information indicates that many of these potential workers – college students, retirees, and second income workers – are the underemployed employees sought by office-sector businesses.

## **College Students**

Arkansas has a strong commitment to higher education. Since the early 1980s, the state has greatly increased funding for merit-based financial aid programs and operating funds for the state's public universities and colleges. The commitment has paid off. Today, the college entry rate is on par with the rest of the nation. In Fall 2009, almost 128,000 students enrolled in one of the 33 state-supported two-year and four-year colleges and universities located throughout the state.

## **Retirees**

Arkansas is an obvious choice for those searching for a place to retire. The state's natural beauty, combined with the low cost of living, make Arkansas the retirement destination for people from all parts of the country. In fact, Arkansas consistently ranks as one of the more popular retirement states in the nation.

### **Second Income Earners and Underemployed Employees**

All regions of the state also have a high proportion of households that support second income earners, indicating choice recruiting ground for businesses wanting to hire these people and/or underemployed employees.

# Arkansas Laws Affecting Labor

## Workers' Compensation

As a result of extensive reforms implemented in 1993, Arkansas now has one of the most progressive workers' compensation programs in the nation. Workers' compensation insurance is more affordable for employers and guarantees that employees will be compensated fairly and thoroughly for compensable injuries. Arkansas's workers' compensation law also includes a fraud investigation unit to address the interests of all parties involved in the claims process. Most major insurance companies doing business in Arkansas underwrite workers' compensation insurance.

## Right-to-Work

One of 23 right-to-work states, Arkansas guarantees this provision in its constitution, while some states have laws that can be legislatively changed. Right-to-work states prohibit making union membership a condition for employment.

## Anti-Violence Law

Arkansas has a strong anti-violence law. It is unlawful for any person, by using or threatening to use violence, to prevent people from engaging in a lawful vocation in Arkansas. The law makes violence during a labor dispute a felony instead of a misdemeanor.

# Telecommunications

Businesses have found that Arkansas has an excellent telecommunications network, a positive legal environment and technological capabilities that are state-of-the-art.

## Business Climate

Arkansas' business-friendly attitude also applies to telecommunications. The state has a climate that makes doing business cost-efficient and convenient. Businesses locating in Arkansas benefit from:

- No sales tax on 1-800 telephone calls
- A positive legal climate with no state regulations on call monitoring, telemarketing, calling hours, or automatic dialing restrictions

## Infrastructure

Currently, 28 incumbent carriers operate more than 1.4 million access lines and 382 digital switching centers in the state. Major vendors include SBC.

The state's long distance needs are well served by six point-of-presence (POP) sites located throughout the state. Interexchange providers include GTE, AT&T, Sprint, and MCI.

## Technological Upgrades

Arkansas' excellent telecommunications network offers a full range of digital transmission services for data, video, and facsimile.

Extensive fiber-based networks have greatly enhanced distance learning, telemedicine, and government and business services. These enhancements have been made possible by close cooperation among telecommunication businesses, state and local government, educational institutions, and economic development organizations. Commitments from these partners have led to continuous upgrades of telecommunications technology. These improvements include:

- Asymmetric digital subscriber lines (ADSL) service introduced by ALLTEL
- Availability of advanced ATM switching
- Availability of Integrated Service Digital Network (ISDN)

Fiber infrastructure for 14 fiber parks that are the products of a partnership between AT&T, educational institutions and local government and economic development organizations. All have resources and attributes that enhance successful recruitment of businesses. In these communities, there will be two separate routes of fiber optics connecting the business park site and telephone digital switching offices to ensure continuous service.

# Transportation

Arkansas's transportation network and central U.S. location define the state as a strategic distribution center. Midway between Mexico City and Montreal, Arkansas offers a valuable distribution advantage.

Arkansas's intermodal transportation network of highways, railways, air routes, waterways and pipelines is ideally suited to meet the needs of business. These facilities provide easy access to U.S. markets and the world.

Arkansas is home to two of the nation's largest trucking companies: J.B. Hunt and ABF Freight Systems. J.B. Hunt is the nation's leading transportation provider and the nation's largest publicly traded truckload carrier. ABF serves all 50 states and has international operations offering service to 230 ports in 130 countries. FedEx Freight East, a less-than-truckload market leader, is based in Harrison, Arkansas.

More than 1,600 for-hire motor carriers with interstate operations are based in Arkansas. And more than 93,000 Arkansans are employed in trucking and distribution.

The state's comprehensive transportation system can easily move bulk commodities and consumer goods. Many of Arkansas' port locations have railway connections that provide a smooth transition for various modes of transportation and quick delivery.

## Highways

Interstate 40, a highly traveled interstate highway, is a major thoroughfare from coast to coast, providing access to markets from North Carolina to California.

Interstate 55 intersects I-40 in eastern Arkansas, offering distribution opportunities from New Orleans in the south to St. Louis and Chicago in the north.

I-30 also connects Arkansas with markets in the southwest, including Texas and Mexico.

The planned Interstate 69 will run through south Arkansas, connecting Canada and Mexico.

The weight limit for trucks in Arkansas is 80,000 pounds, the national standard. Arkansas' abundance of truck lines provides competitively priced single carrier service to all areas of the nation.

### **Truck transit time from Central Arkansas Destination Cities and Average Transit Days**

Atlanta	2	Memphis	1
Chicago	2	Montreal	3
Dallas	1	Mexico City	3
Houston	2	New Orleans	1
Kansas City	1	New York City	3
Los Angeles	4	St. Louis	1

## **Air Service**

Many major airlines and commuter lines provide reliable air service in Arkansas.

Little Rock National Airport (LIT) provides direct flights to several major cities. Little Rock is also served by numerous charter, private and corporate aircraft.

Little Rock National has three runways and can accommodate large aircraft, including the Boeing 747. Several freight carriers serve the airport, including DHL and UPS Air Cargo, which maintains a large regional freight hub at the airport.

In addition to commercial aircraft, Little Rock National serves general aviation/private aircraft, with two fixed base operators (FBOs) on the field, Central Flying Service and Supermarine. With 22 hangars on 63 acres, Central is the nation's largest fixed base operation and offers a huge paint and interior refurbishing shop, non-destructive testing and sheet metal fabrication.

The Northwest Arkansas Regional Airport (XNA), which opened in 1998, is the state's second busiest airport, serving nonstop flights to several national and international airports.

Regional airports in El Dorado, Fort Smith, Harrison, Northwest Arkansas, Hot Springs, Jonesboro and Texarkana also provide commercial service to several national airports

Of Arkansas's 95 airports, more than 42 have runways that will accommodate most business jets. These airports provide both day and night services, and most have instrument approach capability.

The Arkansas Aeroplex at Blytheville, formerly Eaker Air Force Base, is the state's second-largest industrial complex and one of the largest commercial airstrips in the central United States. Situated in a campus-like setting, the facility offers fiber-optic technology, 1.5 million square feet of available facilities, and space for new construction.

## **Waterways**

More than 1,000 miles of navigable waterways link Arkansas with ports worldwide. Arkansas' rivers remain ice-free throughout the year, allowing continuous movement of goods at the many public ports, private terminals and riverfront industrial sites.

There are four active commercially navigable waterways in the state: the McClellan-Kerr Arkansas River Navigation System and the Mississippi, Ouachita and White Rivers.

The Mississippi River forms the entire eastern boundary of the state and is accessed through public ports at Osceola, West Memphis, Helena, and Yellow Bend.

The McClellan-Kerr Arkansas River Navigation System runs through the center of the state and allows barge traffic between Catoosa, Oklahoma, (near Tulsa) and the Mississippi River. This system serves public ports at Fort Smith, Little Rock and Pine Bluff, as well as many private terminals and numerous large industrial sites.

The Ouachita River has public ports at Crossett and Camden in south Arkansas. Barges are loaded at privately owned terminals and riverfront industrial sites in these cities and at other locations along the river.

The White River serves businesses in the eastern part of the state from Newport to the Mississippi River.

Arkansas is home to two general purpose Foreign Trade Zones. Foreign Trade Zone #14 at the Little Rock Port is located on 1,500 acres near the Arkansas River. Sub-Zones of #14 are located in El Dorado, De Queen, Forrest City, North Little Rock and West Helena. Foreign Trade Zone #273 is located at the West Memphis Port on 340 acres of industrial property near the Mississippi River.

## **Rail Service**

There are 25 freight railroad companies in Arkansas. Three are Class I railroads: Union Pacific, Burlington Northern Santa Fe, and Kansas City Southern Railway. The remainder are Class III railroads. The state's railroad system connects shippers to any major destination in the U.S.

Arkansas' rail system also ties into the state's other transportation systems of river, highway, and pipeline modes.

## **Intermodal Facilities**

Intermodal freight facilities in Arkansas include the riverports at Little Rock, Pine Bluff and Van Buren.

The pipeline/refinery/fuel storage complexes are the Lion Oil refinery/fuel storage complex in El Dorado, the Truman Arnold fuel storage terminal in West Memphis, and the Central Arkansas pipeline/fuel storage terminal in North Little Rock.

Union Pacific Railroad has a \$70 million state-of-the-art intermodal facility on 600 acres at Marion, just north of where Interstates 40 and 55 converge. Nearby is the Burlington Northern Santa Fe's Harvard Yard, plus close access to three other rail carriers.

The Marion site is across the Mississippi River – the nation's most traveled river – from Memphis, with its international airport and Fed Ex Superhub. The convergence of all of these transportation factors were important considerations when the Marion site was runner-up in Toyota's recent search for a site for its new truck plant. Marion has been named one of the best sites in the South for an automobile manufacturer.

## **Pipeline Transportation**

The state's flowable bulk system consists of natural gas, oil, and product pipelines. Several large fuel storage terminals are linked to refineries by pipelines.

# Taxation

A major indicator of a state's business climate is its tax structure. Arkansas maintains a fair and pro-business tax system.

## Arkansas Taxes

Corporate Income.....	1.0 – 6.5%
Personal Income.....	1.0 – 7.0%
Sales and Use.....	6.0%
Corporate Franchise .....	0.003%
Unemployment Insurance	
For new businesses .....	3.8%
For existing Arkansas businesses	2.6%

## Taxes Levied by the State

### Corporate Income Tax

Every domestic and foreign corporation doing business in Arkansas shall pay a graduated income tax on its entire Arkansas net taxable income based on the following tax rate chart:

First	\$3,000 .....	1%
Next	\$3,000 .....	2%
Next	\$5,000 .....	3%
Next	\$14,000 .....	5%
Next	\$75,000 .....	6%
Over	\$100,000 .....	6.5%

The portion of income that exceeds each category is taxed at the next higher rate. For example, if a business has corporate net income of \$125,000, the first \$3,000 is taxed at 1 percent, the next \$3,000 is taxed at 2 percent, and so on. Thus, only the \$25,000 in excess of \$100,000 is taxed at the maximum rate of 6.5 percent.

If business income is derived from activity inside and outside the state of Arkansas, it is apportioned for taxation according to the percentage of property and payrolls utilized in the state and sales attributable to Arkansas pursuant to the multi-state compact.

A corporation doing business in Arkansas and sustaining a net operating loss may carry forward the loss to the next succeeding taxable year and annually thereafter for a total period of five years succeeding the year of such loss and deduct it from Arkansas taxable income.

Corporations that are members of an affiliated group that file a federal consolidated corporate income tax return may elect to file an Arkansas consolidated corporate income tax return. However, only those corporations in the federal affiliated group that have gross taxable income from sources within Arkansas are eligible.

Arkansas has adopted the provisions of Subchapter S of the Federal Internal Revenue Code of 1986 (Title 26, U.S.C., Sections 1361 through 1379).

Subject to specific conditions, income tax credits are offered through certain incentives, which are described in the "Incentives" section of this book.

### Definitions

- **Domestic** – When applied to any corporation or association, including partnership, means created or organized in the state of Arkansas
- **Foreign** – When applied to any corporation or association, including partnership, means created or organized outside the state of Arkansas
- **Net Income** – The adjusted gross income of a taxpayer less allowable deductions

The following example shows the method of apportioning business income to Arkansas and the calculation of tax due the state for a hypothetical firm with business income of \$1,250,000.

1. Net business income = \$1,250,000
2. Apportionment method based on the double-weighted, three-factor formula

	U.S.	Ark.	Ark. %
Plant, property, & equipment (beginning of year)	\$ 3,100,000	\$ 750,000	
Plant, property, & equipment (end of year)	+\$ 3,300,000	+\$ 850,000	
TOTAL	\$ 6,400,000	\$1,600,000	
Average (÷2)	\$ 3,200,000	\$ 800,000	25%
Payroll	\$ 900,000	\$ 180,000	20%
Total sales & receipts	\$25,000,000	\$3,750,000	15% x 2 30%
Sum of percentages			75%
Average (÷4)			18.75%

3. Income subject to tax in Arkansas is the total income multiplied by the average of the sum of percentages in Arkansas: (\$1,250,000 x 18.75% = \$234,375).
4. Arkansas corporate income tax computations based on \$234,375 and Arkansas tax rates:

<u>Income Amount</u>	<u>Amount of Tax</u>
\$234,375	\$14,174

## Personal Income Tax

Resident and nonresident individuals, estates, and trusts deriving income from within the state are subject to a tax on their net income at the following rates:

Net Taxable Income	Rate	Net Taxable Income	Rate
Less than \$3,800	1.0%	Next \$11,400	4.5%
Next \$3,800	2.5%	Next \$19,000	6.0%
Next \$3,800	3.5%	\$31,700 & over	7.0%

To arrive at net taxable income, the taxpayer may elect to either itemize deductions or to use the standard deduction of \$2,000 per taxpayer. (Married couples may deduct \$2,000 per spouse.) Federal income tax is not deductible from income subject to Arkansas's personal income tax.

A credit is allowed resident individuals for the amount of income tax paid to any other state not to exceed what the tax would be on out-of-state income if added to the Arkansas income and calculated at Arkansas income tax rates. The following personal tax credits are allowed:

- Single individuals ..... \$23
  - Blind or deaf, additional \$23
  - Blind and deaf, additional \$23
- Head of Household ..... \$23
- Dependents with gross income of less than \$3,500 ..... \$23
- 65 or older head of household ..... \$23
  - Spouse 65 or older, additional \$23
- Credit for "developmentally disabled" dependent in home. \$500

## Sales and Use Taxes

The Arkansas sales tax is 6.0 percent of the gross receipts or gross proceeds derived from the sales of tangible personal property, certain services, and admission fees upon which the tax was imposed. The tax is paid by the consumer at the point of final sale and is computed on the total consideration received without any deduction for expenses. "Sale" includes the lease or rental of tangible personal property.

The Arkansas compensating use tax of 6.0 percent is levied on tangible personal property purchased from outside the state of Arkansas for use, storage, or consumption within the state of Arkansas.

## Exemptions from Sales and Use Taxes

- All 1-800 calls
- Property that becomes a recognizable, integral part of property manufactured, compounded, processed, or assembled for resale
- Machinery and equipment used directly in manufacturing that are purchased for a new manufacturing facility or to replace existing machinery and equipment. Machinery and equipment required by Arkansas law to be purchased for air or water pollution control are also exempt.
- Catalysts, chemicals, reagents, and solutions that are consumed or used in producing, manufacturing, fabricating, processing, or finishing articles of commerce at manufacturing or processing plants or facilities; and/or to prevent or reduce air, water, and other contamination.

The term “used directly” includes molds and dies that determine the physical characteristics of the finished product or its packaging materials; testing equipment to measure the quality of the finished product; computers and related peripheral equipment that directly control or measure the manufacturing process; machinery and equipment that produce steam, electricity, or chemical catalysts; and solutions that are essential to the manufacturing process but are consumed during the course of the manufacturing process and do not become necessary and integral parts of the finished product.

In addition to those operations commonly understood within their ordinary meaning, the term “manufacturing” includes mining; quarrying; refining; the extracting of brine, oil and gas; cotton ginning; the drying of rice; soybeans, and other grains; the manufacturing of feed; the processing of poultry; the processing of eggs and livestock; the hatching of poultry; printing of all kinds; types of characters, including the services of overprinting and photographic processes incidental to printing; the processing of scrap metal into grades and bales for further processing into steel and other metals; producing of protective coatings that increase the quality and durability of a finished product; and the rebuilding or re-manufacturing of used parts and retreading of tires for automobiles, trucks, and other mobile equipment powered by electrical or internal combustion engines or motors, provided that the rebuilt or remanufactured parts are not sold directly to the consumer but are sold for resale.

Specific exemptions include the following:

- Sales of gas produced from biomass in a facility meeting federal eligibility requirements and sold to an entity for the purpose of generating steam, hot air or electricity to be sold to the gas producer.
- Electricity used in the production of aluminum metal by the electrolytic reduction process
- Electricity used in the chlor-alkali manufacturing process
- Barges, towboats, and vessels of at least 50-ton load displacement
- Feedstuffs used in livestock production, including poultry, for commercial production in Arkansas

- Fertilizer, limestone and agricultural chemicals used in the commercial production of agricultural products
- The first \$50,000 of timber-harvesting equipment purchase price
- Sales of any item of new or used farm equipment or machinery
- Natural gas used as fuel in the process of manufacturing glass
- Forms which are consumed or destroyed during the manufacture of the item for which the form was built
- Repair or maintenance services performed on railroad cars, parts, or equipment brought into the state only to be repaired, refurbished, modified, or converted; parts or labor used in the repair and maintenance of railroad parts, railroad cars, and equipment owned by railroad companies or carriers
- Sale of newspapers and publications; sale of advertising space in newspapers and publications; and billboard advertising services

Subject to specific conditions, sales and use tax credits are offered through certain incentives, which are described in the “Incentives” section of this book.

## **Unemployment Insurance Tax**

Every business in Arkansas pays an unemployment insurance tax. A business with no previous employment record in Arkansas is taxed at 3.8 percent on the first \$10,000 of each employee’s earnings until an employment record is established, usually within three years. Contribution rates range between 1.0 percent and 10.7 percent.

Each firm’s employment record is determined primarily by its taxable payroll and history of employee involuntary termination. The tax is determined by past experience and the amount of the reserve-ratio. The reserve-ratio is the excess of contributions paid over benefits charged as related to payroll. The higher the reserve-ratio, the lower the tax rate.

## **Corporate Franchise Tax**

The Arkansas Franchise Tax is an annual tax imposed on Arkansas corporations for the grant of charter privileges and on non-Arkansas corporations for the privilege of doing business. The due date for the tax is May 1 of the payment year.

For a corporation incorporated under the laws of the state of Arkansas, the franchise tax is calculated by multiplying the number of outstanding capital shares by the par value (if no par stock, \$25 is used) of those shares, then multiplying by 0.003.

For a corporation incorporated outside of Arkansas but authorized to do business in the state, the number of issued and outstanding capital shares is multiplied by the par value to obtain the total value. This value is multiplied by the percentage of assets applicable to Arkansas (Arkansas assets divided by total assets) to obtain the Arkansas capital stock. The resulting figure is multiplied by 0.003 to obtain the franchise tax.

Number of issued and outstanding capital shares	x	Par value; \$25 if no par value	=	Total value of issued and outstanding capital stock
Total value of issued and outstanding capital stock	x	Percentage of assets applicable to Arkansas	=	Arkansas capital stock
Arkansas capital stock	x	0.003	=	Franchise tax due

Businesses locating in Arkansas do not have to disclose the total assets of their parent corporations. If a business is a U.S.-based corporation and is simply applying for authorization to do business in Arkansas, it need only supply a balance sheet of that U.S. corporation.

Corporations/banks with stock and limited liability companies shall pay an annual tax of no less than \$150.00. Corporations/banks without stock shall pay an annual tax no less than \$300.00.

### Capital Gains Tax Reduction

The Capital Gains Tax Reduction afforded in the 1999 legislative session allows for an exemption of 30 percent of capital gains after January 1, 1999, if the taxpayer has net capital gains tax liability. For taxpayers other than corporations, gross income shall not include 50 percent of any gain from the sale or exchange of qualified small business stock held for more than five years.

Profits from Arkansas venture capital investments are also exempt from the capital gains tax, provided that the investment was made in a business in Arkansas that is a qualified technology-based or biotechnology enterprise or a client of a qualified technology incubator doing business in Arkansas. Investments in companies registered on a National Securities Exchange are not eligible.

### Property Tax

The State of Arkansas does not have a property tax; however, Arkansas cities and counties do collect a property tax, which is the principal source of revenue for funding local public schools.

The tax is calculated based on 20 percent of the total market value of real and personal property and the average annual value of merchants' stocks and/or manufacturers' inventories based on millage rates in individual school districts. Business firms and individuals are subject to annual property tax on all real and personal property.

## **Payment in Lieu of Property Taxes**

Real and personal property financed by revenue bonds and general obligation bonds may be exempt from property taxes during the lease-amortization period in which a local government retains title to the property. Payments by businesses to local governments in lieu of property taxes are generally encouraged and negotiated between the parties involved.

The negotiated payment in lieu of property taxes shall not be less than 35 percent of the property taxes that would have been paid if the property were on the tax rolls.

# Financing

New and expanding businesses can access a wide variety of state and federal funding sources for start-ups and expansions in Arkansas.

## Industrial Revenue Bonds

Industrial revenue bonds (IRBs), commonly known as “Act 9 Bonds” in Arkansas, provide manufacturers with competitive financing.

Under Arkansas Act 9 of 1960, cities and counties are authorized to issue IRBs to benefit private companies. Because Act 9 IRBs do not obligate cities or counties to make payment except from project income, the bonds must be underwritten on the financial strength of the company or guaranteed by the Arkansas Economic Development Commission or the Arkansas Development Finance Authority.

Interest on tax-exempt issues is normally 80 percent of prime, but this may vary depending on terms of the issue.

The primary goal of this financing is to enable manufacturers to purchase land, buildings, and equipment to expand their operations.

In addition to tax-exempt industrial revenue bonds, taxable industrial revenue bonds may be used for distribution facilities and business headquarters at long-term fixed rates and for manufacturing projects that exceed \$10 million in capital costs or do not meet other federal guidelines relative to tax-exempt bond financing. Tourism attractions and facilities may also qualify.

Businesses that use either tax-exempt or taxable industrial revenue bond financing can negotiate with the local community for a payment in lieu of property taxes.

## Eligibility Requirements for Tax-Exempt Bonds

Tax-exempt bonds are regulated by the IRS Code and any prospective borrower must meet these basic requirements to use tax-exempt bonds to finance the project.

To qualify for a tax-exempt bond program, a borrower must meet the following eligibility criteria:

- The firm must be engaged in manufacturing, processing, or other activities directly supporting or related to manufacturing or processing. The project must be for expansion or acquisition of fixed assets that are needed for the manufacturing process.
- The business’s total outstanding tax-exempt bond debt nationwide cannot exceed \$40 million.
- The total capital cost may not exceed \$10 million for a six-year period.
- The capital expansion must create new jobs.

## Benefits

Tax-exempt industrial revenue bonds provide numerous benefits to qualified manufacturers. The advantages are:

- **Tax-exempt rates** – On average, most tax-exempt issues will be 80 percent of the prime interest rate.
- **Long terms** – Terms are up to 20 years.
- **Assumability** – The bonds are assumable if the business is sold to a qualified user.
- **Comprehensive funding** – The funds can be used for construction and financing to purchase land, buildings, and new equipment.

## Bond Guaranty Programs

The Bond Guaranty Program of the Arkansas Economic Development Commission was created to provide long-term, tax-exempt and taxable financing for businesses expanding or locating in Arkansas. Although the city or county may issue the revenue bond, the company is still responsible for paying the principal and interest. Under this program, the Department “guarantees” timely payment of principal and interest, up to \$5 million principal per bond issue, to the bondholders. This guaranty gives the bonds a better rating, thereby making the bonds more attractive to investors and reducing the company’s cost to borrow money.

The Bond Guaranty Program complements the existing Act 9 Program by giving the bonds market strength for applicants that do not possess market-rated debt of investment grade quality. Additionally, the applicant must demonstrate to the Department that the project provides substantial additional employment opportunities to Arkansans as a direct result of the project.

For businesses that have a financial history but are unable to sell industrial revenue bonds to the public, the Arkansas Economic Development Commission can assure bondholders of repayment by guaranteeing up to \$5 million of the bond issue. The state’s guaranty allows the bonds to be sold at a higher credit rating, therefore lowering the effective interest rate for the business. The Department charges a 5 percent fee for guaranteeing issues of this type.

The **Arkansas Development Finance Authority (ADFA)** also provides a bond guaranty program that enables a company to obtain competitive, fixed interest rates. The total amount ADFA can guarantee is up to \$6 million per borrower; therefore, a business could obtain up to \$11 million per project, combining the programs of ADFA and the Arkansas Economic Development Commission. ADFA has the capacity to issue bonds for a single project or for several projects on a pooled basis. The pooled or composite issue allows small businesses needing financing for fixed assets to take advantage of low interest financing and to share the costs for issuing bonds, an option which gives more financing opportunities which otherwise would not be available.

ADFA can also provide short-term financing to a company before bond proceeds are available.

## **Economic Infrastructure Fund**

During the process of developing projects with new or expanding business and industry, the Department considers Economic Infrastructure Fund grants to cities and counties for infrastructure needs to support private sector job creation, job preservation, port and waterway development, aircraft and aerospace industry development, and other economic development projects.

## **Community Development Block Grants**

Community Development Block Grant (CDBG) funds may be loaned to manufacturers for fixed-asset financing on projects that create jobs for low- to moderate-income families. Examples of eligible activities for this Set-Aside Loan Program include acquisition of property, purchase of equipment, leasehold improvements, and construction or expansion of buildings or physical plants. Terms of the loans are seven to 15 years at very competitive rates of interest and require review of three years of financial statements prior to proposal and formal application of the city or county on behalf of the company. The formal application and decision process takes 35 to 60 days. Construction projects take longer because environmental assessment is required. No project expenditures can be made or obligated on the project prior to the date the grant agreement is signed between the Arkansas Economic Development Commission and the city or county or the date the environmental assessment is completed, whichever is greater (thus the effective date).

The company must create jobs; 51 percent of the new jobs created must benefit low- to moderate-income persons. Put simply, half of the new positions should not require substantial work experience or education beyond high school. The company must make an effort to attract low- to moderate-income persons. Going through the local Workforce Services Department office, the job advertisement should not require education more than a high school diploma. The company should seek semi-skilled or unskilled persons that it is willing to train.

## **Small Business Loan Program**

The Small Business Loan Program was created to stimulate small businesses by providing up to one-half of the amount of participation loans offered by approved community lenders.

A small business is one with fewer than 50 full-time employees and less than \$1 million in annual gross sales, excluding agricultural production.

The project must provide reasonable expectations for job creation. The Department's share cannot exceed 50 percent of the total loan amount and cannot be less than \$2,500 or more than \$40,000.

## Other Financing Programs

### Arkansas Capital Corporation Group

The Arkansas Capital Corporation Group (ACCG) consists of several affiliated companies with different markets, including the Arkansas Capital Corporation (ACC), a privately owned, non-profit organization established in 1957 to serve as an alternative source of financing for businesses in Arkansas. Its main goal is to improve the economic climate in the state by providing long-term, fixed-rate loans to Arkansas businesses. Loans start at a minimum of \$100,000.

As a preferred lender of the Small Business Administration, ACC makes loans to existing operations and business start-ups for everything from new construction and equipment to working capital. ACC loans may be used in combination with bank loans, municipal bond issues, or other sources of financing.

The Arkansas Capital Corporation Group (ACCG) has an affiliate SBIC venture capital fund, Diamond State Ventures, which provides patient capital to emerging growth businesses in Arkansas and the region. DSV's investment range is \$250,000 to \$3,000,000 and can syndicate capital raises of up to \$20 million. DSV will consider businesses in basic manufacturing and services, as well as technology related ventures.

Commerce Capital Development Company, another ACCG member, oversees the investment incentives offered by the Arkansas Capital Development Company Act. Under this act, investors may receive a state income tax credit equal to one-third of their investment in an approved project. The credit can be used to offset up to half of their state income tax liability in a given year and may be sold or transferred to another party.

Other ACCG affiliates include the Arkansas Certified Development Corporation, which administers SBA 504 loans, and the Arkansas Capital Relending Corporation, which facilitates U. S. Department of Agriculture loans in communities with a population of 25,000 or less.

### ASTA Investment Fund

The Arkansas Science and Technology Authority (ASTA) administers a special Investment Fund of \$1.7 million that can provide seed capital for new and developing technology-based businesses through loans, royalty agreements, and limited stock purchases.

In addition, ASTA administers a program that encourages the transfer of technology from the laboratory to the manufacturing or processing plant and technology development programs.

## **Venture Capital Investment Fund**

The Venture Capital Investment Act of 2001 authorizes the Arkansas Development Finance Authority (ADFA) to raise significant amounts of venture capital for investment within the state. ADFA has authorized the U.S. Partnership for State Investment to be the Designated Investor Group for the Arkansas Institutional Fund (AIF). The AIF is authorized to invest in professionally managed venture capital funds that in turn make risk capital more accessible to promising Arkansas firms.

## **Tax Increment Financing**

In November 2000, the voters approved an amendment to the Arkansas Constitution that enables local governments to issue bonds or notes to finance improvements in a redevelopment district. The bonds will be paid back from the increased tax revenue generated as a result of the improvements. A redevelopment district must be in an area that is considered blighted, deteriorated or underdeveloped.

# Services

Many support services are available to businesses locating in Arkansas.

## Existing Business Resources Team

The Arkansas Economic Development Commission's Existing Business Resources Team can assist businesses in many ways. A major focus is customized training, including pre-employment training for new and expanding companies and financial assistance to existing manufacturing companies to develop a highly skilled workforce.

## Business and Industry Training Program

This program provides start-up training for new and expanding businesses and industries that commit to creating new jobs in Arkansas and for existing companies that are implementing new technology.

The program will:

- Coordinate training with educational institutions
- Advertise for production trainees
- Pay for training trainers when appropriate
- Arrange off-site training facilities when needed
- Reimburse the company for training materials at cost
- Rent training equipment that is critical to the project
- Purchase support items for the classroom

## Existing Workforce Training Program

EWTP provides financial assistance to Arkansas companies for upgrading the skills of their existing workforce. Secondary objectives are to build the capacity within state-supported educational institutions to supply the on-going training needs of Arkansas business and industry.

The program is administered by a governing council that consists of a representative from three state departments: Higher Education, Workforce Education, and Economic Development.

EWTP reimbursements are calculated according to a set of scoring criteria. For companies that use a state-supported educational institution, the program provides up to 50 percent of the cost of training paid to the school or \$50 per instructional hour, whichever is less.

For companies that use their own employees or company-paid consultants to deliver classroom training to their employees, EWTP offers an income tax credit that cannot exceed \$15 per instructional hour.

The maximum funding for any one company site cannot exceed \$50,000 per year.

To be considered for financial assistance under EWTP, a company must submit an application prior to the beginning of training, provide assurance that the participants involved in the proposed training program possess the requisite literacy skills, and clearly tie the proposed training to specific business goals and performance objectives.

The department's area representatives, as well as outreach coordinators from state-supported educational institutions, can help design a company's training program and prepare the EWTP financial assistance application.

Additional information regarding workforce training programs can be found in the "Incentives" section of this book.

## **Arkansas Manufacturing Solutions**

Arkansas Manufacturing Solutions ([www.mfgsolutions.org](http://www.mfgsolutions.org)) provides customized technical and management assistance to small and medium-sized manufacturers to improve quality, productivity and global competitiveness. AMS helps company increase sales and profits by cutting costs and improving manufacturing processes.

A program of the Arkansas Science & Technology Authority and an affiliate of the National Institute of Standards and Technology Manufacturing Extension Partnership, AMS has access to the expertise of business specialists all over the U.S.

## **Waste Reduction and Investment Recovery**

The focus of this program is reducing waste, marketing secondary materials, and recovering value from unused assets. Business needs are coordinated with the Arkansas Manufacturers Extension Network, the Industrial Assessment Center at the University of Arkansas at Little Rock, the Arkansas Manufacturers Exchange, and other qualified service providers to give businesses the best combination of program coordination and direct technical assistance. The program's goal is to help businesses reduce cost and become more competitive through waste reduction and secondary asset marketing or utilization. Targeted waste reduction is also encouraged to help lessen the burden of environmental regulations.

## **International Business**

The Arkansas Economic Development Commission's Global Business Development team assists international companies in making the right investment decision. Its goal is to ensure that locating in Arkansas enhances the company's competitiveness around the world and, at the same time, enhances Arkansas's economy. The Arkansas Economic Development Commission partners with the World Trade Center in Rogers, Arkansas, to encourage and expedite trade activity in Arkansas.

# Incentives

The State of Arkansas operates the way businesses do, proactively anticipating opportunities and quickly responding to challenges in innovative ways. This approach, combined with our incentive programs, makes Arkansas a profitable choice for locating or expanding a business.

Arkansas's performance-based incentives are nationally competitive and user-friendly. The Arkansas Economic Development Commission will focus on your business's specific needs, conduct a cost-benefit analysis and design a tailored incentive package.

Arkansas's job creation incentives are based on payroll instead of number of jobs and are determined according to location. Counties are divided into four tiers, based on poverty rate, unemployment rate, per capita personal income and population change. Tiers are assigned annually, based on the previous year's statistics. A map of the current tiers is at the end of this section.

In addition to an array of competitive incentives, when a business locates in Arkansas, it can take advantage of the following additional benefits:

- Favorable unemployment insurance and workers' compensation rates;
- A right-to-work state, as guaranteed by the Arkansas Constitution; and
- Favorable individual and corporate income tax rates.

AEDC's project managers work with existing industries as well as new-business projects anywhere in Arkansas. They will be happy to provide additional information or clarification regarding any of Arkansas's incentives.

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## Advantage Arkansas

### Income Tax Credit

Advantage Arkansas offers a state income tax credit for job creation based on the payroll of new, full-time, permanent employees hired as a result of the project.

The payroll threshold for qualifying for Advantage Arkansas and the benefit received depends on the tier assigned to the county in which the business locates or expands.

Arkansas' counties are segmented into four tiers based on poverty rate, population change, per capita personal income and unemployment rate. (See Tier Map.)

In all tiers, in order to qualify for benefits of the Advantage Arkansas program, the proposed average hourly wage of the eligible business applying must be equal to, or greater than the lowest county average hourly wage calculated by the Arkansas Economic

Development Commission (AEDC). This information is based upon the most recent calendar year data published by the Arkansas Department of Workforce Services.

The income tax credit is earned each tax year for a period of five years. The income tax credit cannot offset more than fifty percent (50%) of a business' income tax liability in any one year and may be carried forward for nine years beyond the tax year in which the credit was first earned. The credit begins in the tax year in which the new employees are hired. Employees must be Arkansas taxpayers.

Tier	Payroll Threshold	Benefit Based on Payroll of New, Full-time, Permanent Employees
1	\$125,000	1% of payroll
2	\$100,000	2% of payroll
3	\$75,000	3% of payroll
4	\$50,000	4% of payroll

### Eligibility

The Advantage Arkansas incentive is available for non-retail businesses engaged in commerce for profit that fall into one or more of the following categories:

- Manufacturers in NAICS codes 31-33
- Businesses primarily engaged in the design and development of prepackaged software, digital content production and preservation, computer processing, data preparation services or information retrieval services. Eligible computer-related businesses must derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Businesses primarily engaged in motion picture production that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Distribution centers, including e-commerce distributors, that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Office sector businesses that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- National or regional corporate headquarters as classified in NAICS code 551114
- Firms primarily engaged in commercial, physical and biological research as classified in NAICS code 541710

- Scientific and technical services businesses. The firms must derive at least seventy-five percent (75%) of their revenue from out-of-state sales. The average hourly wage paid by these businesses must exceed one-hundred fifty percent (150%) of the county or state average hourly wage, whichever is less.

Applications for the Advantage Arkansas program are available by contacting AEDC's Business Development Division at (501) 682-7675. Specific requirements of this program can be downloaded at [www.arkansasedc.com](http://www.arkansasedc.com). If you have any questions concerning the Advantage Arkansas Program, please call Michael Almond at the Arkansas Economic Development Commission at 1-800-ARKANSAS or 501-682-5277.

## **Tax Back**

### Sales and Use Tax Refund

Advantage Arkansas participants investing at least one-hundred thousand dollars (\$100,000) are eligible for the Tax Back program. This program provides a refund of sales and use taxes for building materials and taxable machinery and equipment associated with the approved project.

The business must sign a job-creation agreement under the Advantage Arkansas program within twenty-four (24) months of signing the Tax Back agreement or have an existing Advantage Arkansas agreement within the previous forty-eight (48) months.

Applicants for Tax Back must obtain an endorsement resolution from the local governing authority that authorizes the refund of its local taxes. Applicants must meet the same qualification criteria as Advantage Arkansas and must be approved by the Arkansas Economic Development Commission.

### **Eligibility**

The Tax Back incentive is available for non-retail businesses engaged in commerce for profit

that fall into one or more of the following categories:

- Manufacturers in NAICS codes 31-33
- Businesses primarily engaged in the design and development of prepackaged software, digital content production and preservation, computer processing, data preparation services or information retrieval services. Eligible computer-related businesses must derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Businesses primarily engaged in motion picture production that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Distribution centers, including e-commerce distributors, that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Office sector businesses that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- National or regional corporate headquarters as classified in NAICS code 551114

- Firms primarily engaged in commercial, physical and biological research as classified in NAICS code 541710
- Scientific and technical services businesses. The firms must derive at least seventy-five percent (75%) of their revenue from out-of-state sales. The average hourly wage paid by these businesses must exceed one-hundred fifty percent (150%) of the county or state average hourly wage, whichever is less.

Applications for the Tax Back program are available by contacting AEDC's Business Development Division at (501) 682-7675. Specific requirements of this program can be downloaded at [www.arkansasedc.com](http://www.arkansasedc.com). If you have any questions concerning the Tax Back Program, please call Michael Almond at the Arkansas Economic Development Commission at 1-800-ARKANSAS or 501-682-5277.

## **InvestArk**

### **Sales and Use Tax Credit**

InvestArk is a sales and use tax credit program available to businesses established in Arkansas for two years or longer that invest five million dollars (\$5,000,000) or more in plant or equipment for new construction, expansion or modernization.

The business must be approved for the program prior to beginning construction. The business must obtain a direct-pay sales and use tax permit from the State of Arkansas. Total project expenditures must be incurred within four (4) years of the project plan approval. All projects will be audited upon completion to confirm the tax credits.

The sales and use tax credit earned is a percentage of eligible project cost. A credit against the business's state sales and use tax liability is authorized equal to one-half percent (.5%) above the state sales and use tax rate in effect at the time a financial incentive agreement is signed.

The credit may be used to offset up to fifty percent (50%) of the business's sales and use tax liability on taxable purchases. The credit is earned in the year the eligible expenditure is made and can be applied against the business's state direct-pay sales and use tax liability in the year following the year of expenditure. If the entire credit cannot be used, the remainder may be carried forward for five (5) years.

### **Eligibility**

The InvestArk incentive is available for non-retail businesses engaged in commerce for profit that fall into one or more of the following categories:

- Manufacturers in NAICS codes 31-33
- Businesses primarily engaged in the design and development of prepackaged software, digital content production and preservation, computer processing, data preparation services or information retrieval services. Eligible computer-related businesses must derive at least seventy-five percent (75%) of their revenue from out-of-state sales

- Businesses primarily engaged in motion picture production that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Distribution centers, including e-commerce distributors, that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Office sector businesses that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- National or regional corporate headquarters as classified in NAICS code 551114
- Firms primarily engaged in commercial, physical and biological research as classified in NAICS code 541710
- Scientific and technical services businesses. The firms must derive at least seventy-five percent (75%) of their revenue from out-of-state sales. The average hourly wage paid by these businesses must exceed one-hundred fifty percent (150%) of the county or state average hourly wage, whichever is less.

Applications for the InvestArk program are available by contacting AEDC's Business Development Division at (501) 682-7675. Specific requirements of this program can be downloaded at [www.arkansasedc.com](http://www.arkansasedc.com). If you have any questions concerning the InvestArk Program, please call Michael Almond at the Arkansas Economic Development Commission at 1-800-ARKANSAS or 501-682-5277.

## Customized Training Incentives

The **Business and Industry Training Program** of the Arkansas Economic Development Commission (AEDC) provides pre-employment training for workers to meet the skills needed in the state's new and expanding businesses. AEDC's Existing Business Resource Division works with AEDC's Business Development Division during the negotiation process. After a commitment to the state is made, a Project Manager is assigned to develop the training plan with the business.

The **Existing Workforce Training Program (EWTP)** provides financial assistance to Arkansas's businesses and eligible consortia of businesses for upgrading the skills of the existing workforce. Skills upgrade training is instruction conducted in a classroom environment at a work site, an educational institution or a neutral location that provides an existing, full-time employee with the new skills necessary to enhance productivity, improve performance and/or retain employment.

Eligible businesses include:

- Manufacturers in NAICS codes 31-33
- Computer firms that derive at least seventy-five percent (75%) of their revenue from sales outside of Arkansas and have no retail sales to the general public
- Firms primarily engaged in commercial, physical and biological research as defined by NAICS code 541710.

EWTP reimbursements are calculated according to the following criteria. For companies that use a state-supported educational institution, the program pays the lesser of the following: fifty percent (50%) of the cost of training paid to the school OR

- \$80 per instructional hour, times the number of instructional hours delivered by a full-time instructor or trainer; fifty percent (50%) or more eligible participants must complete each course.
- **\$35 per instructional hour, times the number of instructional hours for safety-related training (regardless of instructor status).**
- **\$35 per instructional hour, times the number of instructional hours for all courses if fewer than fifty percent (50%) of eligible participants complete each course.**
- **For companies that use their own employees or company-paid consultants to deliver classroom training to their employees, the EWTP offers an Arkansas income tax credit that cannot exceed \$25 per instructional hour.**

The maximum funding for any one company site cannot exceed \$50,000 per calendar year.

To be considered for EWTP financial assistance, a company must submit an application prior to the beginning of training, provide assurance that the participants involved in the proposed training program possess the requisite literacy skills, and clearly tie the proposed training to specific business goals and performance objectives.

## **Tuition Reimbursement Tax Credit**

Arkansas provides a thirty percent (30%) state income tax credit to eligible companies for reimbursements they make on behalf of employees for approved educational expenses. The employees must successfully complete the course at an accredited Arkansas post-secondary educational institution. The credit authorized by this program cannot offset more than twenty-five percent (25%) of the company's state income tax liability in any tax year.

## **Research and Development**

### ***Research & Development with universities***

Eligible businesses that contract with one or more Arkansas colleges or universities in performing research may receive an income tax credit of thirty-three percent (33%) of the amount spent on qualified research expenditures. The income tax credit may be carried forward for nine (9) years beyond the year in which it was earned.

### ***In-House Research & Development***

Eligible businesses performing in-house research may receive an income tax credit of twenty percent (20%) of the amount spent on qualified research expenditures for a period of five (5) years. The income tax credit may be carried forward for nine (9) years beyond the year in which it was earned.

## ***Targeted Business In-House Research & Development***

Targeted businesses may also earn transferable income tax credits equal to thirty-three percent (33%) of approved expenditures for in-house research for a period of five (5) years. The income tax credit may be carried forward for nine (9) years beyond the year in which it was earned.

## **Recycling Equipment Tax Credit**

Act 654 of 1993 allows Arkansas taxpayers to receive an income tax credit for the purchase of equipment used exclusively for reduction, reuse or recycling of solid waste material for commercial purposes, whether or not for profit, and the cost of installation of such equipment by outside contractors. Such equipment must be used in the collection, separation, processing, modification, conversion, treatment or manufacturing of products containing at least fifty percent (50%) recovered materials of which at least ten percent (10%) is post-consumer waste.

The amount of the tax credit shall equal thirty percent (30%) of the cost of eligible\* equipment and installation costs. Credits may be carried forward for a maximum of three (3) consecutive years following the taxable year in which the credits accrued.

Taxpayers receiving credit under this Act for the purchase of machinery and equipment shall not be entitled to any other state or local tax credit or deduction based on the purchase of the machinery or equipment, except normal depreciation.

\*Eligibility is determined by the Arkansas Department of Environmental Quality (ADEQ).

**For more information please contact ADEQ at (501) 682-0609.**

## **Childcare Facility Tax Incentive**

Arkansas offers a tax incentive for businesses that provide childcare for their employees.

A business may choose between two state income tax credit options: 1) a credit of three and nine tenths percent (3.9%) of the total annual payroll of the employees working in the childcare facility, or 2) a one-time \$5,000 state income tax credit for the first year. The income tax credit may be carried forward for two years or until used entirely, whichever occurs first.

In addition to either option, businesses may receive a refund on sales and use taxes on construction materials and furnishings purchased to equip an approved childcare facility.

To qualify for these incentives, the business must be approved to operate an early childcare program.\* The business may choose to operate the facility or contract the operations.

\*Eligibility is determined by the Arkansas Department of Human Services, Division of Child Care and Early Childhood Education. **For more information please call (501) 682-4891.**

## **Freeport Law**

Arkansas's Freeport Law exempts from property tax those finished goods and raw materials in transit or awaiting shipment to out-of-state companies.

## **Tourism Development**

The Arkansas Tourism Development Act provides state sales and use tax credits and income tax credits to businesses initiating approved tourism attraction projects.

Sales tax credits shall be determined in accordance with the following criteria:

- Eligible minimum project costs must be one million dollars (\$1,000,000), except in high unemployment counties, where it is five-hundred thousand dollars (\$500,000).
- The sales tax credits are calculated based upon fifteen percent (15%) of eligible project cost for projects spending more than one million dollars (\$1,000,000); credits are twenty-five percent (25%) of eligible project cost for the projects in high unemployment counties.
- The sales tax credit may be applied against the business's increased sales tax liability that results from the project.
- Other review criteria may be requested by the Arkansas Economic Development Commission to determine whether the tourism attraction project meets the intent of the Act.

Additionally, eligible businesses may receive a state income tax credit equal to four percent (4%) of the annual payroll of each new, full-time, permanent employee who works at least 30 hours per week.

The income tax credits begin in the year in which the new employees are hired. Any unused portion of the credit may be carried forward against corporate income tax for the succeeding nine (9) years.

Applications for the Tourism Development incentive program are available by contacting AEDC's Business Development Division at (501) 682-7675.

## **Public Roads Improvement Credit**

The Arkansas Public Roads Improvement Credit Act of 1999 provides an income tax credit to any individual, fiduciary or corporation subject to Arkansas state income tax that contributes to the Public Roads Incentive Fund of the Arkansas Economic Development Commission. The contribution may be made to a general improvement fund or designated for a specific project that is approved by the AEDC Executive Director.

The credit cannot exceed thirty-three percent (33%) of the taxpayer's contribution. In any one tax year, the credit cannot exceed fifty percent (50%) of the taxpayer's net Arkansas state income tax

liability after all other credits and reductions have been calculated. Any amount over fifty percent (50%) can be carried forward up to three years.

### **Create Rebate Program**

**Offered at the discretion of the director of the Arkansas Economic Development Commission in highly competitive situations.**

Create Rebate provides annual cash payments based on a company’s annual payroll for new, full-time, permanent employees. The benefit depends on the tier in which the company locates. (See Tier Map.) In each tier of counties, a minimum payroll of new, full-time, permanent employees of two million dollars (\$2,000,000) annually is required. The minimum payroll threshold must be met within twenty-four (24) months of the date of the financial incentive agreement.

<b>Tier</b>	<b>Benefit Based on Payroll of New, Full-time, Permanent Employees</b>
1	3.9%
2	4.25%
3	4.5%
4	5.0%

**Incentives are available after the business has fulfilled the minimum payroll requirements and certified the payroll amount to the Arkansas Department of Finance and Administration.**

### **Eligibility**

The Create Rebate incentive is available for non-retail businesses engaged in commerce for profit that fall into one or more of the following categories:

- Manufacturers in NAICS codes 31-33
- Businesses primarily engaged in the design and development of prepackaged software, digital content production and preservation, computer processing, data preparation services or information retrieval services. Eligible computer-related businesses must derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Businesses primarily engaged in motion picture production that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Distribution centers, including e-commerce distributors, that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Office sector businesses that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- National or regional corporate headquarters as classified in NAICS code 551114
- Firms primarily engaged in commercial, physical and biological research as classified in NAICS code 541710
- Scientific and technical services businesses. The firms must derive at least seventy-five percent (75%) of their revenue from out-of-state sales. The average hourly wage paid by these businesses must exceed one-hundred fifty percent (150%) of the county or state average hourly wage, whichever is less.

Specific requirements of this program can be downloaded at [www.arkansasedc.com](http://www.arkansasedc.com). If you have any questions concerning the Create Rebate Program, please call Michael Almond at the Arkansas Economic Development Commission at 1-800-ARKANSAS or 501-682-5277.

## ArkPlus

**Offered at the discretion of the director of the Arkansas Economic Development Commission in highly competitive situations.**

ArkPlus is a state income tax credit program that provides tax credits of ten percent (10%) of the total investment in a new location or expansion project.

Tier	Minimum Investment	Minimum Payroll
1	\$5,000,000	\$2,000,000
2	\$3,750,000	\$1,500,000
3	\$3,000,000	\$1,200,000
4	\$2,000,000	\$800,000

ArkPlus requires both a minimum investment and a minimum payroll of new, full-time, permanent employees hired as a result of the project, depending on the tier assigned to the county in which the business locates. Arkansas is segmented into four tiers based on poverty rate, population change, per capita personal income and unemployment rate. (See Tier Map.)

Total project expenditures must be incurred within four years of the date the project is approved by AEDC. New, full-time, permanent employees must be hired within twenty-four (24) months of the date the financial agreement is signed.

The income tax credits may be used to offset fifty percent (50%) of the Arkansas income tax liability in the tax year the credit is earned. Any unused credits may be carried forward for nine (9) years beyond the tax year in which the credit was first earned.

## Eligibility

The ArkPlus incentive is available for non-retail businesses engaged in commerce for profit that fall into one or more of the following categories:

- Manufacturers in NAICS codes 31-33
- Businesses primarily engaged in the design and development of prepackaged software, digital content production and preservation, computer processing, data preparation services or information retrieval services. Eligible computer-related businesses must derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Businesses primarily engaged in motion picture production that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Distribution centers, including e-commerce distributors, that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Office sector businesses that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- National or regional corporate headquarters as classified in NAICS code 551114

- Firms primarily engaged in commercial, physical and biological research as classified in NAICS code 541710
- Scientific and technical services businesses. The firms must derive at least seventy-five percent (75%) of their revenue from out-of-state sales. The average hourly wage paid by these businesses must exceed one-hundred fifty percent (150%) of the county or state average hourly wage, whichever is less.

Specific requirements of this program can be downloaded at [www.arkansasedc.com](http://www.arkansasedc.com). If you have any questions concerning the ArkPlus Program, please call Michael Almond at the Arkansas Economic Development Commission at 1-800-ARKANSAS or 501-682-5277.

## Targeted Businesses

**Offered at the discretion of the Executive Director of the Arkansas Economic Development Commission. Businesses that qualify as “targeted businesses” may qualify for special incentives designed to help new, knowledge-based businesses in their early years.**

These discretionary incentives are for start-up companies in emerging sectors:

- A refund of sales and use taxes paid on the purchase of building materials and machinery and equipment associated with the approved project
- A transferable income tax credit equal to ten percent (10%) of payroll for up to five (5) years
- Payroll Rebate (Create Rebate) equal to five percent (5%) of the annual payroll paid to new full-time permanent employees
- Investment Tax Credit (ArkPlus) – Income or Sales/Use tax credit based upon a percentage of investment
- A transferable income tax equal to thirty-three percent (33%) of eligible research and development expenditures

## Eligibility

Generally, companies must meet the following requirements and do business in one of the six targeted emerging technology sectors listed below, however; each incentive program may have specific qualification criteria:

- Be less than five years old
- Have an annual payroll between \$100,000 and \$1,000,000
- Pay wages in excess one-hundred fifty percent (150%) of the state or county average hourly wage where the business is located
- Meet requisite payroll thresholds

Emerging technology sectors are:

1. Advanced materials and manufacturing systems, with emphases on the following:
  - a. Photonics
  - b. Nanotechnology
  - c. Electronics manufacturing
  - d. Environmental issues related to material and manufacturing

2. Agriculture, food and environmental sciences, with emphases on the following:
  - a. Rice
  - b. Poultry
  - c. Aquaculture
  - d. Toxicology
  - e. Agricultural medicine
  - f. Forestry
  - g. Nutrition
  - h. Waste minimization
  - i. Energy reduction
  - j. Distributed energy generation
  - k. Spatial technology
  
3. Biotechnology, bioengineering and life sciences, with emphases on the following:
  - a. Genetics
  - b. Oncology
  - c. Geriatrics
  - d. Neuroscience
  - e. Medical devices
  - f. Rehabilitation
  - g. Biopharmaceuticals and drug discovery
  - h. Protein structure and function
  - i. Cell molecular biology
  - j. Sensor technology
  
4. Information technology, with emphases on the following:
  - a. Knowledge and data engineering
  - b. Database systems
  - c. Distributed systems
  - d. Wireless systems
  - e. Software development
  - f. State of the art applications of information technology to:
    - (1) Bioinformatics
    - (2) Healthcare
  
5. Transportation logistics, with emphases on the following:
  - a. Intelligent material handling
  - b. Automated systems
  - c. Transportation management systems
  
6. Bio-based products, with emphases on the following:
  - a. Biodiesel
  - b. Ethanol
  - c. Methanol
  - d. Synthetic crude oil
  - e. Adhesives
  - f. Polymers
  - g. Automotive components

h. Engineered products from non-traditional biomass sources

If a business falls within one or more of the targeted areas, additional eligibility criteria are:

- The business must have an annual payroll of not less than \$100,000 or more than \$1 million
- The business must show proof of an equity investment of at least \$250,000.
- The business must pay wages that are at least one hundred fifty percent (150%) of the lesser of the state or county average wage where the business is located.

If a business meets all of the above criteria, the Executive Director of the Economic Development Commission may offer the business one or more of the following incentives:

**Sales and Use Tax Refund (Tax Back) for Targeted Businesses – Act 182 of 2003 § 15-4-2706(e)(1)**

This incentive program provides a refund of sales and use taxes paid on the purchases of building materials and taxable machinery and equipment associated with the approved project for targeted businesses, as defined above.

This incentive is not available unless the business has been offered and signed an incentive agreement under the job creation income tax credit for targeted businesses program as authorized by § 15-4-2709.

The application for a sales and use tax refund must be accompanied by an endorsement resolution from the local governing authority (city council or quorum court) that authorizes the refund of its local taxes.

**Payroll Income Tax Credit for Targeted Businesses – Act 182 of 2003 § 15-4-2709**

**This incentive is offered only at the discretion of the AEDC Executive Director.**

The payroll income tax credit for targeted businesses is offered to assist with the start-up of businesses in targeted sectors that pay significantly more than the state or county average wage of the county in which the business locates.

To qualify for this incentive, the business must be included in one of six targeted business sectors as defined above.

The benefit for a qualifying targeted business is a ten percent (10%) income tax credit based on its annual payroll, with a cap of \$100,000 per year in earned income tax credits for a business that qualifies and is approved for this incentive. The incentive may be offered for a period not to exceed five (5) years. The five-year period begins on the date the financial incentive agreement is signed and may not extend beyond sixty (60) months from that date. Unlike the other incentives, this targeted payroll income tax credit may include existing employees in the calculation of payroll to qualify for this benefit.

A unique feature of this incentive is the ability of the business that earns the targeted business income tax credit to sell the credits. The business must make application to the AEDC for the sale of credits earned under this section within one year of issuance. Upon approval by AEDC, the business

may sell earned income tax credits within one year of issuance. The AEDC may assist the business in finding a buyer for the tax credits.

Since one of the allowable costs under the research and development tax credits (discussed below) is the salary of a person performing research, a business earning job creation income tax credits for targeted businesses is prohibited from earning research and development tax credits, as authorized by § 15-4-2708 or by § 26-51-1102(b) for the same expenditure.

### **Payroll Rebate (Create Rebate) for Targeted Businesses:**

The payroll rebate incentive payment for targeted businesses is equal to five percent (5%) of the payroll of the new full time permanent employees for a period not to exceed ten (10) years provided that the following conditions are met:

- (i) The average hourly wage of the new full-time permanent employees must be at least one hundred seventy-five percent (175%) of the state or county average hourly wage, whichever is less, and
- (ii) The payroll of the new full-time permanent employees exceeds two hundred fifty thousand dollars (\$250,000).

The payroll rebate for targeted businesses may not be used in conjunction with the Payroll income tax credit for targeted businesses provided in § 15-4-2709.

### **Investment Tax Credit Program (ArkPlus) for Targeted Businesses**

The ArkPlus program for targeted business provides an income tax credit or a sales and use tax credit based upon new investment. The targeted business must:

- A. Invest a minimum of two hundred fifty thousand dollars (\$250,000) within four (4) years of the effective date of the financial incentive agreement;
- B. Create a new payroll of at least two hundred fifty thousand dollars (\$250,000); and
- C. Pay wages that are at least one hundred seventy-five percent (175%) of the state or county average hourly wage, whichever is less.

The credit earned by the targeted business shall be based upon a percentage of the investment and ranges from two percent (2%) to eight percent (8%) of the investment.

The percentage of the targeted business' tax liability that may be offset, ranging from fifty percent (50%) to one-hundred percent (100%), is determined by the average hourly wage paid to the new full time permanent employees.

Any unused credit may be carried forward for a period not to exceed nine (9) calendar years after the calendar year in which it was first earned.

**Income Tax Credit for In-house Research by a Targeted Business** – Act 182 of 2003 § 15-4-2708(c)

Businesses deemed by the AEDC to fit within the six business sectors classified as “targeted businesses” may enter into a financial incentive agreement for income tax credits based on qualified research and development expenditures. An eligible business may be approved for an income tax credit each year equal to thirty-three percent (33%) of the qualified research and development expenditures incurred each year for the first five years of the financial incentive agreement. This incentive is a discretionary incentive and is offered only at the discretion of the AEDC Executive Director. The application for this income tax credit shall include a project plan, which clearly identifies the intent of the project, the expenditures planned, the start and end dates of the project, and an estimate of total project costs. The AEDC is partnering with the Arkansas Science and Technology Authority which will review all applications for R&D tax credits and monitor projects if appropriate. The AEDC will adhere to some of the federal guidelines for qualifying research for federal tax credits as a guide in determining the eligibility for this state income tax credit.

Qualified research expenditures include in-house expenses for taxable wages paid and supplies used in the conduct of qualified research. Qualified research must satisfy all of the following tests in order to qualify:

- The activity must be undertaken for the purpose of discovering information which is technological in nature;
- The application of technological information must be intended to be useful in the new or improved business component; and
- Substantially all of the activities related to the research effort must constitute elements of a process of experimentation relating to a new or improved function, performance, reliability or quality.

The following activities are specifically excluded from the definition of qualified research:

- Any research conducted after the beginning of commercial production;
- Research adapting an existing product or process to a particular customer’s need;
- Duplication of an existing product or process;
- Surveys or studies;
- Research related to certain internal-use computer software;
- Research conducted outside of Arkansas; and
- Research in the social sciences, arts or humanities.

Qualified wages are taxable wages paid to a full-time permanent employee for performing qualified services. Qualified services are services of employees who are:

- Engaging in qualified research, which means the actual conduct of qualified research;
- Engaging in the direct supervision of qualified research, which means the immediate supervision (first-line management) of qualified research; and
- Engaging in the direct support of research activities that constitute qualified research.

The qualified services must be in the direct support of either A) persons engaging in the actual conduct of qualified research or B) persons who are directly supervising persons engaging in the actual conduct of qualified research.

Direct support of research activities does not include general administrative services or other services only indirectly of benefit to the research activity.

As with the job creation income tax credits for targeted businesses, the income tax credit for research and development earned by targeted businesses may be sold. The business must make application to the AEDC for the sale of credits earned under this section within one year of issuance. Upon application and approval by the AEDC, the business may sell earned income tax credits within one year of issuance. The AEDC may assist the targeted business in finding a buyer for the tax credits.

A targeted business earning research and development tax credits is prohibited from earning job creation tax credits, as authorized by § 15-4-2709 or research tax credits as authorized by § 15-4-2708(a), for the same expenditure.

Combination with other incentives: The income tax credit for research by a targeted business authorized by 15-4-2708(c) may not be used with:

- Other in-house research and development incentives as authorized by § 15-4-2708(b) or § 15-4-2708(d)(1)(A); or
- Any other incentive in Act 182 of 2003 (Consolidated Incentive Act of 2003) for the same expenditures.

To view all of the specific requirements of these programs, you may download the current “Rules and Regulations,” “Tier Map” and “County Wage Thresholds” from the AEDC’s web site at [www.arkansasedc.com](http://www.arkansasedc.com).

## **Non-Profit Incentive Program**

**Offered at the discretion of the Executive Director of the Arkansas Economic Development Commission**

The primary purpose of the Non-Profit Incentive Program is to encourage the location or expansion of national or regional non-profit headquarters in Arkansas.

Eligible non-profit organizations must create a payroll for new, full-time, permanent employees of at least five-hundred thousand dollars (\$500,000) and pay an average wage in excess of one-hundred ten percent (110%) percent of the state or county average wage (whichever is less) in the county in which the organization locates or expands. In addition, the non-profit organization must receive seventy-five percent (75%) of its income from out-of-state sources.

If offered, this program provides an incentive payment (payroll rebate) equal to four percent (4%) of the payroll of the new, full-time, permanent employees for a period of up to five (5) years.

In addition to the payroll rebate, this program also provides a sales and use tax refund for eligible projects that invest a minimum of two-hundred fifty thousand dollars (\$250,000). The refund is eligible for taxes paid on construction materials, and machinery and equipment associated with the approved project.

## **Eligibility**

Organizations that have been approved by the Arkansas Secretary of State as having met the qualifications for a non-profit organization in Arkansas and which has also received a 501(c)(3), 501(c)(6) or 501(c)(9) designation from the United States Internal Revenue Service.

If you have any questions concerning the Non-Profit Incentive Program, please call Michael Almond at the Arkansas Economic Development Commission at 501-682-5277.

## **Bond Financing (Amendment 82)**

In November 2004, Arkansas voters overwhelmingly approved an amendment to the state constitution to help attract new companies to Arkansas. Amendment 82 provides eligible companies bond financing to assist with infrastructure costs associated with locating their operations to Arkansas. The state can issue bonds to fund a prospect's infrastructure needs through the Arkansas Development Finance Authority, limited to five percent (5%) of net general revenues during the most recent fiscal year.

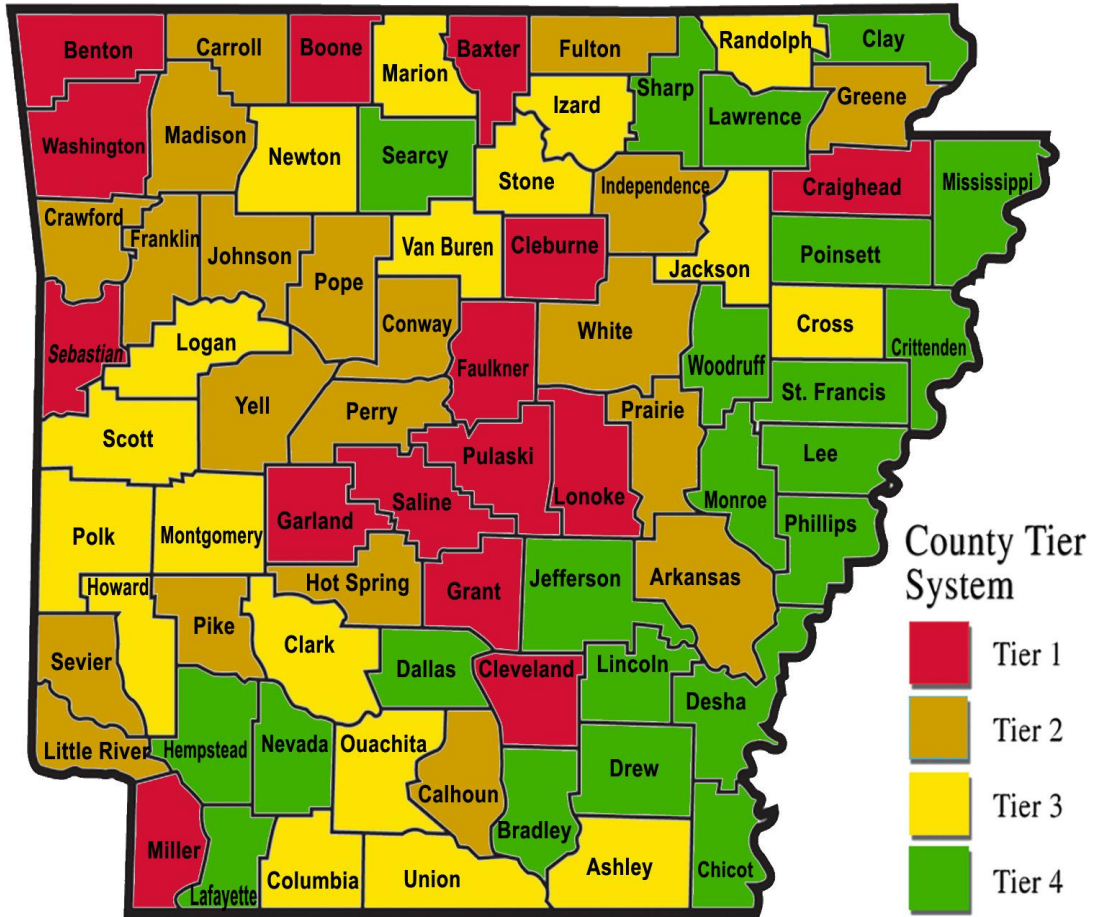
AEDC will perform a comprehensive cost-benefit analysis to determine the level of incentives the state can use to compete for the project and still obtain a good return on the state's investment.

In order to be considered for qualifying for Amendment 82 bond financing, the prospective company must be a non-retail business engaged in commerce for profit that falls into one or more of the following categories:

- Manufacturers in NAICS codes 31-33
- Businesses primarily engaged in the design and development of prepackaged software, digital content production and preservation, computer processing, data preparation services or information retrieval services. Eligible computer-related businesses must derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Businesses primarily engaged in motion picture production that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Distribution centers, including e-commerce distributors, that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- Office sector businesses that derive at least seventy-five percent (75%) of their revenue from out-of-state sales
- National or regional corporate headquarters as classified in NAICS code 551114
- Firms primarily engaged in commercial, physical and biological research as classified in NAICS code 541710
- Scientific and technical services businesses. The firms must derive at least seventy-five percent (75%) of their revenue from out-of-state sales. The average hourly wage paid by these businesses must exceed one-hundred fifty percent (150%) of the county or state average hourly wage, whichever is less.

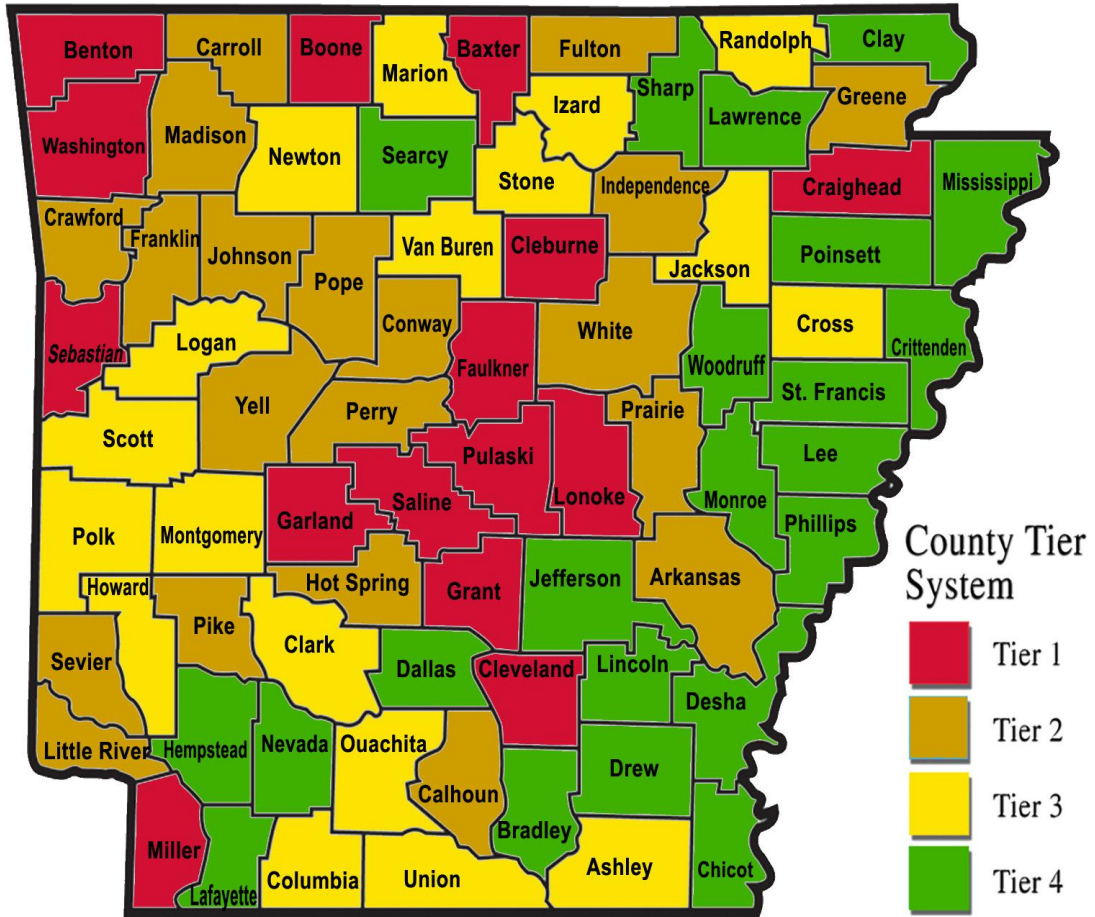


# TIER MAP



Effective August 15, 2011

# TIER MAP



Effective August 15, 2011

*FastFAQs*

<b>1.</b>	<b>State Economy</b>	Population	2010: 2,915,918 2000: 2,673,400 census 1990: 2,350,725 census
		Gross Domestic Product by State	2009: \$102.566 billion
		Per Capita Personal Income	2010: \$32,257
		Manufacturers: Employees % of Labor Force % of GSP	2009: 164,105 (annual) 2009: 14.7% 2009: 14.4%
<b>2.</b>	<b>State Tax Structure</b>	State Corporate Income Tax	6.5% This rate applies to corporate net income range up to \$100,000.
		State Franchise Tax	.003% of outstanding capital stock The Arkansas corporate franchise tax is an annual tax calculated by multiplying the number of outstanding capital shares by the par values of those shares. This value is then multiplied by the percentage of shares applicable to Arkansas. The resulting figure is then multiplied by .003% to obtain the franchise tax.  Corporations without authorized capital stock shall pay an annual tax of \$300.00. No corporation shall pay a tax of less than \$150.
		Property Tax	There is no state property tax. Local property tax rates vary by community. To calculate property tax using millage rate, use a 20 percent assessment ratio of Market Value.
		State Sales/Use Tax	6.0%
		Unemployment Insurance Rate (New Businesses)	3.8% Contribution rates range between 1.0% -10.9%.
		Unemployment Insurance Taxable Wage	\$12,000
		State Tax Deficit	Arkansas' constitution requires that the state maintain a balanced budget. As a result, there is no possibility of the state's incurring a tax deficit.
<b>3.</b>	<b>Incentives</b>	Tax Incentives	See the "Incentives" section.
<b>4.</b>	<b>Financing</b>	Loan Financing	See the "Financing" section.
<b>5.</b>	<b>R&amp;D, Education and Training</b>	Universities	22
		Two-Year Colleges	22
		Technical Institutes	3