



2018 ARKANSAS ECONOMIC OVERVIEW

PREPARED BY THE ARKANSAS ECONOMIC DEVELOPMENT COMMISSION



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WHEN YOU'RE IN ARKANSAS, YOU'RE IN GOOD COMPANY

TABLE OF CONTENTS

Overview	3
Infrastructure	12
Workforce	21
Education	26
Incentives	39
Business Finance	57
Taxation	63

**Arkansas Economic
Development Commission**

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OVERVIEW

#2 HIGHEST PERCENTAGE OF MANUFACTURING EMPLOYMENT IN THE SOUTH - NAM

#9 LOWEST COST OF DOING BUSINESS - NBC

6 FORTUNE 500 COMPANIES HEADQUARTERED IN ARKANSAS

OVERVIEW



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GEOGRAPHY:

Arkansas is strategically located in the center of the United States. Its borders adjoin Texas, Louisiana, Mississippi, Tennessee, Missouri and Oklahoma with the Mississippi River forming the state's eastern border.



Land Surface:
34,036,717 acres

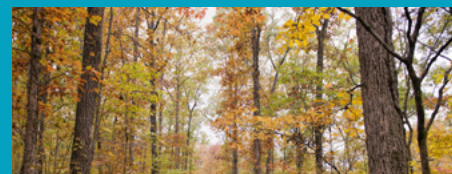
East: Alluvial valleys of the Arkansas and Mississippi rivers, with agricultural land dominated by cotton, rice, and soybeans



North and West:
Mountainous or coastal plains



South: Wildlife refuges and timberlands



Navigable Waterways:
approx. 1,000 miles



Class 1 Railroad:
1,683 miles



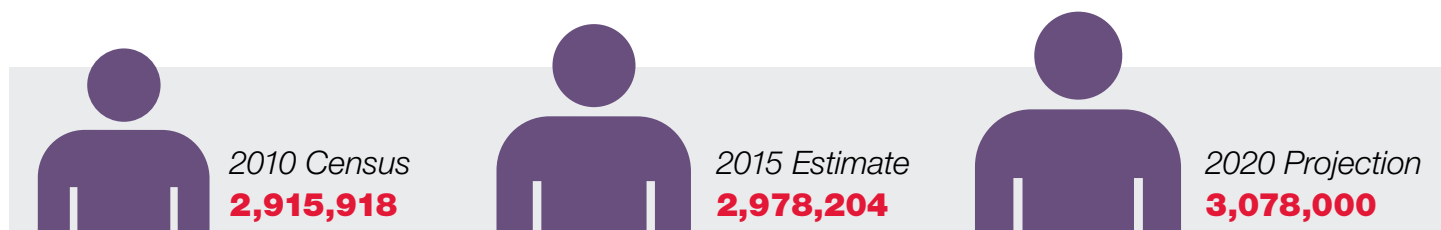
Public Airports:
approx. 100



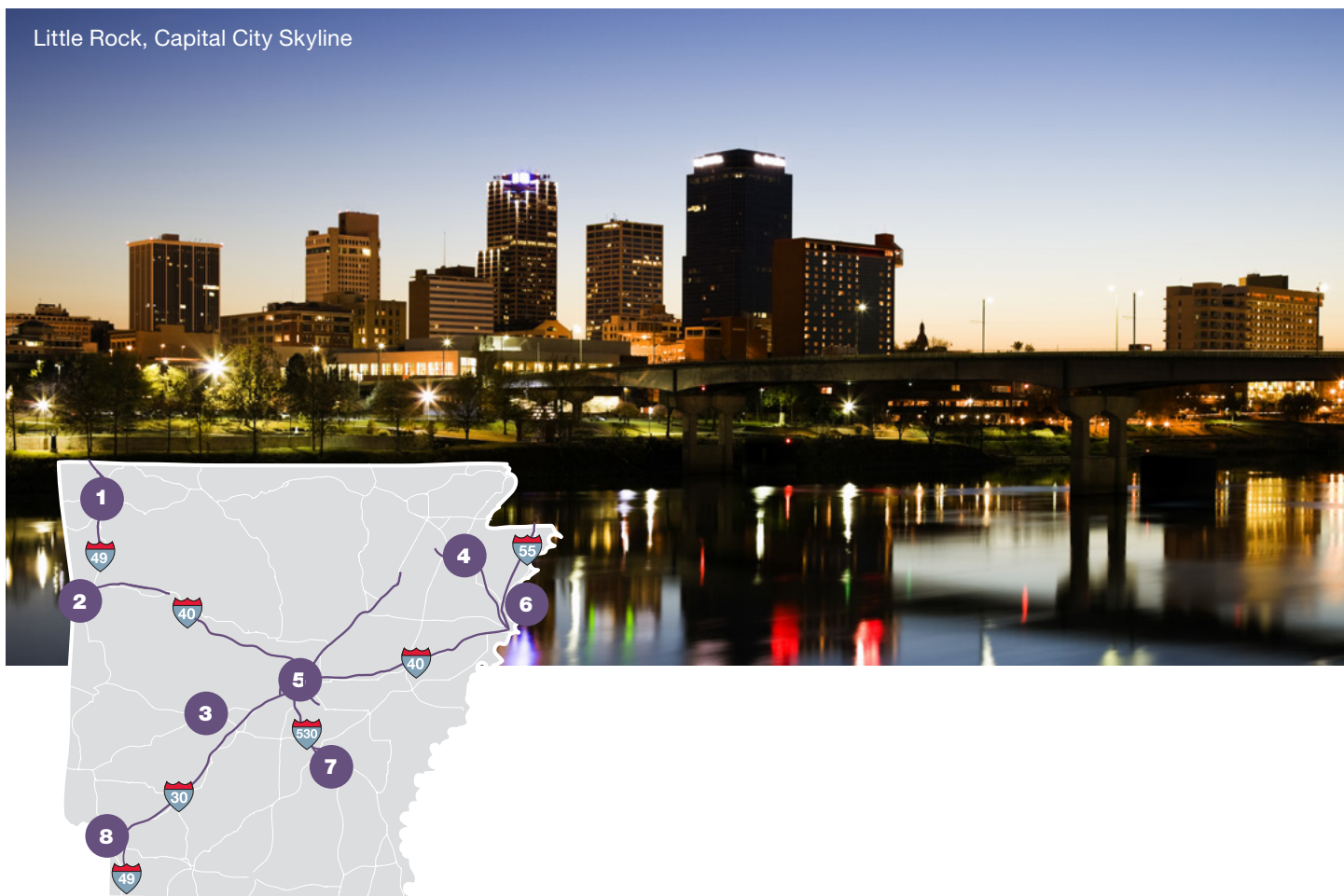
State and U.S. Highways:
16,418 miles

POPULATION:

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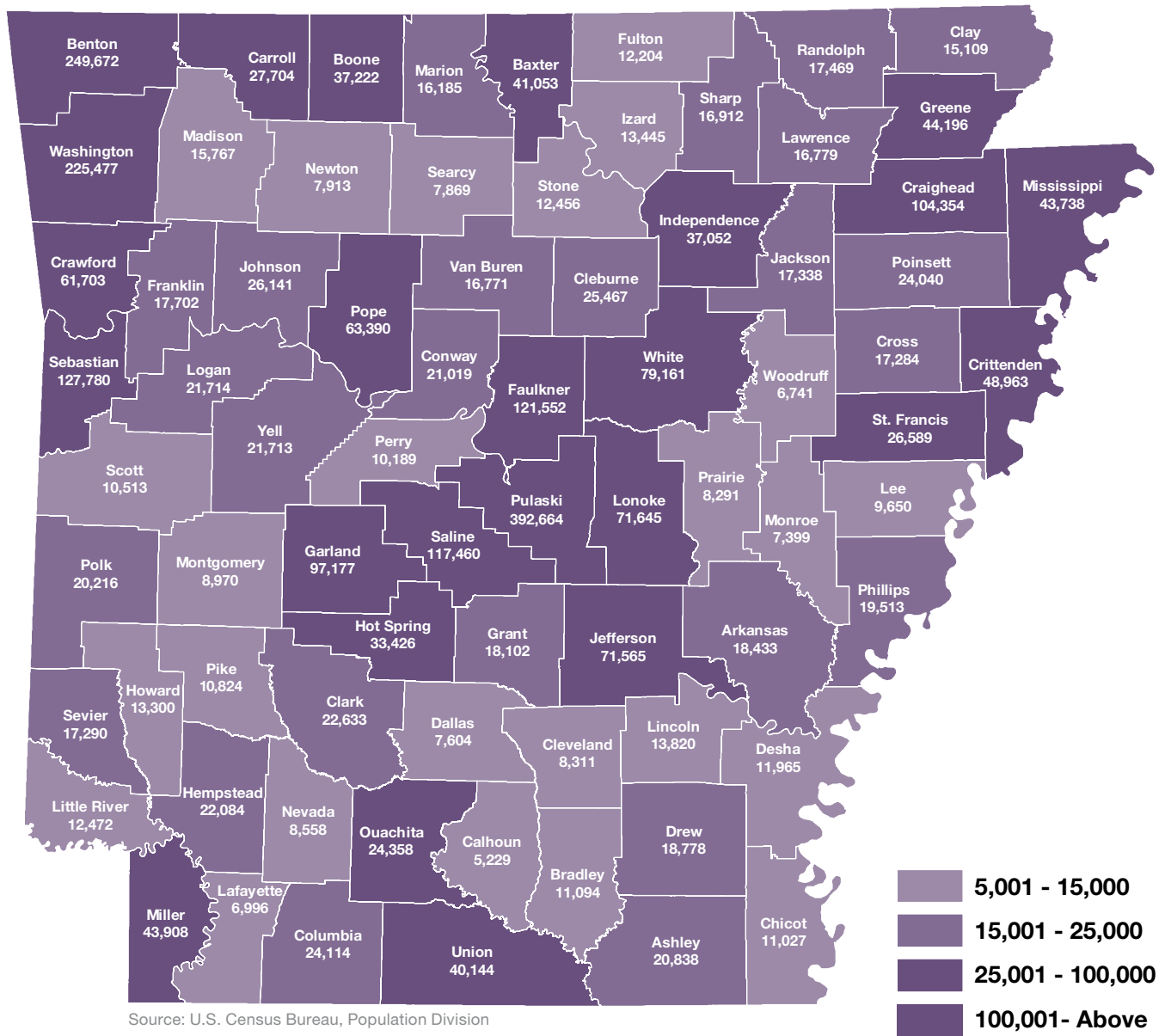
Source: U.S. Census



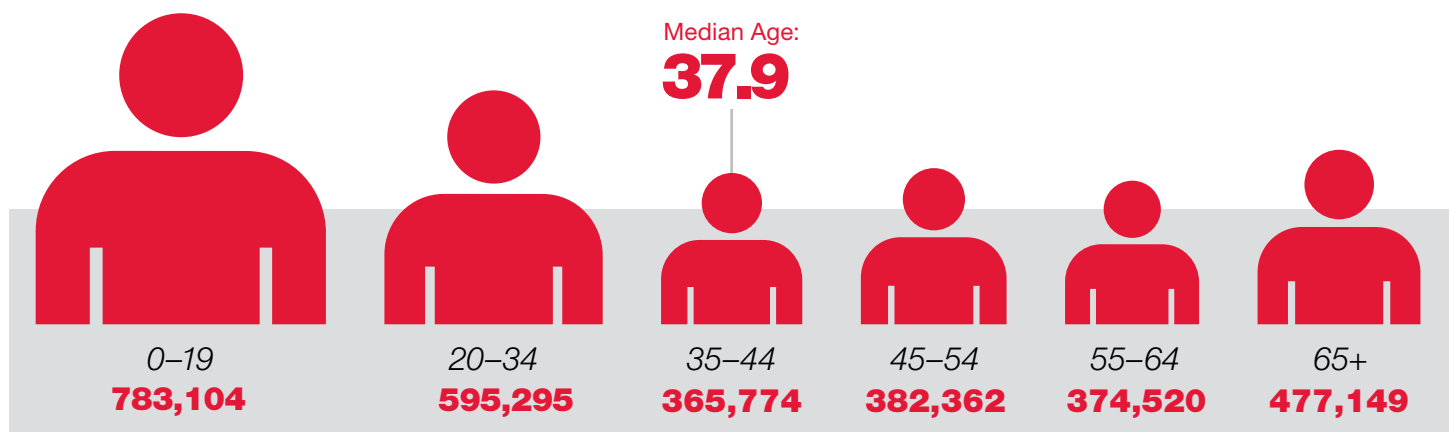
MAJOR URBAN CENTERS (2015)

- | | |
|--|---|
| 1 Fayetteville-Springdale-Rogers, AR - MO MSA
513,559 | 5 Little Rock-North Little Rock-Conway, AR MSA
731,612 |
| 2 Fort Smith, AR - OK MSA
280,241 | 6 Memphis, TN - MS - AR MSA
1,344,127 |
| 3 Hot Springs, AR MSA
97,177 | 7 Pine Bluff, AR MSA
93,696 |
| 4 Jonesboro, AR MSA
128,394 | 8 Texarkana, AR MSA
149,769 |

POPULATION: *by county 2015*



AGE BREAKDOWN (2015 ESTIMATE)



COST OF LIVING INDEX:

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91.4%

Source: C2ER, 2015 Annual

CLIMATE:



TEMPERATURE

average high

73°F

average low

53°F

Source: www.srh.noaa.gov

ANNUAL PRECIPITATION



49.8"

STATE OF BUSINESS:

ARKANSAS IS A RIGHT TO WORK STATE

5.1%

union membership rate

sixth lowest in the U.S.



FORTUNE 500 LIST:

125

Fortune 500 firms
with operations in
Arkansas



6

are headquartered
in Arkansas

Dillard's



Walmart

**MURPHY
USA**



windstream

NATURAL RESOURCES:



WATER

Arkansas has over **283,000 hectares (699,293 acres)** of surface water.

Over 800 billion liters of high quality ground water are contained in aquifers.



TIMBER

Forests cover approximately **19 million acres, or 83% non-federal forest lands.**

Timber growing, harvesting, management, transporting, and processing are major industries in Arkansas.



MINERALS

Commercial Production

Bromine (#1 in world)	Limestone
Cement Rock	Marble
Clay	Sand
Crushed Stone	Serpentine Rock
Dimension Stone	Shale
Gravel	Silica Sand
Gypsum	Slate
Kaolin and Fireclays (#4 in the US)	Syenite
Lasco (#1 in the US)	Novaculite (only producer in US)
	Quartz Crystals (#1 in the US)



OIL

Crude Oil

Total Production
6,536 thousand barrels (2015)

Natural Gas

Total Production
1,017,319 million cubic feet (2015)
Reserves
12,789 billion cubic feet (2014)

Coal

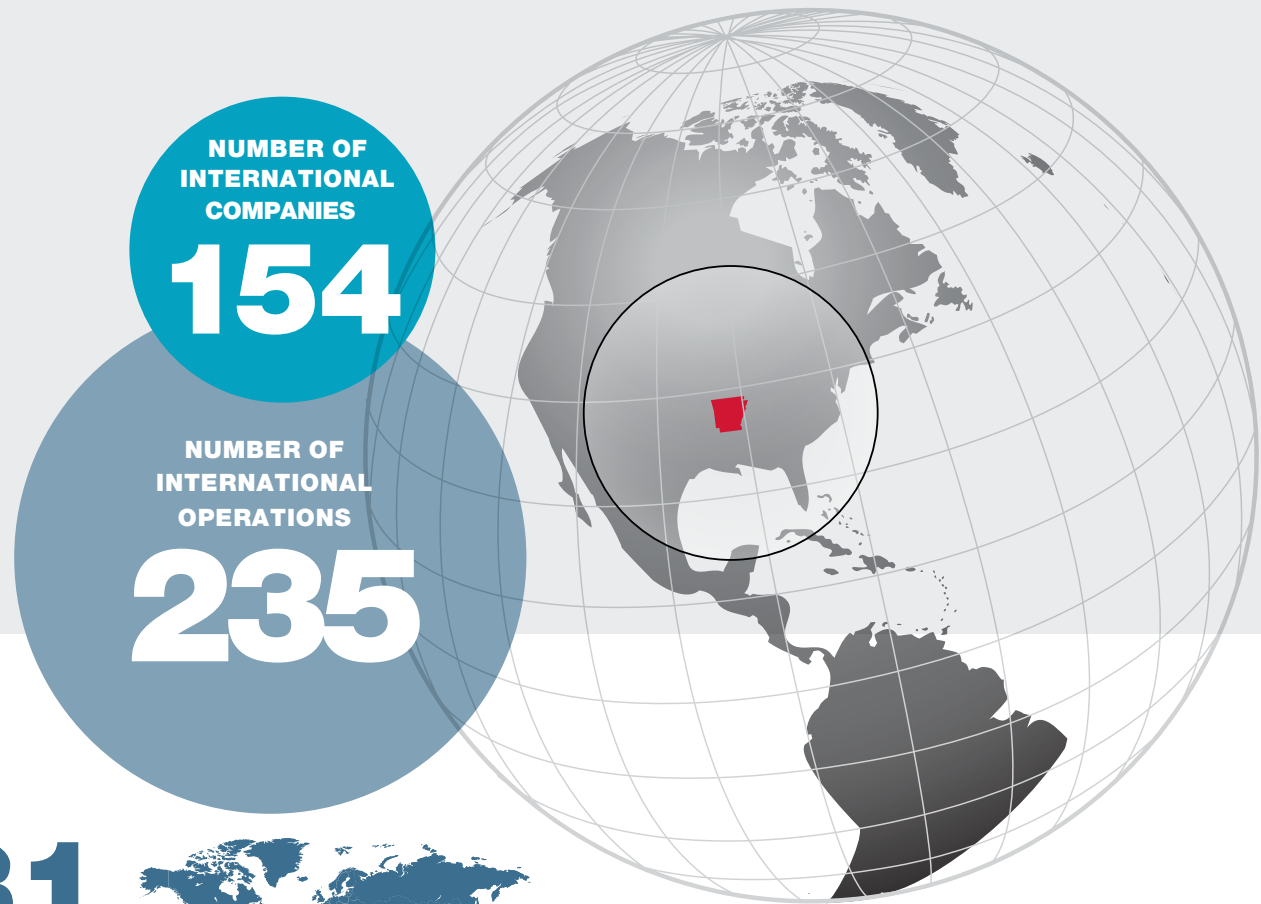
Total Production
94 thousand short tons (2014)
Number of mines
2 (2014)

BUSINESS CLIMATE/GDP:

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Market

40% of the U.S. population is within a day's drive (550 miles/880 kilometers)



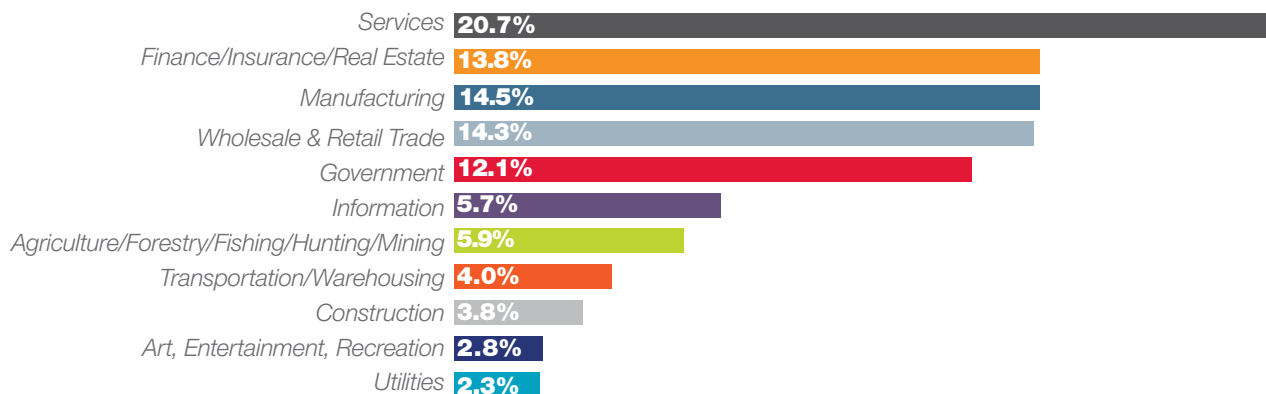
31
Countries
Represented



Source: Arkansas Foreign Direct Investment Report, August 2016

YEAR 2015 REAL GROSS DOMESTIC PRODUCT BY STATE (MILLIONS OF CHAINED 2009 DOLLARS)

TOTAL GROSS DOMESTIC PRODUCT BY STATE = \$112,128



PRINCIPAL INDUSTRIES:



MANUFACTURING



TRANSPORTATION LOGISTICS



AGRICULTURE



FORESTRY



BUSINESS SERVICES



TOURISM

PRINCIPAL MANUFACTURED GOODS

<i>Chemicals</i>	<i>Machinery</i>
<i>Electronic Equipment</i>	<i>Paper and Pulp</i>
<i>Food and Kindred Products</i>	<i>Rubber and Plastic Products</i>
<i>Furniture</i>	<i>Steel</i>
<i>Lumber and Wood Products</i>	<i>Transportation Equipment</i>

PRINCIPAL AGRICULTURE (2015) & NATIONAL RANKING

RICE #1

POULTRY #2

CATFISH #3

GRAIN SORGHUM #4

COTTON #5

COTTONSEED #6

SWEET POTATOES #6

SOYBEANS #10



DISTRIBUTION

12TH LARGEST NETWORK OF HIGHWAYS IN THE NATION

MIDWAY BETWEEN MEXICO CITY AND MONTREAL

53,000 EMPLOYED IN DISTRIBUTION AND TRUCKING

INFRASTRUCTURE



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TRUCKING AND DISTRIBUTION:

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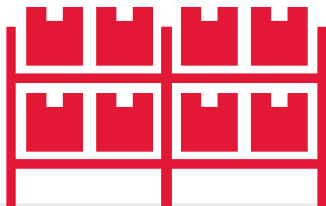
With its central location and comprehensive transportation infrastructure, it's not surprising that Arkansas has a large and growing distribution and logistics services sector. In fact, Arkansas is home to two transportation/trucking companies on Fortune magazine's list of the largest 1,000 companies in the United States, based on annual revenue – J.B. Hunt Transport Services, Inc. and ArcBest.

The top 25 largest employers in Arkansas represent a wide variety of industries. Sixteen percent of them are in the transportation services sector, including J.B. Hunt, USA Truck, FedEx Corporation, and Union Pacific Railroad.

Approximately
53,000
people are employed
in distribution centers
and trucking firms in
the state.



Arkansas is home to more than



80
distribution
centers



10 major
trucking
companies



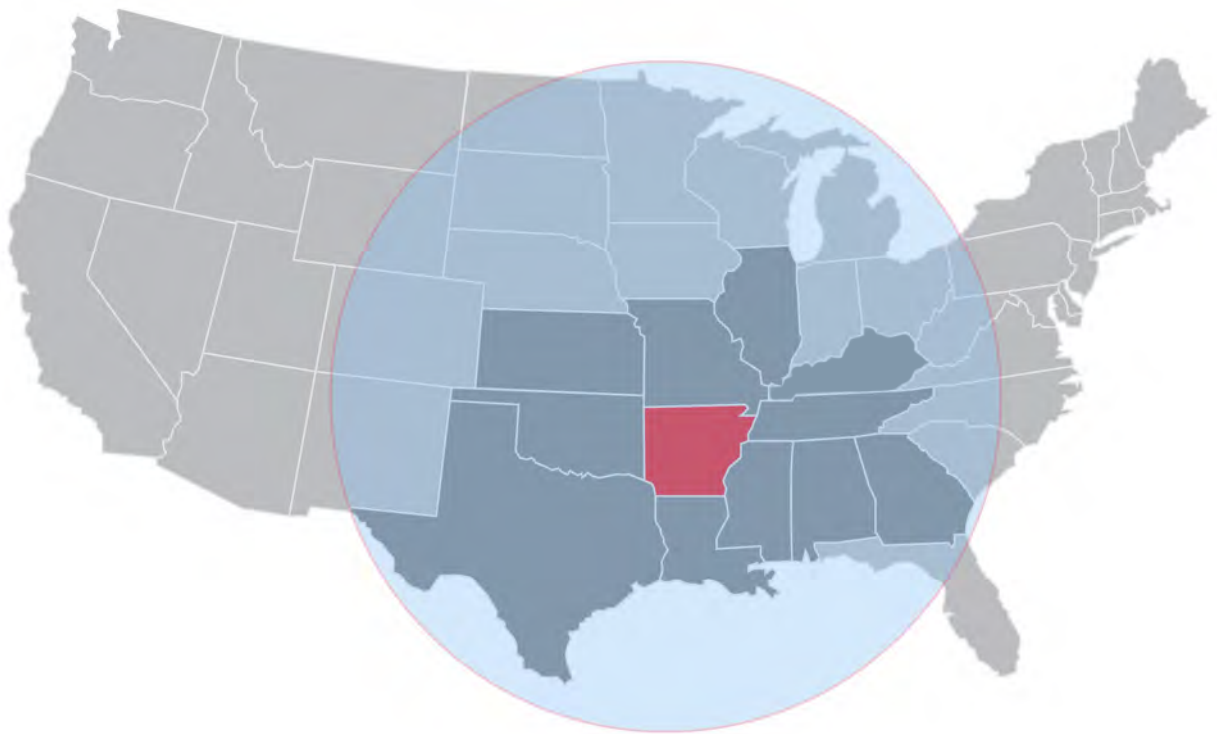
over
53,000
distribution/logistics
employees

TRUCKING AND DISTRIBUTION COMPANIES

- **ArcBest**
- **ACE Hardware**
- **Americold Logistics**
- **Dillard's, Inc. Distribution Center**
- **Ben E. Keith Foods**
- **Family Dollar Stores, Inc.**
- **Zero Mountain**
- **FedEx Freight**
- **J.B. Hunt Transport Services, Inc.**
- **USA Truck**
- **United Parcel Service**
- **Walmart Stores, Inc.**
- **Sysco**
- **Tyson**

Arkansas offers access to a market of
**100 million people within a
550-mile radius** of the state.

That represents **40%**
of the total U.S. population.



Major market
centers in the
region include:

Memphis
Chicago
Atlanta
Dallas
Fort Worth

Houston
Kansas City
Louisville
New Orleans
St. Louis
Nashville

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

ARKANSAS IS MIDWAY BETWEEN MEXICO CITY AND MONTREAL.

Interstate 40, a major east-west thoroughfare reaching from North Carolina to California, runs through Arkansas.

Interstate 55 links eastern Arkansas to St. Louis and Chicago to the north and New Orleans to the south. *Interstate 30* connects Arkansas with markets to the southwest, including Texas and Mexico.



AIR SERVICE:

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Located in the heart of the country, Arkansas is easily reached, thanks to our national airports and the nation's 12th largest network of highways. Enjoy the convenience of our airport. Just minutes from our major downtowns, **Bill and Hillary Clinton National Airport (LIT)** is Arkansas's largest commercial service airport, serving approximately 2 million passengers annually. With more than 70 departures at Little Rock each day, and non-stop jet service to 13 national gateway cities, Little Rock is truly one stop away from the world.

In addition to commercial aircraft, Clinton National serves general aviation/private aircraft, with two fixed base operators (FBOs) on the field, **TAC Air and Fly Arkansas, LLC**.



The **Northwest Arkansas Regional Airport (XNA)**, which opened in 1998, is the state's second largest travel hub, serving non-stop flights to several national and international airports. Regional airports in El Dorado, Fort Smith, Harrison, Hot Springs, Jonesboro and Texarkana also provide commercial service to several national airports. 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.

AIR SERVICE:

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DIRECT FLIGHT DESTINATIONS AS OF NOVEMBER 13, 2017

<i>Destination City</i>	<i>Airports</i>
Atlanta	Fort Smith, LIT, XNA
Charlotte, NC	LIT, XNA
Chicago	LIT, XNA
Cincinnati	XNA
Dallas	Fort Smith, LIT, Texarkana, XNA, El Dorado, Hot Springs, Harrison
Denver	LIT, XNA
Detroit	LIT
Houston	LIT, XNA
Las Vegas	LIT, XNA
Los Angeles	XNA
Memphis	Harrison
Minneapolis/St.Paul	XNA
Newark	XNA
New York	XNA
Orlando	XNA
Phoenix	LIT
St. Louis	Jonesboro, LIT
San Francisco	XNA
Washington, DC	XNA, LIT (beginning 2018)

Approximately

Airports



**have 5000 foot
runways that
accommodate most
business jets.**

WATERWAYS:



FOREIGN TRADE ZONES

14 FTZ No. 14 Little Rock

273 FTZ No. 273 West Memphis

More than 1,000 miles of navigable waterways link Arkansas with ports worldwide. There is a navigable river within 65 miles of every county in the state. Arkansas's rivers remain ice-free throughout the year, allowing continuous movement of goods. Steel, fertilizers, petroleum products, grains, and many other goods travel through the many public ports, private terminals and riverfront industrial sites.

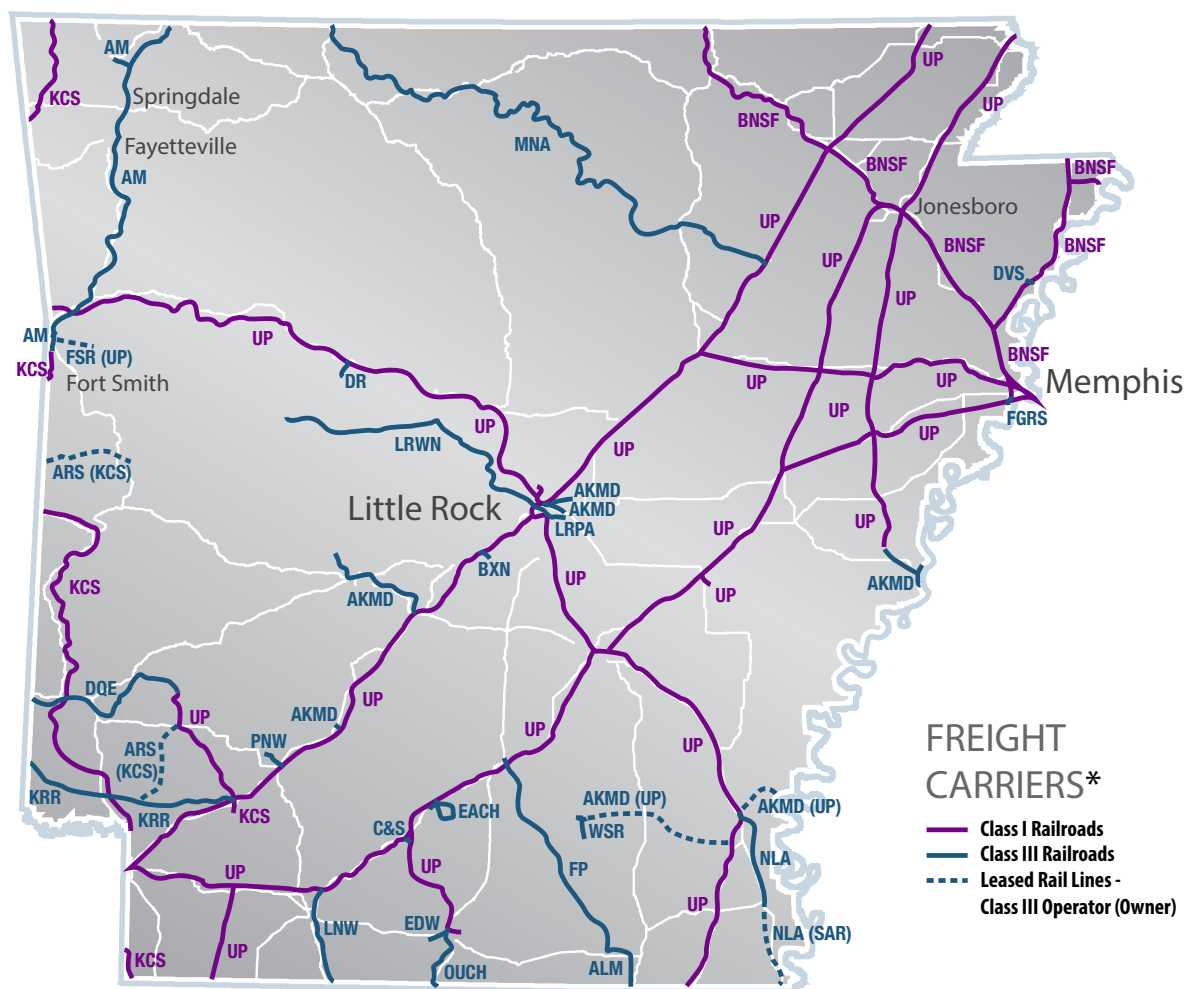
Three ports are located along the Arkansas River, in Little Rock, Pine Bluff and Fort Smith. Mississippi River terminals are located in Osceola, West Memphis, McGehee and Helena-West Helena.



RAIL SERVICE:

Three Class I systems: Union Pacific, BNSF Railway, and Kansas City Southern Railway. Union Pacific operates major yards in North Little Rock and Pine Bluff, along with a locomotive overhaul and maintenance facility in North Little Rock. It is the largest, most modern in the Union Pacific System.

Arkansas has



RAILROADS

AKMD Arkansas Midland Railroad	DVS Delta Valley & Southern Railway	LRWN Little Rock & Western Railway
ALM Arkansas, Louisiana & Mississippi Railroad	EACH East Camden & Highland Railroad	MNA Missouri & Northern Arkansas Railroad
AM Arkansas & Missouri Railroad	EDW El Dorado & Wesson Railway	NLA North Louisiana & Arkansas Railroad
ARS Arkansas Southern Railroad	FGRS Friday-Graham Rail Spur	OUCH Ouachita Railroad
BNSF BNSF Railway	FP Fordyce & Princeton Railroad	PNW Prescott & Northwestern Railroad
BXN Bauxite & Northern Railroad	FSR Fort Smith Railroad	SAR Southeast Arkansas Economic Development District
C&S Camden & Southern Railroad	KCS Kansas City Southern Railway	UP Union Pacific Railroad
DQE DeQueen & Patriot Railroad	KRR Kiamichi Railroad	WSR Warren & Saline River Railroad
DR Dardenelle & Russellville Railroad	LNW Louisiana & North West Railroad	
	LRPA Little Rock Port Authority Railroad	

INTERMODAL FACILITIES:



Intermodal freight facilities in Arkansas include the river ports at Little Rock, Pine Bluff and Van Buren. Regional intermodal freight facilities authorities in Arkansas include Blytheville-Mississippi County Regional Intermodal Authority, Northeast Arkansas Regional Intermodal Authority, River Valley Regional Intermodal Facilities Authority, Regional Intermodal Transportation Authority of Western Arkansas, Southwest Arkansas Regional Intermodal Authority, Southeast Arkansas Regional Intermodal Facility, and Western Arkansas Regional Intermodal Port Authority.



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.



Pipeline/refinery/fuel storage complexes are throughout the state. Some include the [Delek Oil refinery/fuel storage complex](#) in El Dorado, the [Valero Energy Corp. West Memphis Terminal](#), and the [Center Point Terminal](#) in North Little Rock.



[Union Pacific Railroad](#) has a 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 [FedEx Superhub](#).





WORKFORCE

#2 HIGHEST PERCENTAGE OF MANUFACTURING EMPLOYMENT IN THE SOUTH - NAM

#9 LOWEST COST OF DOING BUSINESS - CNBC

6 FORTUNE 500 COMPANIES

NATIONAL LEADING COMPUTER CODING INITIATIVE

WORKFORCE & TRAINING



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EMPLOYMENT AND TRAINING:












Arkansas's diverse industrial base provides an ample supply of experienced manufacturing workers. The manufacturing sector accounts for 13 percent of the state's jobs. Throughout the years the sector has shifted from agriculture-based to light manufacturing to more sophisticated processes and products such as advanced food packaging, transportation equipment and primary and fabricated metals.

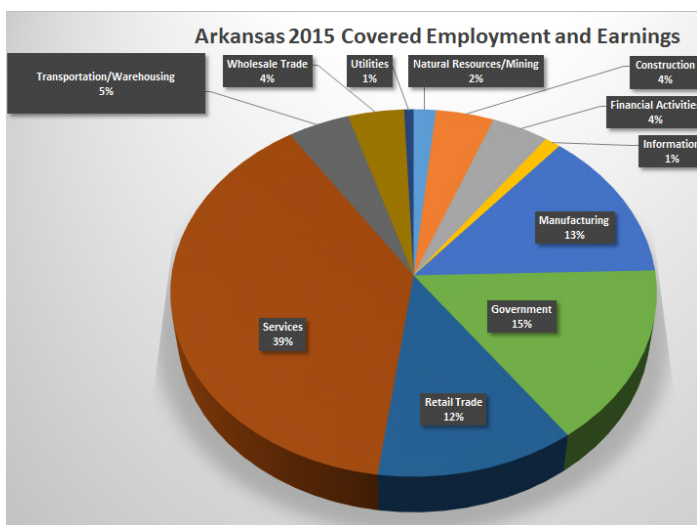
A workforce that works wonders. As a **right-to-work** state, Arkansas boasts proud people who step-up to any job. We see ourselves not just as a strong workforce but united; dedicated to elevating our communities.



Manufacturing sector accounts for **13%** of the state's jobs.

2015 EMPLOYED POPULATION

Natural Resources/Mining		18,681
Construction		49,233
Financial Activities		48,244
Information		13,310
Manufacturing		154,871
Government		178,840
Retail Trade		140,543
Services		399,207
Transportation/Warehouse		52,333
Wholesale Trade		47,241
Utilities		7,950



Source: Arkansas Department of Workforce Services

Civilian Labor Force (annual 2015)	1,330,099
Non-Farm Payroll Jobs (annual 2015)	1,208,500
Unemployment Rate (annual 2015)	5.2%
Average Hourly Earnings / Production Workers in AR	\$16.18
Average Hourly Earnings / Non-Manufacturing Workers (annual 2015)	\$20.13
Number of 2-Year Degrees Awarded in 2014	12,001
Number of 4-Year Degrees Awarded in 2014	24,083
Number of Technical Degrees Awarded in 2014	5,382
Number of Certificate of Proficiency Degrees Awarded in 2014	5,080

BUSINESS AND INDUSTRY TRAINING PROGRAM

The Business and Industry Training Program (BITP) is a flexible program designed for new and expanding businesses and industries. BITP has three emphases: recruiting workers, pre-employment training and on-the-job training.

Eligible Businesses

- Biotechnology Companies
- Distribution Centers
- Intermodal Facilities
- Knowledge-based Companies
- Manufacturing Operations
- National & Regional Corporate Headquarters
- Office Sector Businesses
- Scientific & Technical Services

Recruiting Workers

The BITP provides financial assistance to recruit workforce required for new and expanding businesses and industries in Arkansas.

Pre-employment Training

AEDC offers a pre-employment training program for new and expanding companies, customizing the number of hours and content of the training to fit the specific needs of each company.

On-the-Job Training

Following pre-employment training, if the trainee is hired by the company, AEDC helps pay the instructional costs to train the new employee. Hours of instruction and the number of instructors depend on the types of jobs that require on-the-job training. Financial assistance is not allowed for salary of trainees or new hires.

EXISTING WORKFORCE TRAINING PROGRAM

The Existing Workforce Training Program (EWTP) provides financial assistance to Arkansas's eligible businesses for upgrading the skills of the existing workforce to adapt to new or altered technologies and/or acquire new skills needed to remain competitive and economically viable. Training is for full-time, permanent employees who work at least 30 hours a week and are subject to Arkansas's personal income tax. Reimbursements are calculated according to a set of scoring criteria.

AEDC SECTOR MANAGERS

Steve Sparks - Director of Existing Business Resource Division, ssparks@arkansasedc.com

Sector Managers

Aerospace Sector - Robin Pelton

Automotive Sector - Randy Brinkley

Computer and Electronic Products Sector - Mitchell Wood

Food Processing Sector - Jay Robison

Machinery and Equipment Manufacturing - Mike Collins

Manufacturing Materials and Fabrication Processes Sector - LaJuana Delph

Paper and Allied Products Sector

Transportation and Logistics - Vacant

Wood and Lumber Products Sector - Rory Gulick

Training

Administrative Assistant and EWTP - Freda Farmer

BITP Project Manager - Becky Rheinhardt



Six sister agencies, brought together by the Arkansas Department of Workforce Services, provide the Arkansas Career Readiness Certificate (CRC), a portable credential based upon the WorkKeys® assessments that demonstrates to employers that an individual possesses the basic workplace skills required for 21st century jobs. Find out more about the CRC at: www.dws.arkansas.gov.

Training Offered	Number of state colleges offering certification
Aerospace Engineering Technician	1
Aircraft Powerplant Technology	4
Airframe Mechanics and Aircraft Maint.	6
Autobody and Collision Repair Tech	8
Automobile Mechanics Technology	15
Avionics Maintenance Technology	1
Computer Installation/Repair Technology	6
Computer System Networking & Telecom	9
Computer Technology	4
Construction/Heavy Equipment	1
Diesel Mechanics Technology	7
Drafting and Design Technology	6
Electrical, Electronics & Communications	2
Electrician	1

Training Offered	Number of state colleges offering certification
Heavy/Industrial Equipment Maint. Tech	2
HVAC	10
Industrial Electronics Technology	3
Industrial Mechanics and Maintenance	9
Industrial Technology	5
Logistics, Materials and Supply Chain	1
Machine Shop Technology	3
Machine Tool Technology/Machinist	5
Manufacturing Engineering Technology	7
Medium/Heavy Vehicle Truck Tech	1
Metallurgical Technology	1
Petroleum Technology	1
Welding Technology	21



EDUCATION

ARKANSAS IS HOME TO 46 COLLEGES AND UNIVERSITIES

THE SAM M. WALTON COLLEGE OF BUSINESS WAS RANKED #73
IN THE NATION IN 2016 BY US NEWS AND WORLD REPORT

THE NUMBER OF STEM BACHELOR'S DEGREE GRADUATES
INCREASED 30.4% (2012-2016)

EDUCATION



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

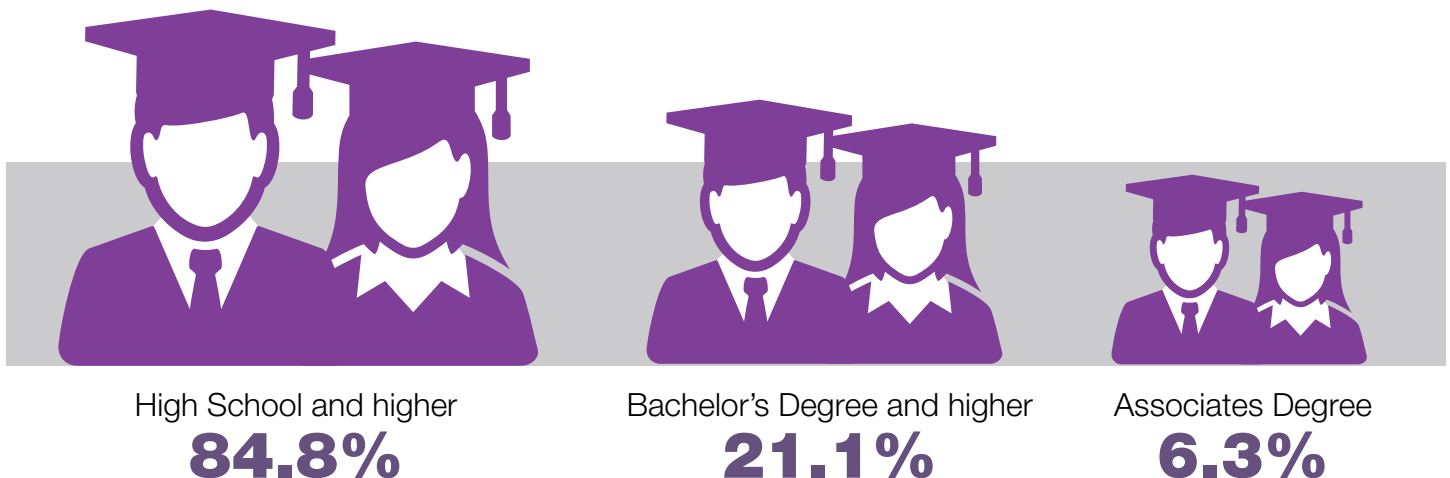
Arkansas ranks 12th among the 50 states in the number of new National Board Certified Teachers, and now has 2,903 National Board Certified Teachers.

Arkansas is one of several states in the nation with a nine (9) rating for early childhood education quality standards, according to the National Institute for Early Education Research.

ARKANSAS EDUCATION STATISTICS

(American Fact Finder 5-Year Estimate 2011-2015)

EDUCATION ATTAINMENT FOR AGE 25 AND OVER POPULATION



NUMBER OF UNIVERSITIES AND COLLEGES IN ARKANSAS

4-Year State Colleges (11)



4-Year Private Colleges (13)



2-Year State Community Colleges (22)

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.

The Arkansas Better Chance Program (ABC) encourages the development of quality early childhood education programs to help at risk children develop intellectually, physically, socially, and emotionally in order to be prepared for kindergarten.

The future of Arkansas's workforce lies in the state's ability to infuse STEM education into the mainstream of our educational system. STEM is short for "Science, Technology, Engineering and Math". Another project goal is equipping the Arkansas colleges with the tools they need to better educate the K-12 teachers in these core subjects.

The [Arkansas STEM Coalition](#) is a statewide partnership of leaders from a diverse range of sectors, including 13 members of Arkansas's businesses and industries, to enable programs that support excellence in STEM teaching and learning to expand the economy of Arkansas and produce higher paying jobs.

Arkansas School for Mathematics, Sciences, and the Arts (ASMSA)

The Arkansas School for Mathematics, Sciences, and the Arts (ASMSA) is a two-year, public residential high school located in Hot Springs, Arkansas. It is a part of the University of Arkansas administrative system and a member of the NCSSSMST.

Academically, the school is modeled after the North Carolina School of Science and Mathematics. Studies focus on mathematics, computer science, science, and humanities, the largest department at the school. All courses are taught at the Honors level or above. ASMSA also offers a number of AP-level courses and courses that go beyond the AP level, especially in mathematics. ASMSA also has an arts program.

Teachers have at least a master's degree in their field, and 27% have a Ph.D. Notable professors at the school have included Dr. Don Baker, who was a Foreign Service Officer for the United States Department of State; Mrs. Melanie Nichols, who has served on several AP committees and has been active in the math education community and was a mathematics teacher at the school before becoming Dean of Academic Affairs in 2006; Dr. Brian Monson, who has previously taught at the University of Tulsa and the Oklahoma School of Science and Mathematics, and who is chair of the science department and teaches AP Physics C, Optics, and Folk Music and Acoustics; and Charlie Cole Chaffin, who was a chemistry teacher at the school and was a member of the Arkansas State Senate.

EAST Labs

The EAST (Environmental And Spatial Technologies) Initiative is an educational non-profit that oversees and trains for a school program, EAST, that operates across the United States. It is unique for offering students and teachers professional technology and software for use in a loosely-structured, self-driven environment.

EAST began with one classroom in Greenbrier, Arkansas in 1996. Former law-enforcement officer Tim Stephenson was in his first year of teaching, and having had experience with “disconnected” youth, had been assigned a classroom of “at risk” students. In seeking a point of interest for them, Stephenson proposed an outing to a spot near the school where students often went to skip classes. The wooded area included a creek and a pond. It was pointed out that it would be muddy crossing the creek. The first EAST project turned out to be a bridge across that creek.

Realizing that the K-12 education system lacked the needed technology as well as instruction in using it, Stephenson sought help from an Arkansas technology firm that introduced him to national and international resources.

Through advanced technology, Arkansas students excel in rural as well as urban school districts. Approximately 230 schools in Arkansas and four other states.

New Tech Network

New Tech came to Arkansas in 2011, with the announcement of the STEM Works pilot program. This program focuses on improving the quality of STEM education available in Arkansas high schools. Currently, 14 schools are participating in Arkansas.

New Tech high schools employ integrated problem-based learning throughout the entire high school curriculum. Students use technology to facilitate their learning, while working on educational projects that incorporate curriculum elements from multiple classes (for example, students study math in literature). Students work in teams in open areas. Teachers act as facilitators to help students become directors of their learning processes. Students at New Tech High Schools experience a more hands-on educational process that better prepares them for the rigors of college and career. They develop a more dedicated and realistic approach to their studies, which is critical for student success after graduation. They conduct their own research and partner with external experts to document and develop an understanding of the impact of a New Tech Network education.

Project Lead the Way

Project Lead The Way (PLTW) is the nation's leading provider of STEM programs. The world-class curriculum and high-quality teacher professional development model, combined with an engaged network of educators and corporate and community partners, help students develop the skills necessary to succeed in the global economy.

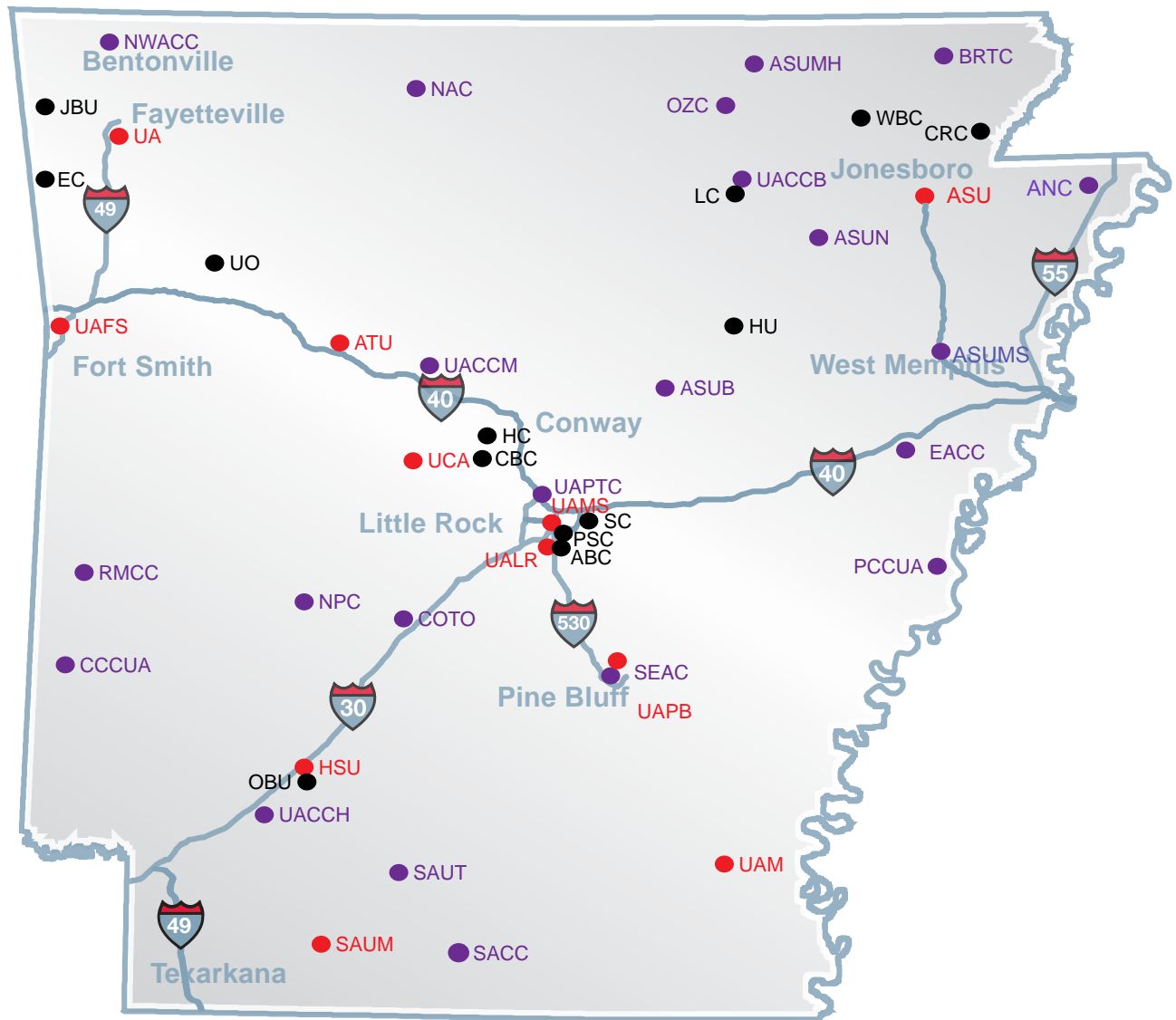
Across the U.S., there are 12,500+ PLTW Programs in more than 10,500+ elementary, middle, and high schools. PLTW schools can be found in rural, urban, and suburban districts; across all income levels; as well as in public, private, and charter schools.

In Arkansas, PLTW programs are being used to engage Arkansas youngsters as early as possible, including 47 Launch programs focused on students in grades K through 5. Launch appeals to the exploratory nature in children with "learning that feels like play", while also encouraging them to keep discovering – now and for years to come.

PLTW's success in preparing students with the knowledge and skills they need to succeed has been recognized by colleges and universities, Fortune 500 businesses, and numerous national organizations including Change the Equation, the Social Impact Exchange, and more. PLTW is offered in 93 Arkansas schools, ranging from large urban schools to rural delta schools.

Arkansas has 111 PLTW programs including 43 high school engineering programs, 8 high school computer science programs, 15 high school biomedical science programs, and 45 middle school Gateway programs. Arkansas Tech University currently offers PLTW teacher training in multiple summer sessions for elementary, middle school and high school teachers.

Arkansas Higher Education Institutions



Private Universities

ABC	Arkansas Baptist College
CBC	Central Baptist College
CRC	Central Christian College
HC	Henderson College
HU	Henderson University
JBU	Jefferson Baptist University
LC	Louisiana College
OBU	Oberlin University
EC	Eastern Christian College
PSC	Pulaski State College
SC	Southern Christian College
UO	University of Oklahoma
WBC	West Baptist College

Public Universities

ASU	Arkansas State University
ATU	Arkansas Tech University
HSU	Henderson State University
SAUM	Southern Arkansas University – Magnolia
UAF	University of Arkansas Fayetteville
UAFS	University of Arkansas – Fort Smith
UALR	University of Arkansas at Little Rock
UAM	University of Arkansas at Monticello
UAMS	University of Arkansas for Medical Sciences
UAPB	University of Arkansas at Pine Bluff
UCA	University of Central Arkansas

2-Year Public Colleges

ANC	Arkansas Northeastern College
ASUB	Arkansas State University - Beebe
ASUMH	Arkansas State University - Mountain Home
ASUMS	Arkansas State University - Mid South
ASUN	Arkansas State University - Newport
BRTC	Black River Technical College
CCCUA	Cossatot Community College of the UA
COTO	College of the Ouachitas
EACC	East Arkansas Community College
NAC	North Arkansas College
NPC	National Park College
NWACC	Northwest Arkansas Community College
OZC	Ozarka College
PCCUA	Phillips Community College/UA
UAPTC	UA - Pulaski Technical College
UARM	University of Arkansas Rich Mountain
SACC	South Arkansas Community College
SAUT	Southern Arkansas University
SEAC	Southeast Arkansas College
UACCB	UA Community College at Batesville
UACCH	UA Community College at Hope
UACCM	UA Community College at Morrilton

Higher Education

In Arkansas there are 33 public colleges and universities, 2 technical institutes, 2 medical schools, and 2 law schools, as well as 13 independent colleges and universities.

Engineering students at the University of Arkansas' High Density Electronics Center design innovations like power device integration for various applications in the electronics industry.

The challenges of an aging population are getting a high degree of attention at the University of Arkansas for Medical Sciences (UAMS) in Little Rock. UAMS houses one of only four geriatric department trains professionals in this developing area of medical treatment, prevention, wellness and functional independence. UAMS is among America's best hospitals and graduate schools.

STEM Works Links to Industry

Preparing home-grown talent to fill high-paying jobs in Arkansas is a must.

The STEM workforce is recession proof. While many face cutbacks and layoffs in down economic cycles, STEM-skilled professionals remain in high demand. STEM professionals drive innovations that lead to new products, new companies, new jobs, and wealth creation.

Industrial clusters of interest include the following: Computer and Information Technology; Nano-Related and Advanced Materials and Applications; Biotechnology, Bioengineering, and Life Sciences; and Agriculture, Food, and Environmental Sciences.

The Arkansas School for Mathematics, Sciences and the Arts in Hot Springs. a residential public high school for academically advanced juniors and seniors, consistently ranks among the top 25 high 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. Approximately 230 schools in Arkansas and four other states offer Environmental and Spatial Technology (EAST), a nationally acclaimed program supported by a collaborative partnership involving several universities and the Arkansas Department of Education.

AP Exam Scores

Increased by
18% in a
10 year period.

.....

2nd Highest
Nationally

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 Arkansas Department of Career 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 apprenticeships are part of this systemic change that provides students with academically challenging courses. 14 Arkansas high schools participate through the Arkansas Department of Career Education.

Arkansas also touts 9 high schools with a focus on Technology Centers at work which prepares students for higher level of academic achievement through an innovative approach in teaching and the programs of study. Act 187 of 2015 requires public and charter schools to offer at least one computer science course to students. Coding is one option students may choose, as well as Robotics and Programming.

Workforce Development

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

The Arkansas Economic Development Commission’s business managers 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 state-funded training grants.

AEDC has also partnered with six sister agencies to develop and utilize the Arkansas Career Readiness Certificate (CRC) program, which allows employers to identify and locate the skilled workforce required to maintain global competitiveness.

ACCOLADES AND RANKINGS OF ARKANSAS COLLEGES/UNIVERSITIES



University of Arkansas, Fayetteville

Founded in 1871 as a land-grant college and state university, the University of Arkansas established its campus on a hilltop overlooking the Ozark Mountains. More than 140 years later, the university's enrollment is more than 27,000 and its students represent all 50 states and 120 countries. The university is the state's foremost partner and resource for education and economic development. It serves as the major provider of graduate-level instruction in Arkansas. And its public service activities reach every county in Arkansas, throughout the nation, and around the world.

- #73** Sam M. Walton College of Business – Best Graduate Schools in Business
- #63** Top Public Schools
- #104** College of Engineering – Best Graduate Schools in Engineering (doctorate)
- #133** National Universities List
- #66** College of Education and Health Professions – Best Graduate School in Education
- #99** College of Engineering – Best Undergraduate Engineering Programs

Best Regional Universities in the Southern U.S.

- #3** University of the Ozarks, Clarksville
- #23** Harding University, Searcy
- #35** Williams Baptist College, Walnut Ridge
- #47** John Brown University, Siloam Springs
- #48** Central Baptist College, Conway
- #50** University of Arkansas at Pine Bluff, Pine Bluff
- #68** Arkansas State University, Jonesboro
- #72** University of Central Arkansas, Conway
- #95** Henderson State University, Arkadelphia
- #104** Arkansas Tech University, Russellville

Best National Liberal Arts Colleges in the Southern U.S.

- #72** Hendrix College, Conway
- #171** Ouachita Baptist University, Arkadelphia

Notable Rankings of Arkansas Higher Education Institutions Best Value Schools

- #1** University of the Ozarks, Clarksville
- #23** John Brown University Siloam Springs

Top Public Schools

- #9** University of Arkansas at Pine Bluff, Pine Bluff
- #25** Arkansas State University, Jonesboro
- #26** University of Central Arkansas, Conway
- #37** Henderson State University, Arkadelphia
- #43** Arkansas Tech University, Russellville

Best Graduate School in the Southern U.S.

- #118** Arkansas State University, Jonesboro
Best Graduate Schools in Engineering (no doctorate)
- #134** John Brown University, Siloam Springs
Best Graduate Schools in Engineering (no doctorate)
- #169** Arkansas Tech University, Russellville
Best Graduate Schools in Engineering (no doctorate)
- #183** University of Arkansas at Little Rock, Little Rock
Best Graduate Schools in Business
- #177** University of Arkansas at Little Rock, Little Rock
Best Graduate Schools in Engineering (doctorate)

Most Innovation Schools

- #7** Hendrix College, Conway

*Source: U.S. News & World Reports,
2018 Best Colleges Rankings. Listed rankings are 2017 only.*

The state is transitioning to the National Career Readiness Certification (NCRC) to allow additional visibility of our workforce on a national level. The NCRC allows prospective employees the ability to document the skills that they possess and assists companies with a method (via ACT WorkKeys Job Profiles) of matching potential workforce with existing job openings, thus reducing turnover and increasing profitability.

Workforce and Education - Public-Private Partnerships

Arkansas Institute for Performance Excellence

Provides training and consultation and administers the Governor's Quality Award Program. Any public or privately held organization of any size located in Arkansas may apply.

The Institute uses the seven categories of the Criteria for Performance Excellence as a guideline for training and application to the Governor's Quality Award. They are:

- Leadership
- Strategy
- Workforce Focus
- Customer Focus
- Knowledge Management
- Measurement & Analysis
- Results

Consultants can also assist organizations not applying for an award in performing self-assessments using the Criteria for Performance Excellence. More information can be found at arkansas-quality.org.

- The program utilizes the Baldrige Excellence Framework and Baldrige Excellence Builder criteria
- Annual industry specific training seminars are conducted regionally to assist companies with quality improvement systems
- AEDC and the Arkansas Governor's Quality Award System have developed a partnership to utilize Baldrige Excellence Framework and Baldrige Excellence Builder criteria to engage Arkansas companies in a TQM self assessment system
- AEDC's Existing Business Resource division has completed Quality Examination training and have been involved in GQA examinations

The program partners with the Arkansas State Chamber of Commerce and the Arkansas Economic Development Commission to provide additional professional development and quality process improvement training to organizations across the state of Arkansas.

Process Technology: Controlling and monitoring the systems that run industrial plants.

Businesses are losing the critical skills needed to effectively, efficiently and safely run their operations as a generation of skilled workers retire.

South Arkansas Community College and local industry partnered together to leverage resources and talent to create a program that will assist regional businesses in improving their existing employees and developing a pipeline for new employees into their industries.

Existing employees, as well as potential employees from the emerging workforce, can gain valuable skills that address refinery operations, chemical operations, and process technology. Curriculum was jointly developed by the community college and the businesses involved.

Existing operators within regional companies, as well as potential employees, integrate knowledge and use of computers, math, physics, and chemistry to learn how to safely and efficiently operate systems equipment. They also gain strong communication skills including writing, listening and orally expressing themselves in a team environment.

Industrial Training Center:

Green Bay Packaging, Morrilton was having a difficult time with skill upgrades for existing maintenance employees and developing a pipeline of new employees to backfill positions vacated due to retirement and internal promotions.

ATU – Ozark and Green Bay Packaging, Morrilton, in conjunction with leadership and resources from AEDC and ADWS created a training center specifically targeted at industrial maintenance

Technical skills related to mechanical, electrical and instrumentation maintenance to advance incumbent employees and skill upgrades for top journeymen. New technology is also addressed and taught here.

Employees from other surrounding companies are taking advantage of this training center as well. Payoff to each of the companies that train at this center results in extended life of their equipment and proactive precision maintenance which reduces unexpected downtime and increases production.

The Modern Workplace Program (Connecting Educators & Industry)

The Modern Workplace program was created to facilitate the connection & communication between educators and industry representatives.

Educators and industry representatives must collaborate to create an education environment that allows our emerging workforce to lead productive lives & satisfy the needs of Arkansas businesses.

Objectives of the program are:

- Connecting educators with local/regional employers to gain familiarity with local products & processes utilized in the workplace.

- Linking employers with the local/regional school system to foster ongoing relationships with educators.
- Providing educators with local/regional business contacts they can use to supplement current teaching curriculum.
- Familiarizing educators with career opportunities in local industry & the skills needed to be successful.

Aviation Training (Specific Workforce Training)

Aviation Maintenance Technology – Aviation maintenance is a program that prepares students to take the Federal Aeronautics Administration exam to become a licensed aviation mechanic. Each graduate of the Aviation Maintenance Technology program is prepared to seek FAA certification/license in Airframe and/or Powerplant Technology in this one or two-year certificate degree or two-year AAS degree program. Offered under FAA accreditation standards, students complete a general curriculum in the first semester, followed by two semesters of Airframe curriculum and two semesters of Powerplant curriculum. Graduates will be able to repair, maintain, and service aircraft.

This program is offered in 7 locations in Arkansas:

- Arkansas Northeastern College
- University of Arkansas Community College at Batesville
- Black River Technical College
- ASU - Mid-South
- University of Arkansas - Pulaski Technical College
- SAU Tech : Camden
- SAU Tech : Texarkana

Henderson State University – Pilot Training

Henderson State University's Department of Aviation offers a four-year bachelor of science degree specifically in aviation. Utilizing experienced faculty, flight instructors, and 15 aircraft, their goal is to provide students with the training and education necessary to prepare them for a career in professional aviation industry in the safest environment possible whether they want to fly for the airlines, manage the airports they serve or manage the fleet they fly.

Henderson State University conducts flight training from the Arkadelphia Municipal Airport (M89). Henderson operates the airport's fixed base operation and offers flight instruction, rentals, pilot supplies and fuel supplies. They currently operate 11 Maule MXT-7 aircraft, 2 Piper Arrow Technically Advanced Aircraft, 1 Cessna 172RG, 2 Piper Comanche PA-30 and an American Champion Citabria.

UTeach System at Arkansas Universities

The UTeach Institute partners with 46 universities to implement UTeach programs across 22 states nationwide. Three of these universities, all of which began implementation in the fall of 2012, are located in Arkansas: University of Arkansas at Fayetteville and University of Central Arkansas. These universities have a program enrollment of 221 students statewide. Graduates of these programs are projected to teach approximately 110,000 secondary science, technology, engineering, and mathematics (STEM) students by 2020.



INCENTIVES

CREATE REBATE CAN PROVIDE UP TO 5% PAYROLL REBATE FOR UP TO 10 YEARS

UP TO 30% REBATE THROUGH THE FILM INCENTIVE PROGRAM

ADVANTAGE ARKANSAS CAN HELP LOWER YOUR INCOME TAXES

INCENTIVES



Consolidated Incentive Act

- 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 75% of their revenue from out-of-state sales
- Businesses primarily engaged in motion picture production must derive at least 75% of their revenue from out-of-state sales
- Distribution centers that derive at least 75% of their sales revenue from out-of-state customers
- Intermodal facilities with more than one (1) mode of interconnected movement of freight, commerce, or passengers
- Office sector businesses that support primary business needs and that are non-retail businesses deriving at least 75% of their sales revenue from out-of-state
- National or regional corporate headquarters as classified in the NAICS code 551114
- Firms primarily engaged in commercial, physical and biological research as classified in the NAICS codes 541711 and 541712
- Scientific and technical services businesses must derive at least 75% of their revenue from out-of-state sales. The average hourly wage paid by these businesses must exceed 150% of the county or state average hourly wage, whichever is less.

Tax Back (Sales and Use Tax Refund)

The Tax Back program provides sales and use tax refunds on the eligible purchase of building materials and taxable machinery and equipment to qualified businesses investing at least \$100,000 and either a) sign a job creation agreement under the Advantage Arkansas or Create Rebate programs within 24 months of signing the Tax Back agreement or b) have signed an Advantage Arkansas or Create Rebate agreement within the previous 48 months.

Applicants for Tax Back must also obtain an endorsement resolution from a local governing authority authorizing the refund of its local taxes. Applicants must meet the qualification criteria under the requisite Advantage Arkansas or Create Rebate program in which they are participating and must be approved by AEDC.

The refund of sales and use taxes shall not include the refund of taxes dedicated to the Educational Adequacy Fund provided in § 19-5-1227 or the taxes dedicated to the Conservation Tax Fund provided in § 19-6-484; which totals 1%. The state tax rate is 6.5% so the eligible refund of state taxes would be 5.5%.

Arkansas's job-creation incentives are based on payroll and use a tier system based on poverty rate, unemployment rate, per capita personal income, and population growth to determine qualification criteria and benefits. Tiers are assigned annually based on current data.

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.

To qualify for the Advantage Arkansas program (all tiers), the proposed average hourly wage of the new employees hired as a result of the project must be equal to or greater than the lowest county average hourly wage. Currently, the average hourly wage threshold for the Advantage Arkansas program is \$11.53.

The Advantage Arkansas income tax credit is earned each tax year for a period of five years. The income tax credit cannot offset more than 50 percent 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 included in the new additional payroll under the project must be Arkansas taxpayers.

ArkPlus (Income Tax Credit)

ArkPlus is a state income tax credit program that provides tax credits of 10% of the total investment in a new location or expansion project. This discretionary incentive is offered in highly competitive situations.

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 in which the business locates. Total project expenditures must be incurred within four (4) years of the date the project is approved by AEDC. New, full-time, permanent employees must be hired within 48 months of the date the financial agreement is signed.

The income tax credits may be used to offset 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.

Create Rebate (Cash Rebate)

Incentives are negotiated and offered at the discretion of the Executive Director of the Arkansas Economic Development Commission.

Create Rebate provides annual cash payments based on a company's annual payroll for new, full-time, permanent employees. To qualify, the company must create a minimum of \$2 million annually in new payroll. The minimum payroll must be met within 24 months of the effective date of the financial incentive agreement. No benefits may be claimed until the \$2 million annual payroll threshold is met.

Create Rebate benefits are available after the business certifies to the Arkansas Department of Finance & Administration that it has fulfilled the minimum payroll requirements and the reported payroll has been verified by the Arkansas Department of Finance & Administration. The amount of the benefit depends on the tier assignment of the county where the job creation occurs.

Infrastructure Grants (Governor's Quick Action Closing Fund, Community Development Block Grants)

AEDC shares the cost of project infrastructure needs by committing grants from state and federal infrastructure funds. The amount of assistance committed is dependent upon the strength of the company, number of jobs, average wage, project investment and costs associated with facility/site improvements.

EQUITY INVESTMENT TAX CREDIT

The Equity Investment Incentive Program is a discretionary incentive targeted toward new, technology-based businesses paying wages at least one hundred fifty percent (150%) of the lesser of the state or county average wage. If offered, this program allows an approved business to offer an income tax credit to investors purchasing an equity investment in the business.

The income tax credit/credits issued under this program are equal to 33 1/3% of the amount invested by an investor in an eligible business.

The income tax credit earned may be used to offset 50% of the investor's Arkansas income tax liability in any one tax year. Any unused credit may be carried forward for a period of nine years. The income tax credit earned may be sold upon approval by AEDC.

Division of Science and Technology of the Arkansas Economic Development Commission

Research and Development Tax Credits are intended to provide incentives for donations to universities, university-based research, in-house research of several kinds, and research and development in start-up, technology-based enterprises. It is important for the applicant to understand the different incentives and to select the most appropriate for the eligible research and development activity.

The Seed Capital Investment Program (SCIP) can provide working capital to help support the initial capitalization or expansion of technology-based companies located in Arkansas. The program can provide working capital up to \$500,000 of the company's total financing needs. Investments made by the SCIP fund are repaid through a royalty agreement.

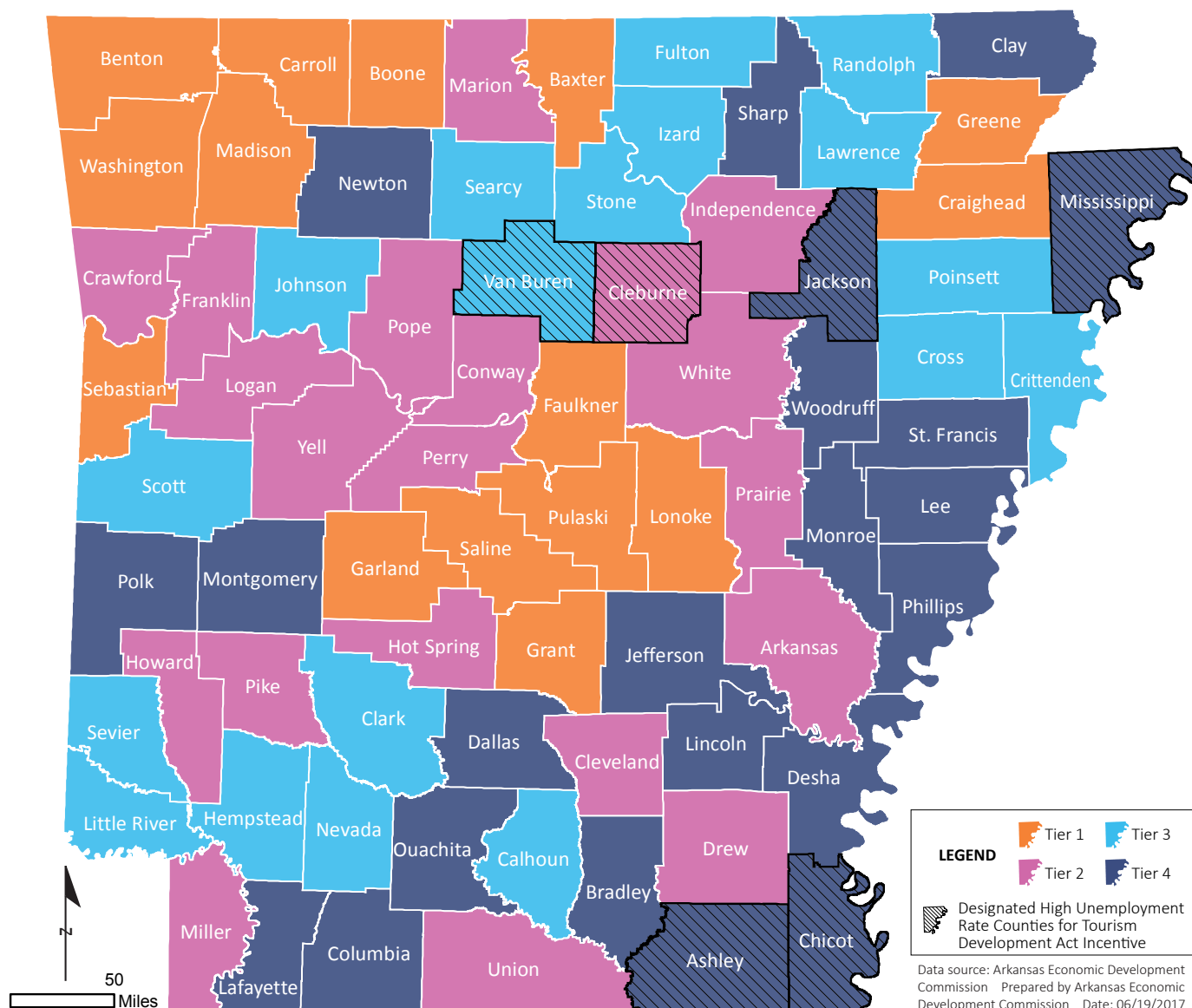
The Technology Development Program (TDP) provides cash financing of up to one hundred thousand dollars (\$100,000) for qualified which utilizes the benefits of science and technology to provide economic and employment growth potential in Arkansas through commercialization of new technology based on products and processes.

The Technology Transfer Assistance Grant (TTAG) Program provides limited financial support for the transfer and deployment of innovative technology to Arkansas-based enterprises. TTAG grants are awarded to the technology transfer resource provider. The resource provider must possess the capability to locate and transfer innovative technology to the specified Arkansas enterprise. In certain cases, to be determined on a case-by-case basis, the resource provider could be the company requesting assistance if they have the capability to locate and transfer the innovative technology. The technology being transferred must resolve a company's technology-based problem, issue or concern.

Additionally, The Division provides cash-matching grants for applied research. The purpose of this program is to create applied research partnerships between private industry and Arkansas colleges and universities to stimulate the transfer of science and technology and to provide a cash match to Arkansas colleges and universities for contributions of funds and new equipment from private industry.

Arkansas Incentive Tier Map

Effective July 1, 2017



Benefits provided by the Advantage Arkansas, Create Rebate, and ArkPlus programs are determined in relation to the tier of the county in which the project is located. The state's seventy-five

	ADVANTAGE ARKANSAS		CREATE REBATE*	ARKPLUS	
	Payroll Threshold	Benefit (% of Payroll)	Benefit (% of Payroll)	Minimum Investment (Benefit = 10% of Investment)	Minimum Payroll
TIER 1	\$125,000	1%	3.9%	\$5,000,000	\$2,000,000
TIER 2	\$100,000	2%	4.25%	\$3,750,000	\$1,500,000
TIER 3	\$75,000	3%	4.5%	\$3,000,000	\$1,200,000
TIER 4	\$50,000	4%	5.0%	\$2,000,000	\$800,000

* Minimum payroll of \$2,000,000 required to qualify, regardless of tier.

(75) counties are divided into four (4) tiers, with Tier 1 counties being the most prosperous counties and Tier 4 counties being the least prosperous counties. Tiers are determined annually by the Arkansas Economic Development Commission (Commission) by ranking four variables: poverty rate, population growth, per capita personal income, and unemployment rate. A county ranking is determined for each of these variables using a consistent source and the four (4) rankings are totaled and divided by four (4) to

obtain an overall ranking. It is the intention of the Commission to place fifteen (15) counties in Tier 1 and twenty (20) counties in Tier 2, 3, and 4 respectively.

A county's tier ranking, determined on the effective date of any incentive agreement under the Consolidated Incentive Act of 2003, as amended, shall establish the thresholds and benefits for the term of the agreement.

Exemptions from Sales & Use Taxes

Machinery and equipment used directly in manufacturing that are purchased for a new manufacturing facility or to replace existing machinery and equipment are exempt. Machinery and equipment required by Arkansas law to be purchased for air or water pollution control or for removal of sulfur pollutants from refined petroleum are also exempt. Property which becomes a recognizable, integral part of property manufactured, compounded, processed or assembled for resale is also exempt.

Catalysts, chemicals, reagents, and solutions that are consumed or used in producing, manufacturing, fabricating, or finishing articles of commerce at remanufacturing or processing plants a facilities are exempt.

Company Childcare Facilities

Arkansas offers tax incentives for businesses that provide childcare for their employees.

A business may choose between two state income tax credit options: 1) a credit of 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 that the business provides its employees with a childcare facility. Any unused credit may be carried forward two years.

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. Eligibility is determined by the Arkansas Department of Human Services, Division of Child Care and Early Childhood Education. The business may choose to operate the facility or contract the operations.

Recycling Equipment

Arkansas allows 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.

Certification

Machinery and waste reduction, reuse or recycling equipment must be used exclusively 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%) of the recovered materials shall be post-consumer waste;

.....
Reuse. Recycle.
30%
Tax Credit for
equipment and
installation
.....

The cost of replacing existing waste reduction, reuse, or recycling equipment shall be eligible for certification only if the replacement provides greater capacity for recycling or provides the capability to collect, separate, process, modify, convert, treat, or manufacture additional or a different type of solid waste.

The amount of the tax credit shall equal 30% of the cost of equipment and installation costs deemed eligible by the Arkansas Department of Environmental Quality. Credits may be carried forward for three 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.

Replacement and Repair of Manufacturing Machinery and Equipment Sales and Use Tax Refund

Act 1404 of 2013, as amended and codified in §§ 26-52-447, 26-53-149 and 15-4-3501, establishes two options by which certain state sales and use taxes relating to the partial replacement and repair of machinery and equipment used directly in manufacturing may be refunded to eligible taxpayers beginning July 1, 2014.

The first option, which provides for a graduated refund and subsequent exemption of sales and use taxes levied under §§ 26-52-301, 26-52-302, 26-53-106 and 26-53-107, may be claimed by a taxpayer for the purchase and installation of certain machinery and equipment used directly in manufacturing and processing. To qualify for this refund, a taxpayer must hold a direct pay or limited direct pay sales and use tax permit from the Arkansas Department of Finance and Administration (DFA).

Taxes levied under §§ 26-52-301, 26-52-302, 26-53-106 and 26-53-107 subject to refund under this option are the taxes in excess of the following rates:

1. Beginning July 1, 2014, four and seven-eighths percent (4.875%);
2. Beginning July 1, 2018, three and seven-eighths percent (3.875%);
3. Beginning July 1, 2019, two and seven-eighths percent (2.875%);
4. Beginning July 1, 2020, one and seven-eighths percent (1.875%);
5. Beginning July 1, 2021, seven-eighths percent (0.875%); and
6. Beginning July 1, 2022, sales qualifying for the tax refund under this option are fully exempt from taxes levied under §§ 26-52-301, 26-52-302, 26-53-106 and 26-53-107.

The second option, which provides for an increased refund of all sales and use taxes (5.875%) levied under §§26-52-301, 26-52-302, 26-53-106 and 26-53-107, is a discretionary incentive that may be offered by the Executive Director of the Arkansas Economic Development Commission (AEDC) to a taxpayer who undertakes a major maintenance and improvement project to purchase and install certain machinery and equipment used directly in manufacturing and processing. A taxpayer may apply for an increased refund under this option through June 20, 2022. To qualify for this discretionary refund, a taxpayer must:

1. Be eligible for a refund of taxes under §§ 26-52-447 or 26-53-149 (partial replacement and repair of certain machinery and equipment);
2. Hold a direct pay or limited direct pay sales and use tax permit from the DFA; and when claiming the refund, must file their monthly direct pay sales and use tax report using the Department's electronic tax report filing system;
3. Enter into a financial incentive agreement with the AEDC for the major maintenance and improvement project;
4. Expend at least \$3 million on an approved major maintenance and improvement project that includes the purchase of tangible personal property and services that are either exempt or subject to partial refund of tax under §§ 26-52-402, 26-52-447, 26-53-114, or 26-53-149;
5. File a completed Manufacturing Replacement and Repair Sales and Use Tax Refund Application with the AEDC;
6. Receive approval from the Executive Director of the AEDC to receive the increased refund of sales and use taxes for the major maintenance and improvement project.

Sales Tax Reduction on Electricity and Natural Gas

Sales tax on electricity and natural gas used directly in the manufacturing process is subject to a reduced sales tax rate of 0.625%.

Tuition Reimbursement

Arkansas provides a 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 25% of the company's state income tax liability in any tax year.

RESEARCH/DEVELOPMENT INCENTIVES

Arkansas's Research and Development incentive programs are intended to provide incentives for university-based research, in-house research, and research and development in start-up, technology-based enterprises. Tax credits under these programs may be carried forward for nine years and may offset up to 100% of a business' tax liability in a given year.

In-House Research and Development

New and existing eligible businesses that conduct "in-house" research that qualifies for federal research and development tax credits may qualify for in-house research income tax credits. The credit allowed is 20% of qualified research expenditures that exceed the base year, for a period of three years and the incremental increase in qualified research and expenditures for the succeeding two years. For a new in-house research facility, the base year is zero. Therefore, in the first three years following the date of the financial incentive agreement, all eligible expenditures can qualify for the credit.

In-House Research by a Targeted Business

At the discretion of the AEDC Executive Director, targeted businesses may be offered income tax credits equal to 33% of the qualified research and development expenditures incurred each year for up to five years. 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.

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.

Income tax credits for research and development earned by targeted businesses may be sold. The business must make application to AEDC for the sale of credits earned under this section. Upon application and approval by AEDC, the business may sell earned income tax credits.

A targeted business earning research and development tax credits is prohibited from earning other in-house research and development incentives or any other incentive in Act 182 of 2003, as amended, for some expenditures.

Research and Development in Area of Strategic Value

These incentives are for qualifying businesses that invest in: 1) in-house research in an area of strategic value; or 2) a research and development project offered by the Division of Science & Technology of the Arkansas Economic Development Commission. Research in an area of strategic value means research in fields having long-term economic or commercial value to the state, and that have been identified in the research and development plan approved from time to time by the Board of Directors of the Division of Science & Technology of the Arkansas Economic Development Commission.

The income tax credit is equal to 33% of qualified research expenditures. The maximum tax credit that may be claimed by a taxpayer under this program is \$50,000 per tax year.

University Based Research and Development

An eligible business that contracts with one or more Arkansas colleges or universities in performing research may qualify for a 33% income tax credit for qualified research expenditures.

.....
33%
Income Tax Credit
if your research
partners with a
state university
.....

Digital Production/Film

Requirements: PRIOR to beginning preproduction activities in Arkansas, register with the film office and submit an application along with an estimate of expenditures; meet the minimum spending requirement of at least \$50,000 within a six-month period in connection with a postproduction project or \$200,000 within a six-month period in connection with the production of one project; and apply for a production rebate certificate no later than 180 days after the last production expenses are incurred.

Qualified Spend: Qualified spend includes: costs incurred in Arkansas in the development, preproduction, production or postproduction of a qualified production; the first \$500,000 of wages or salaries paid to each resident and nonresident that are subject to Arkansas income taxes and fringe contributions including pension, health and welfare contributions, stipends and living allowances. Payments for production and postproduction expenses are recommended (but not required) to be made from the checking account of an Arkansas institution. Cash payments to vendors may not exceed 40% of the total verifiable costs.

Summary: Each project submitted for funding under this program is evaluated on a case-by-case basis. An eligible production company may earn a 20% rebate on all qualified production expenditures in Arkansas. Salaries and wages paid to resident and nonresident above-the-line employees, as well as resident and nonresident below-the-line employees, will qualify for the 20% rebate. An additional 10% may be earned on the payroll of below-the-line employees who are full-time Arkansas residents for a total rebate of 30% on such wages. Below-the-line does not include directors and producers but for purposes of the additional 10%, resident actors and writers are defined as below-the-line. The incentive program is scheduled to sunset on June 30, 2019.

For more information on this particular incentive, please contact Christopher Crane, Arkansas Film Commissioner, at 501.682.7676 or ccrane@arkansasedc.com.

.....
**Filming in
The Natural
State?**

There's a
rebate for that.
.....

Tourism Development Incentives

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 \$1 million, except in high unemployment counties,* where it is \$500,000.
- The sales tax credits are calculated based upon 15% of eligible project cost for projects spending more than \$1 million; credits are 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 AEDC 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 4% of the annual payroll of new, full-time, permanent employees.

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 years.

* The following Arkansas counties are designated as "high unemployment" counties based upon the 2016 statewide annual labor force statistics compiled by the Arkansas Department of Workforce Services: Ashley, Chicot, Cleburne, Jackson, Mississippi, and Van Buren.

At the discretion of the AEDC Executive Director, targeted businesses may be offered special incentives designed to help new, knowledge-based, start-up businesses:

- 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 10% of payroll for up to five years
- A transferable income tax credit equal to 33% of eligible research and development expenditures

Transferrable income tax credits earned under this program may be sold upon approval by AEDC.

Eligibility

To qualify as a targeted business, companies must meet the following requirements and be classified by AEDC in one of the six targeted emerging technology sectors listed below:

- Be less than five years old
- Show proof of an equity investment of at least \$250,000
- Pay at least 150% of the lesser of the state or county average hourly wage where the business is located
- Meet requisite payroll thresholds
- Additional eligibility criteria may be required for individual targeted programs (sales and use tax refund for targeted businesses, payroll income tax credit for targeted businesses, payroll rebate for targeted businesses, and targeted ArkPlus).

Emerging Technology Sectors

Advanced Materials & Manufacturing Systems, with emphases on:

- Electronics Manufacturing
- Energy-efficient Storage Devices
- Environmental Issues Related to Materials & Manufacturing
- Photonics, Nanotechnology
- Photovoltaics



Agriculture, Food and Environmental Sciences, with emphases on:

- Agricultural Medicine
- Aquaculture
- Distributed Energy Generation
- Energy Reduction
- Forestry
- Nutrition



- Poultry
- Rice
- Spatial Technology
- Toxicology
- Waste Minimization



Bio-based Products, with emphases on:

- Adhesives
- Automotive Components
- Biodiesel
- Engineered Products from Non-Traditional Biomass Sources
- Ethanol
- Methanol
- Polymers
- Synthetic Transportation Fuels



Biotechnology, Bioengineering and Life Sciences, with emphases on:

- Biopharmaceuticals & Drug Discovery
- Cell Molecular Biology
- Genetics
- Geriatrics
- Medical Devices
- Neuroscience
- Oncology
- Protein Structure & Function
- Rehabilitation
- Sensor Technology



Information Technology, with emphases on:

- Database Systems
- Distributed Systems
- Knowledge and Data Engineering
- Software Development
- State of the Art Applications of Information Technology to Bioinformatics and/or Healthcare
- Wireless Systems



Transportation Logistics, with emphases on:

- Automated Systems
- Intelligent Material Handling
- Transportation Management Systems

Sales and Use Tax Refund for Targeted Businesses

This incentive program provides a refund of sales and use taxes paid on eligible purchases of building materials and taxable machinery and equipment associated with the approved project for targeted businesses, as defined above. In addition to meeting targeted business eligibility requirements, the business must invest at least \$100,000 and meet the eligibility criteria of the Targeted Business Payroll Income Tax Credit Program § 15-4-2709.

A targeted business with an annual payroll in excess of \$1,000,000 is excluded from participating in this program.

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 or both) that authorizes the refund of its local taxes.

Payroll Income Tax Credit for Targeted Businesses

The discretionary payroll income tax credit for targeted businesses assists start-up businesses in targeted sectors that pay significantly more than the state or county average wage of the county in which the business locates. A targeted business with an annual payroll in excess of \$1,000,000 is excluded from participating.

The benefit for a qualifying targeted business is a 10% income tax credit based on its annual payroll, with a cap of \$100,000 per year in earned income tax credits. The incentive may be offered for a period not to exceed five years.

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 AEDC for the sale of credits. Upon approval by AEDC, the business may sell earned income tax credits.

Note: Since one of the allowable costs under research and development tax credits is the salary of a person performing research, a business earning job creation income tax credits for targeted businesses is prohibited from earning other payroll based incentives for the same expenditure.

Are you on Target?

How to earn a Targeted Business Incentive:

1. Your business is less than 5 years old.

2. You have at least \$250K invested in your business.

3. Your payroll will be at least 150% of the average hourly wage of the county where the business will be located.

Payroll Rebate for Targeted Businesses

Targeted businesses with payrolls exceeding \$250,000 may be offered, at the discretion of the AEDC Executive Director, rebates of five percent of payroll for up to ten years. To qualify, the average hourly wage of the new, full-time permanent employees must be at least 175% of the state or county average hourly wage, whichever is less. The payroll rebate for targeted businesses may not be used in conjunction with the payroll income tax credit for targeted businesses.

Targeted ArkPlus

Targeted businesses creating new payroll exceeding \$250,000 may be offered, at the discretion of the AEDC Executive Director, income or sales and use tax credits based upon investment. Prior to the execution of the financial incentive agreement, the targeted business must elect to receive the credits as sales and use tax credits or income tax credits.

To qualify, the average hourly wage of the new, full-time permanent employees must be at least 175% of the state or county average hourly wage, whichever is less. Additionally, targeted businesses must invest a minimum of two hundred fifty thousand dollars (\$250,000) within four (4) years of the effective date of the financial incentive agreement.

The credit earned by the targeted business shall be based upon a percentage of the investment as follows:

1. The credit amount shall be two percent (2%) of investments from two hundred fifty thousand dollars (\$250,000) up to five hundred thousand dollars (\$500,000);
2. The credit amount shall be two percent (2%) of the investment up to five hundred thousand dollars (\$500,000) plus four percent (4%) of the investment in excess of five hundred thousand dollars (\$500,000) up to one million dollars (\$1,000,000);
3. The credit amount shall be two percent (2%) of the investment up to five hundred thousand dollars (\$500,000) plus four percent (4%) of the investment in excess of five hundred thousand dollars (\$500,000) up to one million dollars (\$1,000,000) plus six percent (6%) of the investment in excess of one million dollars (\$1,000,000) up to two million dollars (\$2,000,000); and,
4. The credit amount shall be two percent (2%) of the investment up to five hundred thousand dollars (\$500,000) plus four percent (4%) of the investment in excess of five hundred thousand dollars (\$500,000) up to one million dollars

.....
 Targeted
 ArkPlus credits:
2%
 on investments
 from \$250K up
 to \$500K

(\$1,000,000) plus six percent (6%) of the investment in excess of one million dollars (\$1,000,000) up to two million dollars (\$2,000,000) plus eight percent (8%) of the investment in excess of two million dollars (\$2,000,000).

The percentage of tax liability that may be offset is determined by the average hourly wage paid to the new, full-time permanent employees as follows:

1. A targeted business that pays at least one hundred seventy-five percent (175%) of the state or county average hourly wage, whichever is less, may offset fifty percent (50%) of its tax liability.
2. A targeted business that pays at least two hundred percent (200%) of the state or county average hourly wage, whichever is less, may offset seventy-five percent (75%) of its tax liability.
3. A targeted business that pays at least two hundred twenty-five percent (225%) of the state or county average hourly wage, whichever is less, may offset one hundred percent (100%) of its tax liability.

The income tax credit may be applied against the approved company's Arkansas income tax liability. The sales and use tax credit may be applied against the company's state sales and use tax liability as reported on its monthly sales and use tax report in the calendar year following the calendar year of expenditure. Any unused credit may be carried forward for a period not to exceed nine (9) tax years after the tax year in which it was first earned.

FURTHER INFORMATION

For further information regarding incentives offered by the Arkansas Economic Development Commission and the State of Arkansas, please contact:

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Director of Business Development

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BUSINESS FINANCE

COMMUNITY DEVELOPMENT BLOCK GRANTS MAY BE LOANED
FOR FIXED-ASSET FINANCING ON PROJECTS THAT CREATE
JOBS FOR LOW-TO-MODERATE INCOME FAMILIES

THE MINORITY BUSINESS LOAN MOBILIZATION PROGRAM WAS
CREATED TO ASSIST MINORITY-OWNED BUSINESSES IN OBTAINING
FINANCIAL ASSISTANCE AND STIMULATE ECONOMIC GROWTH

BUSINESS FINANCE



Business Finance

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

Reducing the Cost of Doing Business

The Business Finance Division is committed to the goal of supporting eligible Arkansas businesses' access to the most cost-efficient financing available. This access may be achieved through one or more of AEDC's financing programs and/or those provided by our financing partners. AEDC and its partners have programs designed for a wide variety of businesses for both early-stage and well-established companies.

Amendment 82 Bond Financing

Amendment 82 allows the State of Arkansas to issue General Obligation Bonds to finance infrastructure costs associated with eligible companies locating or expanding operations in Arkansas. The state can issue bonds to fund a prospect's infrastructure needs through the Arkansas Development Finance Authority, limited to 5% of net general revenues during the most recent fiscal year.

Bond Guaranty Program

Under the Bond Guaranty Program, the Commission "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 applicant must demonstrate to the Commission that the project provides substantial additional employment opportunities to Arkansans as a direct result of the project.

The Commission charges a 5% 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 shall be the costs for issuing bonds, an option which gives more financing opportunities which otherwise would not be available.

.....
Interest on Tax
Exempt Issues
80%
of Prime Rate
.....

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

Industrial Revenue Bonds

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

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% 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 \$20 million in capital costs or do not meet other federal guidelines relative to tax-exempt bond financing. Tourism attractions and facilities may also qualify for taxable bonds.

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 basic requirements to use tax-exempt bonds to finance the project, including but not limited to:

- 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.

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 7 to 15 years at very competitive rates of interest and the formal application and decision process takes 35 to 60 days.

Under this program, job creation is required and 51% of the new jobs must benefit low-to-moderate-income persons. This means that 51% of the new positions should be made available to those persons without substantial work experience or education beyond high school.

Minority Business Loan Mobilization Program

The Minority Business Loan Mobilization Program was created to assist minority-owned businesses in obtaining loans or other means of financial assistance and to stimulate economic growth in the state. The Program provides minority businesses the ability to better compete for state contracts and helps foster the growth of minority-owned businesses. Eligibility requirements are in accordance with the definition of a minority , as determined by Act 1222 of 1979. Funding is only to be used for job creation, expansion, repairs, acquisition of machinery and equipment, inventory purchases, and working capital. Loans are awarded up to \$100,000.

Equity Investment Tax Credit

The Equity Investment Incentive Program is a discretionary incentive targeted toward new, technology-based businesses paying wages in excess of 150% of the state or county average wage. If offered, this program allows an approved business to offer an income tax credit to investors purchasing an equity investment in the business.

The income tax credit/credits issued under this program are equal to 33 1/3% of the amount invested by an investor in an eligible business.

The income tax credit earned may be used to offset 50% of the investor's Arkansas income tax liability. Any unused credit may be carried forward for a period of nine years. The income tax credit earned may be sold upon approval by AEDC.

.....
 Grants for
 Job Creators?
51%
 of new jobs
 must benefit
 low-to-moderate
 income persons

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

Other ACCG affiliates include the Six Bridges Capital 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.

Arkansas Development Finance Authority

The Arkansas Development Finance Authority (ADFA) Development Finance Division offers loans and bond guarantees under various programs. The Division does not offer grants under any of its programs. Applications are not restricted to any specific time period and may be made on any day. Following are brief descriptions of the programs offered by ADFA in the Development Finance Division.

Economic Development Bond Guaranty Program: Provides long-term, below market fixed interest rate financing to qualifying industries through bond guarantees up to \$6,000,000.

Capital Access Program: Creates a method for making slightly higher risk loans more attractive to participating lending institutions through a reserve driven fund. Loan amounts are determined by the individual lending institutions.

Arkansas Credit Reserve Program (ACR): Encourages financial institutions to make loans to small businesses that fall just outside their conventional underwriting standards. It also works through a reserve driven fund, like the Capital Access Program, but has a minimum loan amount of \$4,000 and a maximum of \$500,000 for Arkansas's businesses. The contributory percentage of the borrower remains at 1% of the loan amount.

Disadvantaged Business Enterprise/Small Business Loan Guarantee Program:

Provides loan guarantee to lenders, up to 80% of the first \$200,000 loan amount with maximum loan guarantee to \$160,000, who in turn lend to small businesses that have government or private contracts but lack the necessary cash flow to adequately finance their working capital needs.

Arkansas Risk Capital Matching Fund: Provides matching investments in technology-based enterprises that are in the early stages of development and not yet able to attract adequate private sources of traditional financing, venture or investor-backed capital for growth and development. A portion of the fund will be used to validate early stage technology.

Arkansas Institutional Fund: Provides investment in proved, professionally managed private equity and venture capital funds that commit to include Arkansas in aggressive and visible deal prospecting. The intent is to catalyze the formation of risk capital and make it available to companies in Arkansas.

Division of Science and Technology's Seed Capital Investment Fund

The Division of Science and Technology of the Arkansas Economic Development Commission administers a special Seed Capital Investment Fund of \$1.9 million that can provide seed capital for new and developing technology-based businesses through loans, royalty agreements, and limited stock purchases. In addition, AEDC administers a program that encourages the transfer of technology from the laboratory to the manufacturing or processing plant and technology development programs.

.....
\$1.9M
available to
seed new
tech-based
businesses
.....



TAXATION

ARKANSAS'S FREEPORT LAW PROVIDES THAT ALL GOODS MANUFACTURED IN THE STATE AND STORED FOR SHIPMENT OUTSIDE ARKANSAS WILL NOT BE ASSESSED FOR PROPERTY TAXATION.

SALES AND USE ENERGY TAXES PAID BY MANUFACTURERS IN THE MANUFACTURING PROCESS QUALIFY FOR REDUCED RATES.

TAXATION



Corporate Income Tax 1% - 6.5% of Net Income

Taxable income is calculated according to a three-factor formula (property, payrolls, and sales attributed to Arkansas) with a double-weighted sales factor.

Taxable Income	Tax Rate	Taxable Income	Tax Rate
First \$3,000	1%	Next \$14,000	5%
Next \$3,000	2%	Next \$75,000	6%
Next \$5,000	3%	Over \$100,000	6.5%

If a business activity 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.

Qualified biofuels manufacturers investing at least \$20 million and creating at least 100 new jobs may receive income tax exemptions for up to 20 years. Qualified windmill blade or component manufacturers classified under NAICS Code 333611 may receive income tax exemptions for up to 25 years based upon the investment, job creation, tier status, and employee wages.

For more information regarding your company's specific tax situation or if you have other questions, please contact Bentley Story, Director of Business Development, at bstory@arkansasedc.com.

Sales and Use Tax **6.5%**

The Arkansas state sales tax is 6.5% of the gross receipts from the sales of tangible personal property and certain selected services. "Sale" includes the lease or rental of tangible personal property.

Taxable services include sales of gas, water, electricity, solid waste disposal, telephone, and prepaid telecommunications and repair services. Repair and replacement parts for manufacturing machinery are generally taxable. However, there are two options by which certain state sales and use taxes relating to manufacturing repair and replacement parts may be refunded. The first option, a graduated refund is as follows:

1% before July 1, 2018
 2% on or after July 1, 2018
 3% on or after July 1, 2019
 4% on or after July 1, 2020
 5% on or after July 1, 2021
 July 1, 2022 – fully exempt

The second option, a discretionary refund of all state sales and use taxes except constitutionally-levied taxes (0.625%) may be granted by AEDC for projects exceeding \$3 million. This option sunsets on June 30, 2022.

The Arkansas compensating use tax of 6.5% is levied on tangible personal property purchased from outside the state of Arkansas for use, storage, or consumption within the state of Arkansas.

Personal Income Tax

Resident and non-resident individuals, estates, and trusts deriving income from within the state are subject to a tax on their net income at the following rates: For tax years beginning on and after **January 1, 2015**, every resident, individual, trust, or estate having **net income of less than twenty-one thousand dollars (\$21,000)** shall determine the amount of income tax due in accordance with the table set forth below:

From	To	Tax Rate
\$0	\$4,299	0.9%
\$4,300	\$8,399	2.4%
\$8,400	\$12,599	3.4%
\$12,600	\$20,999	4.4%

For tax years beginning on and after **January 1, 2016**, every resident, individual, trust, or estate having **net income greater than or equal to twenty-one thousand dollars (\$21,000) but less than or equal to seventy-five thousand dollars (\$75,000)** shall determine the amount of income tax due in accordance with the table set forth below:

From	To	Tax Rate
\$0	\$4,299	0.9%
\$4,300	\$8,399	2.5%
\$8,400	\$12,599	3.5%
\$12,600	\$20,999	4.5%
\$21,000	\$35,099	5.0%
\$35,100	\$75,000	6.0%

For tax years beginning on and after **January 1, 2016**, every resident, individual, trust, or estate having **net income of more than seventy-five thousand dollars (\$75,000)** shall determine the amount of income tax due in accordance with the table set forth below:

From	To	Tax Rate
\$0	\$4,299	0.9%
\$4,300	\$8,399	2.5%
\$8,400	\$12,599	3.5%
\$12,600	\$20,999	4.5%
\$21,000	\$35,099	6.0%
\$35,100	and above	6.9%

For tax years beginning on and after **January 1, 2016**, every resident, individual, trust, or estate having **net income of more than seventy-five thousand dollars (\$75,000) but no more than eighty thousand dollars (\$80,000)** shall reduce the amount of income tax due by deducting a bracket adjustment amount in accordance with the table set forth below:

From	To	Bracket Adjustment Amount
\$75,001	\$76,000	\$440
\$76,001	\$77,000	\$340
\$77,001	\$78,000	\$240
\$78,001	\$79,000	\$140
\$79,001	\$80,000	\$40
\$80,001	and above	\$0

Exemptions from Sales and Use Taxes

- Any interstate or international private communications service and any interstate or international 800 or 900 service.
- 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 or for removal of sulfur pollutants from refined petroleum 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.
- Sewer services.

- Electricity, liquefied petroleum gas and natural gas used (and separately metered) for: qualifying agricultural structures; qualifying aquaculture and horticulture equipment; for commercial grain drying and storage.
- 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.
- Dental appliances sold by or to dentists or other professionals.
- Electricity used in the production of aluminum metal by the electrolytic reduction process.
- Electricity used in the chlor-alkali manufacturing process.
- Feedstuffs and medicines used in livestock production, including poultry for commercial production in Arkansas.
- Agricultural chemicals, fertilizer, and limestone used in the commercial production of agricultural products.
- Electricity and natural gas used by qualified steel manufacturers.
- Timber harvesting equipment.
- New or used farm equipment and 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.
- New aircraft manufactured or substantially completed in Arkansas for use exclusively by the purchaser outside of Arkansas.
- Natural gas and electricity used in the manufacture of new motor vehicle tires.
- Products used for baling, packaging, tying, wrapping, or sealing animal feed products.
- Telephone instruments shipped to Arkansas for repair or refurbishing which are shipped back to the state of origin.
- Parts or other tangible personal property incorporated into or that becomes part of commercial jet aircraft components, or commercial jet aircraft subcomponents, and the services required to incorporate the parts or other tangible personal property part of a commercial jet aircraft component.

Sales Tax Reductions

The sales and use tax rate for energy (electricity and natural gas) used by manufacturers in the manufacturing process is subject to the reduced rate of 0.625%.

Local Sales and Use Taxes

In addition to the state sales and use tax, local sales and use taxes may be levied by each city or county. These taxes are collected by the state and distributed to the cities and counties each month. However, businesses may apply to the Arkansas Department of Finance and Administration for a refund of qualified local taxes.

Unemployment Insurance Tax

New Businesses Taxable wage base = \$12,000 (\$10,000 beginning January 1, 2018) Rate = 3.2%

A business with no previous employment record in Arkansas is taxed at 3.2% on the first \$12,000 (\$10,000 beginning January 1, 2018) of each employee's earnings until an employment record is established, usually within three years.

Existing Arkansas Businesses Rate = 0.1% - 14.0%

Each business' employment record is determined primarily by its taxable payroll and history of employee voluntary 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 0.3% of Capital Stock

Listed below are the franchise tax rates for various entities under Arkansas Code § 26-54-104.

Franchise Tax Type	Current Rate
Corporation/Bank with Stock	0.3% of the outstanding capital stock; \$150 minimum
Corporation/Bank without Stock	\$300
Limited Liability Company	\$150

Insurance Corporation Legal Reserve Mutual, Assets Less Than \$100 million	\$300
Insurance Corporation Legal Reserve Mutual, Assets Greater Than \$100 million	\$400
Insurance Company Outstanding Capital Stock Less Than \$500,000	\$300
Insurance Company Outstanding Capital Stock Greater than \$500,000	\$400
Mortgage Loan Corporation	0.3% of the outstanding capital stock; \$300 minimum
Mutual Assessment Insurance Corporation	\$300

Capital Gains Tax Reduction

Act 1173 of 2015 allows for an exemption of 50% of net capital gain from state income tax beginning on or after July 1, 2016. The amount of net capital gain in excess of the million dollars (\$10,000,000) from a gain realized on or after January 1, 2014, is exempt from state income tax.

Property Tax

The State of Arkansas does not have a property tax. However, Arkansas cities and counties do collect property tax, which is the principle local source of revenue for funding public schools. Business firms and individuals are subject to annual property tax on all real and personal property. The tax is calculated based on 20% of the market value of real and personal property and the average annual value of merchants' stocks and/or manufacturers' inventories multiplied by local millage rates.

Payment in Lieu of Property Taxes (PILOT)

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 a property. Payments by businesses to local governments in lieu of property taxes are generally encouraged and negotiated between the locality and the company.

The negotiated PILOT shall not be less than 35% of the property taxes that would have been paid if the property were on the tax rolls, unless a lesser amount is approved by the Executive Director of the Arkansas Economic Development Commission and the Chief Fiscal Officer of the State of Arkansas.

Arkansas Freeport Law**§ 26-26-1102**

Arkansas's Freeport Law applies to finished inventories maintained by manufacturers within the state and to goods stored in warehouses in transit to destinations outside the state.

This law provides that all goods manufactured within the state and stored for shipment outside Arkansas shall not be assessed for taxation in the state.

Also covered in this tax exemption are goods that are moving through the state and are stored in a warehouse, dock, etc. in transit to a destination outside of Arkansas.



**Arkansas Economic
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