

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS

ARKANSAS

A Cushman & Wakefield Global Business Consulting Publication



2015

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The Business Incentives Practice (“BIP”) strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project’s unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives (“Incentives”) opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

SERVICES

BIP’s mission is to develop a strategy that enhances business performance, while reducing a project’s up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W’s Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

ARKANSAS’ RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOB	INCENTIVES
Big Cloud Analytics	\$0.1	40	\$0.1
Metova	\$2.1	60	\$0.1
Hanesbrands	\$1.5	120	\$0.9
ArcBest Corporation	\$30.0	975	\$19.0
Ben E Keith	\$60.0	74	\$2.3
Peco Foods	\$165.0	1,000	\$5.5
South Coast Baking Company	\$8.7	150	\$8.5
Redman & Associates	\$6.5	74	\$2.0
Hino Motors Manufacturing USA	\$55.0	200	\$1.2
Big River Steel	\$1,100.0	525	\$149.0
Peco Foods	\$13.8	300	\$0.7
NextLife Asset Recovery Services	\$10.0	350	\$0.5

OVERVIEW OF MAJOR ARKANSAS INCENTIVE PROGRAMS

ADVANTAGE ARKANSAS

Advantage Arkansas offers a state income tax credit for job creation based on the payroll of new, full-time, permanent employees hired as a result of the project. The income tax credit is earned each tax year for a period of five years. The income tax credit cannot offset more than fifty percent (50%) of a business' income tax liability in any one year and may be carried forward for nine years beyond the tax year in which the credit was first earned. The credit begins in the tax year in which the new employees are hired. Employees must be Arkansas taxpayers. The payroll threshold for qualifying for Advantage Arkansas and the benefit received depends on the tier in which the business locates or expands. Arkansas's counties are ranked into four tiers based on poverty rate, population growth, per capita income and unemployment rate.

TIER	PAYROLL THRESHOLD	CREDIT BASED ON PAYROLL
1	\$125,000	1%
2	\$100,000	2%
3	\$75,000	3%
4	\$50,000	4%

In all tiers, in order to qualify for the Advantage Arkansas program, 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 \$10.13.

ARKPLUS

The ArkPlus program may be offered at the discretion of the director of the Arkansas Economic Development Commission in highly competitive situations. ArkPlus is a state income tax credit program that provides tax credits of 10% of the total investment in a new location or expansion project.

TIER	MINIMUM INVESTMENT	MINIMUM PAYROLL
1	\$5,000,000	\$2,000,000
2	\$3,750,000	\$1,500,000
3	\$3,000,000	\$1,200,000
4	\$2,000,000	\$800,000

ArkPlus requires both a minimum investment and a minimum payroll of new, full-time, permanent employees hired as a result of the project, depending on the tier in which the business locates. Arkansas's counties are ranked into four tiers based on poverty rate, population growth, per capita income and unemployment rate.

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 24 months of the date the financial agreement is signed.

Arkansas shows an average deal value of \$3.17 million with 261 new jobs created per deal

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.

INVESTARK

The InvestArk sales and use tax credit is available to businesses established in Arkansas for two years or longer which invest \$5 million or more at a single location in plant or equipment for new construction, expansion, or modernization. A credit against the business' state direct-pay sales and use tax liability, equal to one-half percent (1/2%) above the state sales and use tax rate in effect at the time of application, is earned based on the total eligible project cost. Currently the percentage that may be earned as credit is 7% of eligible project expenditures. In any year, tax credits claimed under this program cannot exceed 50% of the business' sales and use tax liability on taxable purchases. All reported expenditures will be audited by the Arkansas Department of Finance and Administration.

The credit is earned in the year the eligible expenditure is made and can be applied against the business' state direct-pay sales and use tax liability in the year following the year of expenditure. Any unused credits may be carried forward for a period of up to five (5) years. Total project expenditures must be incurred within four (4) years of the date the project is approved by AEDC.

The business must be approved for the program prior to beginning construction or incurring eligible project costs and obtain a direct-pay sales and use tax permit from the State of Arkansas.

EQUITY INVESTMENT TAX CREDIT

The Equity Investment Incentive Program is a discretionary incentive targeted toward new, technology-based businesses paying wages in excess 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 credits issued under this program are equal to 33.3% 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.

CREATE REBATE

The Create Rebate program may be offered at the discretion of the director of the Arkansas Economic Development Commission in highly competitive situations. Create Rebate provides annual cash payments based on a company's annual payroll for new, full-time, permanent employees. The benefit depends on the tier in which the company locates.

TIER	CREDIT BASED ON PAYROLL
1	3.9%
2	4.25%
3	4.5%
4	5.0%

In all tiers, a minimum payroll of new, full-time, permanent employees of \$2 million annually is required. The minimum payroll threshold 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.

The Create Rebate benefits are available after the business certifies to the Arkansas Department of Finance and Administration that it has fulfilled the minimum payroll requirements and the reported payroll has been verified by the Arkansas Department of Finance and Administration.

OTHER ARKANSAS INCENTIVE PROGRAMS

- Targeted Business Incentives
- Research & Development Incentives
- Tourism Development Incentives
- Tax Back (Sales & Use Tax Refund)
- Non-Profit Incentives
- Digital Production/Film
- Arkansas Digital Product and Motion Picture Industry Development Act
- Child Care Facilities
- Recycling Equipment
- Bond Financing (Amendment 82)

For more information, contact:

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