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OUR LEADERSHIP

Executive Committee

Arkansas State Chamber of Commerce Officers
Chairman of the Board
MIKE CALLAN
Arkansas Oklahoma Gas Corporation
Vice Chairman
GARY HEAD
Signature Bank of Arkansas
Vice Chairman
GERARD DEHRMANN
Walmart Stores Inc.
Vice Chairman
TROY KEEPING
Southland Park Gaming & Racing
Vice Chairman
HUGH MCDONALD
Entergy Arkansas Inc.
Vice Chairman
GEORGE WHEATLEY
Waste Management of Arkansas
Treasurer State Chamber/AIA
DAVID BARTLETT
Simmons First National Corporation
Past Chairman of the Board
ED DRILLING
AT&T Arkansas
Past Chairman of the Board
RANDY WILBOURN
Martin-Wilbourn Partners LLC

Associated Industries of Arkansas Officers
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STEVE M. COUSINS
Lion Oil Company
Vice Chairman
RUSSELL BRAGG
OK Industries Inc.
Vice Chairman
HASKELL L. DICKINSON
McGeorge Contracting Company Inc.
Vice Chairman
KEN KIMBRO
Tyson Foods, Inc.
Vice Chairman
BILL J. REED
Riceland Foods, Inc.
Past Chairman of the Board
BILL HANNAH
Nabholz Construction Corporation
Past Chairman of the Board
RAY DILLON
Delta Timber Corporation

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DEAR STATE CHAMBER/AIA MEMBERS

In addition to the customary legislative matters, the 89th General Assembly tackled a series of tough issues not debated in recent memory, if ever. Despite this, the 2013 regular session was a strong one for business and industry in our state. There were several important tax initiatives that will benefit all businesses, but most specifically, manufacturers who will save an estimated $23.9 million annually.

Prior to the Session, the State Chamber/AIA heightened its profile by hosting Business 101, providing all 135 legislators an opportunity to hear from and interact with seasoned experts on many of the issues they would encounter when the Session began. Topics covered included: taxes, workers’ compensation, unemployment insurance, the state budget, energy, education, workforce development and more. To our knowledge, Business 101 was the first objective, nonpartisan educational forum of its kind to be offered nationwide.

Just after the Session began, we hosted a Legislative Reception. This annual event, which has outgrown the confines of our building, was held in a heated tent on the State Chamber/AIA parking lot and drew an overflow crowd including members, legislators, constitutional officers, State Chamber/AIA board members, State Chamber/AIA governmental affairs committee members and Leadership Arkansas alumni. The event provided an excellent opportunity for members of the state’s business community to network with their legislators one-on-one. In addition to one-time events, we hosted weekly lobbyist luncheons during the Session. Several prominent elected officials made presentations including the Governor, Speaker of the House, Senate President Pro Tem, House and Senate Revenue and Tax Committee Chairmen, Senate State Agencies Committee Chair, House Transportation Committee Chair and others who had relevant legislation/issues to discuss.

We continued to provide our members a Daily Legislative Update each workday throughout the Session. Thank you to all of our members who read our updates and provided feedback to our governmental affairs team or made contact with your legislators. Your proactive e-mails, phone calls and personal visits with legislators made this session a success.

This publication provides a summary of our priority issues for the Session, a chart detailing the top legislation we worked on, a report from our tax counsel, economic development-related legislation, and a broad business summary of legislation provided by Talk Business host Roby Brock. Additionally, we profile the State Chamber/AIA’s 2013 Business Matters Legislative Leadership Awards—representing those who took a strong stand for business during this session.

Although the 2013 regular session has reached an end, our work to support Arkansas’s businesses never stops. We now turn our focus to grassroots organizing and pro-business candidate recruitment in preparation for the 2014 elections. With the impact of term limits, it is essential that we work now to ensure the election of pro-business candidates.

Business matters and there is more work to be done.

Thank you for your confidence and trust. Your membership in the State Chamber/AIA directly led to our success during the 2013 regular session and will bring continued success in the future. With your strong commitment, the effort to improve Arkansas’s future through free enterprise goes on.

Sincerely,

Randy Zook
President & CEO

Kenneth R. Hall
Executive Vice President

Angela DeLille
Director of Governmental Affairs

Andrew Parker
Director of Governmental Affairs

Arkansas Surgeon General Joe Thompson, State Rep. Tommy Wren of Melbourne and Randy Zook at the State Capital during the 89th General Assembly

State Representatives David Whitaker and Greg Leding, both of Fayetteville, at the Legislative Reception in mid-January

State Rep. Randy Alexander of Springdale makes a comment during Business 101, which was held in early January at the AT&T Building in Little Rock

Business matters.
PRIORITY ISSUES

• Continuing to lead the effort to completely exempt energy used in manufacturing from sales and use tax. We led the effort to pass Act 1411, which will reduce the sales tax on natural gas and electricity sold to manufacturers classified in NAICS codes 31-32-33 or 115111 to 1 percent beginning July 1, 2014 and to 0 percent beginning July 1, 2015. It will also reduce the excise tax rate on the purchase of natural gas used in the production of electricity to 1 percent beginning January 1, 2015. The one-eighth (1/8) of one percent conservation tax and the temporary sales tax of one-half (1/2) of one percent highway tax – both approved at the ballot by the people of Arkansas – will not be eliminated for manufacturers or independent power producers. Act 1411 represents the culmination of an effort we, and a coalition of others, have been working on for more than six years. Since 2007, this tax reduction totals more than $80.4 million for manufacturers.

• Leading the effort to reduce partial replacements and repairs of manufacturing machinery and equipment from sales and use tax. We took a leadership role in the introduction and successful passage of Act 1404, which will provide a refund of sales and use taxes for expenditures on the repair and replacement of certain machinery and equipment used directly in manufacturing. This legislation will establish a tax rate of 4.875 percent beginning July 1, 2014, but will require a taxpayer to hold a direct pay sales tax permit from DFA to claim this refund. Act 1404 also creates the mechanism by which the Arkansas Economic Development Commission can fully refund the cost of a replacement or repair project for a company expending at least $3 million on such a project. These changes are expected to have an annual impact of approximately $6.9 million.

• Protecting the education reforms passed in 2003-04, the Civil Justice Reform Act of 2003 and the workers’ compensation reforms enacted in 1993. Mission accomplished – no bills were passed that weakened any of these important measures.

• Supporting efforts to promote meaningful tort reform. The business community’s proposed constitutional amendment ended one vote shy of receiving the Senate Committee’s approval.

• Fighting efforts to require employers to allow handguns to be stored in employee vehicles. HB 1269 would have allowed a concealed handgun licensee to keep a handgun in his or her vehicle on their employer’s parking lot. This bill was never considered in committee.

• Reducing the state’s capital gains tax. Act 1488 championed by the Speaker of the House will raise the capital gains tax threshold to 50 percent of gains. There is an exemption for capital gains that exceed $10 million. The annual impact is estimated at approximately $18.1 million.

• Finally, the State Chamber/AIA supported the passage of the “Private Option.” This innovative compromise will use federal Medicaid dollars to subsidize private insurance premiums for eligible Arkansans in the upcoming health insurance exchange. The Private Option is projected to save Arkansas millions in Medicaid matching funds, while increasing coverage to 250,000 Arkansans. This legislation will ensure the viability of our rural hospitals, clinics and other healthcare providers, and spare Arkansas businesses tens of millions of dollars in expected fines, taxes and penalties. It will also institute new business-friendly innovations within the Medicaid-eligible population by creating a preferred Health Savings Account pilot program that could revolutionize how these patients receive care. Act 1496 will give the Department of Human Services authority to spend hundreds of millions in federal funds on the program while Acts 1497 and 1498 create the program once it receives final federal approval.

STATE CHAMBER/ AIA FACT: TAX IMPROVEMENTS

Changes in capital gains, standard deduction for income taxes – This bill increases the capital gains exemption from 30 percent to 50 percent for capital gains after January 1, 2015. Capital gains realized in excess of $10 million after January 1, 2014 are exempt from the income tax. This bill also increases the standard deduction for tax years beginning on and after January 1, 2015.

Worker’s Compensation Premium Index Rates 2012

Andrew Parker and Angela DeLille at the State Capitol
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<tr>
<th>Bill Number and Sponsor(s)</th>
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<th>Summary of Bill and How it Affects Your Business</th>
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<tr>
<td><strong>MANUFACTURERS’ ENERGY SALES TAX REDUCTION</strong></td>
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<tr>
<td>SB 791 (Sen. Bill Sample)</td>
<td></td>
<td>Reduces the sales tax on natural gas and electricity on manufacturers in NAICS codes 31-32-33 or 115111 to 1 percent beginning July 1, 2014 and to 0 percent beginning July 1, 2015. Also reduces the rate on natural gas used in the production of electricity to 1 percent beginning January 1, 2015. The 1/8 cent conservation tax and the 1/2 cent temporary sales tax for highways will not be eliminated.</td>
<td>PASSED ACT: 1411 (COMPANION TO HB1218)</td>
</tr>
<tr>
<td>HB 1218 (Rep. Lane Jean and Sen. Bill Sample)</td>
<td></td>
<td>Reduces the sales tax on natural gas and electricity on manufacturers in NAICS codes 31-32-33 or 115111 to 1 percent beginning July 1, 2014 and to 0 percent beginning July 1, 2015. Also reduces the rate on natural gas used in the production of electricity to 1 percent beginning January 1, 2015. The 1/8 cent conservation tax and the 1/2 cent temporary sales tax for highways will not be eliminated.</td>
<td>COMPANION TO SB 791- ACT 1411</td>
</tr>
<tr>
<td><strong>SALES TAX REDUCTION FOR PARTIAL REPLACEMENT AND REPAIR OF MACHINERY AND EQUIPMENT</strong></td>
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<tr>
<td>SB 334 (Sen. Jake Files and Rep. Tommy Wren)</td>
<td></td>
<td>Provides a refund of sales taxes on repairs and replacement of machinery and equipment used directly in manufacturing. Reduces the rate to 4.875 percent beginning July 1, 2014. Requires a direct pay sales tax permit from DFA to claim the refund. Grants Arkansas Economic Development Commission authority to fully refund the cost of replacement or repair on projects totaling at least $3 million.</td>
<td>PASSED ACT: 1404</td>
</tr>
<tr>
<td><strong>CAPITAL GAINS TAX REDUCTION</strong></td>
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<td>HB 1966 (Rep. Davy Carter)</td>
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<td>Increases the exemption of capital gain income tax from 30 percent to 50 percent, with an exemption for capital gains exceeding $10 million. Provides a $2,200 deduction for individuals.</td>
<td>PASSED ACT: 1488</td>
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<tr>
<td><strong>PRIVATE OPTION APPROPRIATION</strong></td>
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<tr>
<td>HB 1219 (Joint Budget Committee)</td>
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<td>Authorizes the Department of Human Services to spend funds on the Arkansas Private Option.</td>
<td>PASSED ACT: 1496</td>
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<tr>
<td><strong>PRIVATE OPTION PLAN</strong></td>
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<tr>
<td>SB 1020 (Sen. Jonathan Dismang and Rep. John Burris)</td>
<td></td>
<td>Prescribes the “Private Option” creation and administration for the expansion of health care to low-income Arkansans.</td>
<td>PASSED ACT: 1497 (COMPANION TO HB 1143- ACT 1498)</td>
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<tr>
<td><strong>PRIVATE OPTION PLAN</strong></td>
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<tr>
<td>HB 1143 (Rep. John Burris and Sen. Jonathan Dismang)</td>
<td></td>
<td>Prescribes the “Private Option” creation and administration for the expansion of health care to low income Arkansans.</td>
<td>PASSED ACT: 1498 (COMPANION TO SB 1020- ACT 1497)</td>
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<tr>
<td><strong>TORT LAW MODIFICATIONS</strong></td>
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<tr>
<td>SJR 2 (Sen. Jeremy Hutchinson and Rep. Marshall Wright)</td>
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<td>Proposed an amendment to the Constitution authorizing the General Assembly to enact laws limiting noneconomic damages and limiting punitive damages. States that this amendment shall not supersede the right of trial by jury and sets effective date as January 1, 2015.</td>
<td>FAILED</td>
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<tr>
<td><strong>TORT REFORM</strong></td>
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<tr>
<td>SJR 5 (Sen. Eddie Joe Williams)</td>
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<td>Proposed an amendment to the Constitution authorizing the General Assembly to regulate the award of noneconomic damages, limiting punitive damages and providing nonexclusive authority to the Supreme Court related to practice, procedures, evidence.</td>
<td>FAILED</td>
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<tr>
<td><strong>CONCEALED HANDGUNS ON EMPLOYERS’ PROPERTY</strong></td>
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<tr>
<td>HB 1269 (Rep. John Catlett)</td>
<td></td>
<td>Prohibits an employer from basing one’s employment status on concealed handgun licensure; requires employers to allow licensed employees to keep a handgun locked inside a vehicle in the employer’s parking lot, with exceptions.</td>
<td>FAILED</td>
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<td>Bill Number and Sponsor(s)</td>
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<td><strong>AMENDMENT 82 PROJECT: BIG RIVER STEEL APPROPRIATION</strong></td>
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<tr>
<td>SB 430 (Joint Budget)</td>
<td></td>
<td>Arkansas Economic Development Commission General Improvement Appropriation includes the Big River Steel funding authorization. Includes $50 million for the Quick Action Closing Fund, plus additional funds for various development efforts.</td>
<td>PASSED ACT: 1313</td>
</tr>
<tr>
<td>SB 820 (Sen. David Burnett)</td>
<td></td>
<td>Authorizes the issuance of bonds under Amendment 82 for financing the construction of the Big River Steel mill and provides details of the agreement</td>
<td>PASSED ACT: 1084 (COMPANION TO HB 1870- ACT 1476)</td>
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<tr>
<td><strong>AMENDMENT 82 PROJECT: BIG RIVER STEEL</strong></td>
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<tr>
<td>HB 1870 (Rep. Monte Hodges)</td>
<td></td>
<td>Authorizes the issuance of bonds under Amendment 82 for financing the construction of the Big River Steel mill and provides details of the agreement.</td>
<td>PASSED ACT: 1476 (COMPANION TO HB 820- ACT 1084)</td>
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<tr>
<td><strong>NET OPERATING LOSS CARRY FORWARD</strong></td>
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<tr>
<td>SB 108 (Sen. Keith Ingram and Rep. Jeremy Gillam)</td>
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<td>Extends the period for which a net operating loss may be carried forward for purposes of state income tax to 10 years or until the loss has been exhausted or absorbed by the taxable income of a succeeding year, whichever is earlier.</td>
<td>FAILED</td>
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<tr>
<td><strong>UNEMPLOYMENT INSURANCE</strong></td>
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<tr>
<td>SB 575 (Sen. Linda Chesterfield and Rep. Henry Wilkins)</td>
<td></td>
<td>Amends various provisions related to unemployment compensation, including the addition of a definition of misconduct in connection with work as a disqualification for benefits; procedure for recovery of overpayments and more.</td>
<td>PASSED ACT: 956</td>
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<tr>
<td><strong>CONTRIBUTION AMONG TORTFEASORS</strong></td>
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<tr>
<td>HB 2022 (Rep. John Vines)</td>
<td></td>
<td>Amends the Uniform Contribution Among Tortfeasors Act, provides that all joint tortfeasors are each considered when a jury determines the percentage of responsibility of each tortfeasor.</td>
<td>PASSED ACT: 1116</td>
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<tr>
<td><strong>INCREASE UNEMPLOYMENT INSURANCE BENEFITS</strong></td>
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<tr>
<td>HB 1018 (Rep. Jim Nickels)</td>
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<td>Increases maximum potential unemployment benefits in a benefit year from 25 to 26 times the worker’s weekly benefit amount; increases maximum eligibility for shared work plan compensation to 26 weeks.</td>
<td>FAILED</td>
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<tr>
<td><strong>WORKERS’ COMPENSATION SUBROGATION</strong></td>
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<tr>
<td>HB 2107 (Rep. Stephanie Malone)</td>
<td></td>
<td>Amends Workers’ Compensation Law, revising employers’ rights for actions against liable third parties; providing employers a future credit in a claim if reimbursed by a third party.</td>
<td>FAILED</td>
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<tr>
<td><strong>WORKERS’ COMPENSATION PREMIUM TAX INCREASE</strong></td>
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<tr>
<td>HB 1556 (Rep. Jim Nickels)</td>
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<td>Increases the maximum allowed premium tax on a workers’ compensation insurance policy from 3 percent to 4 percent; credits any funds that exceed 3 percent to the Death and Permanent Total Disability Trust Fund.</td>
<td>FAILED</td>
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<tr>
<td><strong>WORKERS’ COMPENSATION MENTAL INJURY FOR EMERGENCY RESPONDERS</strong></td>
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<tr>
<td>SB 589 (Sen. Jon Woods and Rep. Darrin Williams)</td>
<td></td>
<td>Allows for emergency responders - firefighters and law enforcement officers - to be compensated for mental injury sustained in the course of duty.</td>
<td>FAILED</td>
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<tr>
<td><strong>WORKERS’ COMPENSATION CANCER PRESCRIPTION FOR FIREFIGHTERS</strong></td>
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<tr>
<td>SB 1163 (Sen. Jon Woods and Rep. Jim Nickels)</td>
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<td>Creates in workers’ compensation law a presumption that firefighters who develop certain forms of cancer developed those cancers through their work as firefighters.</td>
<td>FAILED</td>
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<tr>
<td><strong>WORKERS’ COMPENSATION FUTURE MEDICAL</strong></td>
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<td>HB 1994 (Rep. Jim Nickels)</td>
<td></td>
<td>Authorizes the Workers’ Compensation Commission to determine an amount for future medical needs of a claimant when deciding if a final settlement award is in the best interests of the claimant.</td>
<td>FAILED</td>
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</tbody>
</table>
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School lunches were the only thing he had to eat this week.

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<tr>
<td><strong>PROHIBITION ON NON-PROFITS CONTRACTING WITH LOCAL GOVERNMENTS</strong></td>
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<tr>
<td>HB 1145 (Rep. Jim Nickels)</td>
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<td>Limits the authority of local governments to contract with not-for-profits for economic/industrial development services. Prohibits a contract with a not-for-profit that makes any political contributions during the term of the contract.</td>
<td>FAILED</td>
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<tr>
<td><strong>WORKERS’ COMPENSATION REAL ESTATE AGENT EXEMPTION</strong></td>
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<tr>
<td>HB 1846 (Rep. Jim Nickels)</td>
<td></td>
<td>Repeals § 11-9-102(9)(B), which exempted real estate agents from the workers’ compensation law.</td>
<td>FAILED</td>
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<tr>
<td><strong>PROHIBITION ON MOTOR CARRIER HOLD HARMLESS AGREEMENTS</strong></td>
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<tr>
<td>SB 762 (Sen. Jeremy Hutchinson)</td>
<td></td>
<td>Prohibits enforcement of indemnity or hold harmless clauses in motor carrier transportation contracts.</td>
<td>FAILED</td>
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<tr>
<td><strong>PROHIBITION ON CONSTRUCTION CONTRACTS HOLD HARMLESS AGREEMENTS</strong></td>
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<tr>
<td>SB 917 (Sen. Bruce Holland)</td>
<td>AIA OPPOSED</td>
<td>Voids provisions in construction contracts that seek to indemnify or hold harmless an entity against liability for damages due to negligence. Creates an exception for indemnification clauses not exceeding amounts greater than the degree or percentage of negligence attributable to the indemnitees.</td>
<td>FAILED</td>
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<tr>
<td><strong>TERM LIMITS EXTENSION</strong></td>
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<tr>
<td>HJR1004 (Rep. Jeremy Gillam)</td>
<td></td>
<td>Amends Section 2 of Amendment 73 of the Arkansas Constitution, allowing members of the House to serve up to six two-year terms and members of the Senate to serve up to three four-year terms.</td>
<td>FAILED</td>
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<tr>
<td><strong>REQUIRED RELEASE OF SALES TAX DATA</strong></td>
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<tr>
<td>SB 825 (Sen. Uvalde Lindsey and Rep. Dan Douglas)</td>
<td></td>
<td>Requires the Department of Finance and Administration to prepare a quarterly report listing all businesses remitting sales and use tax and making the report available to county and municipality administrators upon request.</td>
<td>FAILED</td>
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<tr>
<td><strong>DEDICATE VEHICLE-RELATED SALES TAX REVENUE TO HIGHWAY DEPARTMENT</strong></td>
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<tr>
<td>HB 1418 (Rep. Jonathan Barnett and Sen. Bill Sample)</td>
<td></td>
<td>Phases in over 10 years the sales and use tax from road-user items to the highway fund. The phase-in would not take place until general sales tax revenue as a portion of General Revenue reaches $2.25 billion.</td>
<td>FAILED</td>
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<tr>
<td><strong>REQUIRED DOMESTIC WATER SUPPLY STREAM ASSESSMENT</strong></td>
<td></td>
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<tr>
<td>HB 1929 (Rep. Andy David and Sen. David Sanders)</td>
<td></td>
<td>Requires the Pollution Control and Ecology Commission to develop and implement standards for assessment of streams feeding domestic water supplies to determine mineral content.</td>
<td>PASSED ACT: 954</td>
</tr>
<tr>
<td><strong>MOVE SCHOOL BOARD ELECTIONS TO GENERAL ELECTION DATE</strong></td>
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<tr>
<td>SB 587 (Sen. Eddie Joe Williams and Rep. Allen Kerr)</td>
<td></td>
<td>Requires school board elections to be held on the same date as the general election; authorizes the county board of election commissioners to include the school election on a separate ballot to avoid confusion if necessary.</td>
<td>FAILED</td>
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<tr>
<td><strong>REPEAL PREVAILING WAGE LAW</strong></td>
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<td><strong>UTILITY CUSTOMER CONSERVATION PROGRAM OPT-OUT</strong></td>
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<td>HB 1386 (Rep. Terry Rice and Sen. Jake Files)</td>
<td></td>
<td>Provides for large nonresidential utility customers to opt out of the utility-sponsored conservation programs otherwise required by the Public Service Commission.</td>
<td>PASSED ACT: 253</td>
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<td><strong>WAGE PAYMENT REQUIREMENTS</strong></td>
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<tr>
<td>HB 2004 (Rep. Greg Leding)</td>
<td></td>
<td>Requires employers to pay all wages due and provide a wage stub to each employee each pay period.</td>
<td>FAILED</td>
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<tr>
<td><strong>PUBLIC SCHOOL CHOICE</strong></td>
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<tr>
<td>SB 65 (Sen. Johnny Key and Rep. Mark Biviano)</td>
<td>ok</td>
<td>Eliminates all considerations of race in the Public School Choice Act while still exempting schools under a desegregation order; Caps transfers from a district at three percent of its average daily population, requires the Department of Education to collect transfer data.</td>
<td>PASSED ACT: 1227</td>
</tr>
<tr>
<td><strong>IN-STATE COLLEGE TUITION ELIGIBILITY</strong></td>
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<tr>
<td>SB 915 (Sen. Joyce Elliott and Rep. Greg Leding)</td>
<td>ok</td>
<td>Requires the Arkansas Higher Education Coordinating Board to implement rules allowing a person who has attended an in-state higher education institution for at least three years and graduated from an Arkansas high school to be eligible for in-state tuition.</td>
<td>FAILED</td>
</tr>
<tr>
<td><strong>RENEWABLE ENERGY RESOURCE PLANS</strong></td>
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<tr>
<td>HB 1390 (Rep. Warwick Sabin)</td>
<td>no ok</td>
<td>Requires electric utilities to include renewable energy resources as an integral part of its energy resource plan; prescribes required distributed generation contracts.</td>
<td>FAILED</td>
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<tr>
<td><strong>UTILITY NET METERING PURCHASE REQUIREMENTS</strong></td>
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<tr>
<td>HB 1456 (Rep. Stephen Meeks)</td>
<td>no ok</td>
<td>Requires electric utilities to purchase excess electricity that is generated by net-metering customers and fed back into the utilities, minus a maximum 10 percent transmission fee; allows account credit if the annual amount is less than $100.</td>
<td>FAILED</td>
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<tr>
<td><strong>GOVERNMENT REGULATION PROPERTY LOSS COMPENSATION</strong></td>
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<tr>
<td>SB 367 (Sen. Jim Hendren and Rep. Denny Altes)</td>
<td>no ok</td>
<td>Provides for compensation of private property owners whose property loses fair market value as a result of a government regulatory program.</td>
<td>FAILED</td>
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<tr>
<td><strong>UNITARY COMBINED INCOME TAX REPORTING</strong></td>
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<tr>
<td>HB 1845 (Rep. Jim Nickels)</td>
<td>no ok</td>
<td>Defines tax haven and unitary business and requires corporations with nexus to Arkansas engaged in a unitary business with another corporation to file a combined income tax report.</td>
<td>FAILED</td>
</tr>
<tr>
<td><strong>INDEPENDENT CONTRACTORS NEW HIRE REGISTRY</strong></td>
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<tr>
<td>HB 1259 (Rep. Robert Dale and Sen. Bobby Pierce)</td>
<td>no ok</td>
<td>Provides that persons working as independent contractors for an employer are “employees” and persons who report to IRS money paid to an independent contractor are “employer” for purposes of the Division of State New Hire Registry.</td>
<td>FAILED</td>
</tr>
<tr>
<td><strong>LIMITATIONS ON PRIVATE INTERESTS EMINENT DOMAIN</strong></td>
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<tr>
<td>HB 1042 (Rep. Nate Bell and Sen. Jason Rapert)</td>
<td>no ok</td>
<td>Provides limitations on the acquisition of private property by eminent domain for private interests.</td>
<td>FAILED</td>
</tr>
<tr>
<td><strong>LIABILITY FOR ERRONEOUS BACKGROUND CHECK INFORMATION</strong></td>
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<tr>
<td>HB 1763 (Rep. Jim Nickels)</td>
<td>no ok</td>
<td>Establishes civil liability for a company providing erroneous information on a criminal background check if the aggrieved party can show injury to reputation, employment or civil liberties. Allows for compensatory and punitive damages, court fees, and attorney costs.</td>
<td>FAILED</td>
</tr>
<tr>
<td><strong>EMINENT DOMAIN</strong></td>
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<tr>
<td>SB 787 (Sen. Joyce Elliott and Rep. Warwick Sabin)</td>
<td>no ok</td>
<td>Requires eminent domain proceedings to comply with the federal Uniform Relocation Assistance and Real Property Acquisition Policies Act; exempting utilities, railroads, video service providers, or public entities acquiring property for road construction.</td>
<td>FAILED</td>
</tr>
<tr>
<td><strong>FIREARMS OPEN CARRY</strong></td>
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<tr>
<td>HB 1408 (Rep. Sue Scott and Sen. Jon Woods)</td>
<td>no ok</td>
<td>Authorizes permitted open carry of firearms in public places; prohibits open carry in incorporated areas.</td>
<td>FAILED</td>
</tr>
<tr>
<td><strong>NIGHT SKY PROTECTION</strong></td>
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<tr>
<td>HB 1568 (Rep. Stephen Meeks)</td>
<td>no ok</td>
<td>Requires public entities to install only shielded, energy-efficient outdoor lighting when replacing or adding permanent outdoor fixtures; regulates roadway signage to reduce light pollution; prohibits excessive light trespass generally.</td>
<td>FAILED</td>
</tr>
</tbody>
</table>
Arkansas Learns is a nonprofit, nonpartisan private sector alliance – parents, employers, citizens – dedicated to excellent education for all students to ensure the talent and workforce necessary for Arkansas to successfully compete in a global economy. 

When Arkansas Learns, Arkansas Earns.
The Arkansas State Chamber of Commerce/Associated Industries of Arkansas is pleased to recognize members of the Arkansas General Assembly who, during the 89th General Assembly, worked to advance and improve the business climate in Arkansas.

The 2013 Arkansas Legislative Session began and ended with a wide range of difficult issues. Each of these members rose to the varied challenges and worked as lead bill sponsors with other members along the political spectrum to present, support and pass important pieces of legislation that will help Arkansas engage and compete in today’s highly-competitive global economy.

The Arkansas State Chamber of Commerce/Associated Industries of Arkansas Business Matters Legislative Leadership Award recognizes legislators who championed priority issues on the State Chamber/AIA legislative agenda for improving the business climate in Arkansas. This award is designed to acknowledge legislators who ensured consideration of the business community’s legislative priorities by being the lead bill sponsors and fought for the passage of pro-business legislation.

The 2013 Business Matters Advocates include:

**Speaker of the House, Representative Davy Carter (R-Cabot)** –
As Speaker of the House, Representative Carter displayed highly skilled legislative guidance in a very challenging environment and helped on multiple State Chamber/AIA issues of interest. He sponsored and shepherded legislation to raise the capital gains tax threshold to 50 percent of gains, as well as creating an exemption for capital gains that exceed $10 million. This significant achievement is estimated to result in an approximately $19.1 million benefit to various Arkansas entities. Without Speaker Carter’s dedication and leadership, this success would not have been realized.

**President Pro Tempore, Senator Michael Lamoureux (R-Russellville)** –
As the steadfast leader and President of the Arkansas Senate, Senator Lamoureux oversaw the smooth and efficient operation of this legislative body. Senator Lamoureux championed behind the scenes many key pieces of legislation advocated for by the State Chamber/AIA.

**Senator Jake Files (R-Fort Smith)** –
As Chairman of the Senate Revenue and Tax Committee, Senator Files sponsored SB 334, which provides a refund of sales and use taxes for expenditures on repairs and replacement of certain machinery and equipment used directly in manufacturing. The bill establishes a tax rate of 4.875 percent beginning July 1, 2014, but requires a taxpayer to hold a direct pay sales tax permit from DFA to claim this refund. The one-eighth (1/8) of one percent conservation tax and the temporary sales tax of one-half (1/2) of one percent highway tax—both approved at the ballot by the people of Arkansas—will not be eliminated. SB 334 also creates the mechanism by which the Arkansas Economic Development Commission can fully refund the cost of a replacement or repair project for a company expending at least $3 million on such a project. The annual impact of SB 334 is approximately $6.9 million.

**Senator Jonathan Dismang (R-Searcy)** –
Without question, the single largest issue consuming the 89th General Assembly was Arkansas’s involvement in the American Patient Protection and Affordable Care Act and specifically whether Arkansas was going to opt into receiving federal funds for the expansion of Arkansas’s Medicaid program. Senator Dismang, working with groups in both the public and private sectors and across the full political spectrum, sponsored SB 1020 and created the mechanism by which federal funds could be received and provide for the creation of the Arkansas “Private Option” program.

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**Senator Bill Sample (R-Hot Springs)** –
In addition to his work as the Chair of the Senate Transportation, Technology and Legislative Affairs Committee, Senator Sample sponsored SB 791, which further reduced the sales tax on natural gas and electricity sold to manufacturers to 1 percent beginning July 1, 2014 and to 0 percent beginning July 1, 2015. It also reduces the excise tax rate on the purchase of natural gas used in the production of electricity to 1 percent beginning January 1, 2015. The one-eighth (1/8) of one percent conservation tax and the temporary sales tax of one-half (1/2) of one percent highway tax—both approved at the ballot by the people of Arkansas—will not be eliminated for manufacturers or independent power producers. The annual impact of SB 791 is approximately $17 million.
Senator David Sanders (R-Little Rock) – Co-sponsored the Arkansas “Private Option” and provided unfettered leadership and pressed for continued improvements of this legislation resulting in its successful passage.

Representative John Burris (R-Harrison) – As Chairman of the House Public Health, Welfare and Labor Committee, Representative Burris took on the challenge of advocating the passage of the Arkansas “Private Option.” As its key crafter and proponent, he effectively advocated for the passage of HB 1219, granting the Arkansas Department of Human Services the authority to accept and distribute hundreds of millions in federal funds to extend healthcare coverage to approximately 250,000 Arkansans. The “Private Option” legislation includes business-friendly innovations within Arkansas’s Medicaid-eligible population by creating a preferred Health Savings Account pilot program that will revolutionize the way patients pay for medical care.

Senator Paul Bookout (D-Jonesboro) – As Vice Chair of the Senate Public Health, Welfare and Labor Committee Senator Bookout was a key co-sponsor and advocate of the Arkansas “Private Option” throughout the program’s formation and debate.

Representative Lane Jean (R-Magnolia) – Championed Arkansas’s business climate by aggressively advocating and supporting a further decrease in the sales tax rate for manufacturers. Representative Jean led the way for State Chamber/AIA-backed legislation and is a leader within the Arkansas House of Representatives and the full Legislature.

Representative Tommy Wren (D-Melbourne) – In addition to serving as Chairman of the House Insurance and Commerce Committee, Representative Wren was the lead House sponsor for SB 334, which provides an increase in the refund of sales and use taxes for expenditures on repairs and replacement of certain machinery and equipment used directly in manufacturing. The tax rate on these items will be reduced to 4.875 percent beginning July 1, 2014 for taxpayers holding a direct pay sales tax permit from DFA. Further, this legislation creates the mechanism by which the Arkansas Economic Development Commission can fully refund the cost of a replacement or repair project for a company expending at least $3 million on such a project.

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ARKANSAS STATE TAX UPDATE

Prepared by: Michael O. Parker and Thane J. Lawhon

2013 LEGISLATIVE SESSION

The 89th General Assembly - 2013 Regular Session convened January 14, 2013, and adjourned on May 17, 2013, wrapping up the longest session in memory with Republicans in control for the first time in 138 years. The 89th General Assembly – 2014 Fiscal Session is set to convene on February 10, 2014, primarily for the purpose of reviewing and adjusting agency budgets and appropriations. Unless a specific date is noted, new Acts are from the 2013 Session, are effective 90 days following adjournment (August 16, 2013), and in the case of Income Tax Acts, generally apply to tax years beginning on or after January 1, 2013.

I. Income/Franchise Taxes

Act 160 Authorizes the Department of Finance and Administration (DFA) to enter into installment agreements with taxpayers who owe a delinquent income tax liability when the taxpayer’s total liability is less than $2,000, the agreement resolves the debt in 12 months, and payments are made electronically.

Act 1041 Requires the Secretary of State to administer a franchise tax penalty and interest amnesty program for taxpayers that pay franchise taxes for revoked entities between September 1 and December 31, 2013.

Act 1093 Moves from June 1 to May 1 the date on which the Secretary of State is required to assess a penalty and add interest to delinquent corporate franchise taxes for the current year. Effective April 11, 2013.

Act 1254 Income Tax Technical Corrections Act—Adopts § 107 of the Internal Revenue Code (IRC) and readopts various sections of the IRC. The following sections are adopted to apply retroactively to tax year 2012: §§ 72, 165, 167, 168(a)-(j), 170, 179a, 219, 402-404, 406-416, 457, and 1361. The following sections are effective for tax years beginning on or after January 1, 2013: §§ 21, 23, 108, 117, 127, 132, 137, 221, 530, 1017, and Subchapter M.

Act 1284 Adopts current IRC § 1341(a)(1)-(3) and (b)(2), concerning the computation of income tax when a taxpayer repays an amount held under a claim of right, to allow a taxpayer to receive a refund of taxes paid on income received by the taxpayer if the income must later be repaid. Effective for tax years beginning on or after January 1, 2013.

Act 1408 Exempts all service pay and allowances received by active duty members of the armed forces including the National Guard, and Reserves from state income tax. Currently, the first $9,000.00 of service pay is exempt. Effective for tax years beginning on or after January 1, 2014.

Act 1418 Provides an income tax exemption for up to 20 years for drop-in biofuel (liquid motor bio-fuel) manufacturers that invest at least $20,000,000 and create at least 100 new jobs. Effective for tax years beginning on or after January 1, 2013.

Act 1436 Requires the Department of Human Services to provide DFA with a list of Medicaid providers by December 1st each year for DFA to verify income tax compliance, subject to termination of enrollment in the Medicaid program for non-compliance.

Act 1452 Creates the Volunteer Firefighter Tax Protection Act. Allows a deduction for purposes of computing adjusted gross income, not exceeding $1,000, for the amount a volunteer firefighter pays to purchase firefighting equipment required by the fire department, and for the loss of the value of personal property of a volunteer firefighter that is damaged or destroyed in the course of participation in a firefighting activity. Effective for tax years beginning on and after January 1, 2014.

Act 1459 Amends net income tax rates and brackets for individuals, trusts and estates. The graduated tax brackets were adjusted to reflect annual inflation based on the Consumer Price Index and are effective for tax years beginning on or after January 1, 2012. Tax brackets will be adjusted annually for inflation based on the same index. The income tax rate for adjusted gross income ranging from $0 to $4,099 is reduced by 0.1 percent beginning January 1, 2014. All other income tax rates are reduced by 0.1 percent beginning January 1, 2015.

Act 1488 Amends the laws concerning standard deductions and tax on capital gains. Increases the exemption of capital gain income from 30 percent to 50 percent, and entirely exempts capital gain in excess of $10 million realized on or after January 1, 2014. Also increases the standard deduction for individuals from $2,000 to $2,200 January 1, 2015. Effective for tax years beginning on and after January 1, 2014.

II. Transactional Taxes (Sales/Use Taxes)

Ballot Issue 1 The voters in the November, 2012 general election approved a constitutional amendment to levy a “temporary” increase of sales and use tax from 6.0 percent to 6.5 percent beginning July 1, 2013, to provide funding...
for highways, bridges, roads, and other surface transportation projects. The tax will be levied on all taxable sales except food and food ingredients, for approximately 10 years and will terminate when there are no bonds outstanding to which tax collections have been pledged.

Act 233 Amends the sales tax exemption for pollution control equipment used in manufacturing operations to include sulfur removal processes during petroleum refining and extends exemption to cities and towns. Includes repair parts and repair labor of equipment required by state or federal law or regulations to be used in the refining of petroleum-based products to remove sulfur pollutants. Effective October 1, 2013.

Act 510 Limits the 16 percent excise tax on cigar sales to not exceed fifty cents (50¢) per cigar. Effective October 1, 2013.

Act 538 Amends Sales and Use Tax laws to conform to the Streamlined Sales and Use Tax Agreement by clarifying the effective dates for catalog sales and boundary changes in the Local Government Bond Act. A rate change on a purchase from a printed catalog in which the purchaser computed the tax based on local tax rates published in the catalog will be applicable on the first day of a calendar quarter after a minimum of one hundred twenty (120) days’ notice by DFA to the sellers. For sales and use tax purposes, a local boundary change will become effective on the first day of a calendar quarter after a minimum of sixty (60) days’ notice by DFA to sellers.

Act 631 Changes the tax base against which tobacco excise taxes are levied from the manufacturer’s selling price to the price invoiced to a wholesaler or retailer before discounts.

Act 1087 Authorizes quorum courts to refer to voters the question of extension of the period in which a special sales and use tax for capital improvements of a community college is to be in effect.

Act 1164 Requires that sales tax for motor vehicles leased for 30 days or more be paid on the basis of lease or rental payments made during the term of the lease. Provides for the expiration of the long-term rental vehicle tax when data establishes that 3 percent, rather than 10 percent, or more of all new motor vehicles are leased vehicles. Currently, less than 2 percent of new motor vehicles are registered as leased, thus the reduction from a 10 percent to 3 percent threshold will not immediately affect existing sales tax on long-term rentals. Existing law provides for a long-term rental vehicle tax at the rate of one and five-tenths percent (1.5 percent) on the gross receipts or gross proceeds derived from a rental of a motor vehicle that is leased for a period of thirty (30) days or more. Effective October 1, 2013.

Act 1241 Broadens the definition of surface transportation projects eligible for the pledge of tax revenues to secure improvement bonds to include tunnels, overpasses, walkways and traffic control devices and improvements. Also provides that the governing body of a municipality or county may pledge by ordinance all or a specified portion of the municipality’s or county’s share of collections of the temporary one-half percent (0.5 percent) sales and use tax levied under Amendment 91 to the Arkansas Constitution to retire bonds issued for a surface transportation project. Effective April 16, 2013.

Act 1392 Creates an exemption for purchases of expended supplies for farm machinery, including baling twine, bagging and wrap, but not supplies or parts used for maintenance, repair, or replacement, from sales and use taxes. Effective October 1, 2013.

Act 1398 Reduces sales and use tax on food and food ingredients (groceries) to 0.125 percent when it is determined the prior six-month aggregate amount spent from general revenues for certain listed uses has declined by $35 million compared to the same six-month period of the previous year. (Companion to Act 1450) Effective July 1, 2013.

Act 1401 Exempts sales of electricity, liquefied petroleum gas and natural gas used by grain drying and storage facilities from sales and use taxes. Each utility must be separately metered. Effective July 1, 2014.

Act 1402 Increases the amount exempt, from the first $50,000 dollars of the purchase price to the entire purchase price, for purchases of new or used timber harvesting equipment, except repair and replacement parts, from sales and use taxes. Effective July 1, 2014.

Act 1404 Provides a 1 percent reduction in the form of a refund of sales and use taxes for expenditures on repairs and replacement of certain machinery and equipment used directly in manufacturing beginning July 1, 2014. The refund will be allowed on machinery and equipment purchased to modify, replace, or repair, either in whole or in part, existing machinery or equipment used directly in producing, manufacturing, fabricating, assembling, processing, finishing, or packaging articles of commerce at a manufacturing or processing plant or facility in Arkansas and may only be claimed by holders of direct pay permits. See also section IV below for additional incentives. Effective July 1, 2014.

“Excellent, clear, and comprehensive summary of legislation/actions. Thanks!”

Steve Lease
Director of WorkForce Training
Arkansas Association of Two-Year Colleges
that goes on during the
“Thanks and great job
on keeping up with all
that goes on during the
session!!”
Lester Allen
General Manager
Cintas

Act 1411 Reduces the sales and use tax on
natural gas and electricity used by manufacturers
and extends reductions to cotton gins. Beginning
July 1, 2014, the tax rate on natural gas and
electricity used directly by manufacturers in the
actual manufacturing process will be reduced to
1.625 percent and, beginning July 1, 2015, the rate
will be reduced to 0.625 percent. Also reduces the
rate paid by electricity generators using combined
cycle turbine technology to 1.625 percent

Act 1414 Exempts the sale of dental appliances
to or by a dentist, orthodontist, oral surgeon,
maxillofacial surgeon or endodontist from sales and
use taxes. Dental appliance means a dental device
that is made for a specific patient, including dental
implant, orthodontic appliance, retainer, crown,
bridge, or denture. Effective July 1, 2014.

Act 1419 Exempts goods and services sold to
nonprofit blood donation organizations from sales
and use tax. Effective October 1, 2013.

Act 1441 Exempts sales of electricity, liquefied
petroleum gas, and natural gas used in agricultural
facilities from sales and use tax, including
commercial greenhouses, horticulture facilities,
and commercial poultry, fish, or livestock facilities.
Effective January 1, 2014.

Act 1450 Reduces sales and use tax on food and
food ingredients (groceries) to 0.125 percent when
it is determined the prior six-month aggregate
amount spent from general revenues for certain
listed uses has declined by $35 million from the
same six-month period of the previous year.
(Companion to Act 1398) Effective July 1, 2013.

III. Property Taxes

Act 27 Allows County Sheriffs and Collectors to
establish a voluntary register for sending property
tax statements and notices electronically using
information provided by the taxpayer. This will
allow enhanced delivery of tax statements to
reduce costs in sending tax statements and notices.

Act 1231 Revises provisions governing the sale
and conveyance to purchaser of tax-delinquent
lands sold by the Commissioner of State Lands to
satisfy the tax delinquencies. The time period in
which taxpayer may redeem land sold through a
tax-delinquent land sale was shortened from 30
days to 10 days excluding Saturdays, Sundays, and
legal holidays. The time period in which a taxpayer
may file certain actions contesting the validity of a
sale was shortened from one year to 90 days after
the sale.

Act 1279 Provides additional measures to
collect delinquent property taxes, penalties and
interest on mineral rights. If a taxpayer fails to pay
the property tax due on mineral interests, the
county collector may present a certified statement
or account for taxes to any person who has in
the person’s possession funds that are derived
from the property on which the delinquent taxes
are outstanding, and are due and owing to the
delinquent taxpayer, and demand payment of such
taxes plus any penalties and interest. An additional
penalty of 10 percent of the amount of delinquent
taxes shall be assessed as an administrative
collection fee, half of which may be paid to the
person making the payment for the administrative
costs incurred in collecting and paying the county
collector. Effective for assessment years beginning
on or after January 1, 2013.

Act 1485 Requires funds from the sale of tax-
delinquent lands to be paid to counties to cover
delinquent solid waste assessments on the owner
owners of the tax delinquent lands after other
required distributions are made.

Act 1520 Requires that producing mineral
interests be reappraised annually for ad valorem
tax purposes.

IV. Miscellaneous Taxes

Act 91 Clarifies fire departments’ use of
apportioned insurance premium taxes to include
insurance and utility costs. Fire departments that
are not certified by the Office of Fire Protection
Services may now spend monies received from
apportioned insurance premium taxes on
insurance for buildings and utility costs in addition
to expenses already approved.

Act 157 Provides that unless specifically exempt,
insurance law of Arkansas regarding financial and
solvency requirements apply to a domestic surplus
lines insurer, including the remittance of
premium taxes.

Act 461 Reduces the rates used to calculate
premium tax paid by captive insurance companies.

Act 570 Creates an alternative system of
assessments for levee districts that include more
than two counties. A board of a levee district that
includes more than two counties may provide by
resolution for an annual assessment upon all real
estate and improvements subject to overflow,
and telephone, electrical light and power lines,
and pipelines subject to overflow. The board may
assess tax in the amount of thirty cents per acre
or city lot, millage not to exceed twenty mills, or a
tax not to exceed $250 per mile of railroad right
of way.

Act 623 Requires retail sellers of prepaid
wireless telecommunication services to collect a
Act 1084 establishes the Arkansas Port, Intermodal and Waterway Development Grant Program Fund, funded by tax and penalty revenue from water transportation companies in excess of $2.5 million.

Act 1427 establishes the Arkansas Port, Intermodal and Waterway Development Grant Program Fund, funded by tax and penalty revenue from water transportation companies in excess of $2.5 million.

Act 1474 creates the New Markets Jobs Act of 2013 which provides a tax credit against state premium tax liability for business entities that make qualified equity investments. Arkansas’s Act mirrors the Federal New Markets Tax Credit Program (26 U.S.C. 45D) which provides tax credits to taxpayers for investments in low income community businesses. The Act targets taxpayers who are subject to premium tax liabilities; worker’s compensation insurance carrier tax, insurance carrier tax, self-insured carrier tax, and public employer tax. Tax credits are equal to the applicable percentage (range from 0 percent to 12 percent) for the credit allowance date, the date on which the qualified investment is made and each subsequent six anniversary dates, multiplied by the purchase price paid to the issuer of the qualified equity investment, but may not exceed the state premium tax liability owed for the year the tax credit is claimed. Unused credits carry over for nine consecutive years.

Act 1476 authorizes the issuance of bonds by the State of Arkansas under Amendment 82 for the financing construction of the Big River Steel mill and provides details of the agreement. Effective April 22, 2013. (Companion to Act 1084)

VI. Procedure

Act 544 Prohibits a clerk of a county court from charging a fee for filing an appeal from a county equalization board.

VII. Other Notes Of Interest

Act 483 provides for direct shipment of wine to a residence located in Arkansas when the purchaser has physically visited the winery and made the purchase. The winery shall collect all sales taxes and excise taxes due on a sale to an individual of this state as if the sale took place on the premises of a Arkansas Small Farm Winery. The winery does not have to collect a local tax that would be imposed by a municipality, town, or other political subdivision of the state.

Act 556 Allows compensation, in the form of a charge upon the land, to purchasers of tax delinquent property for the cost of

STATE CHAMBER/ AIA FACT: ENERGY

Act 1411 (SB 791, Sen. Bill Sample)

Reduces the sales tax on energy used in manufacturing – Beginning July 1, 2014, the sales tax on energy used in manufacturing will go to zero, but there will be a one percent excise tax applied, until July 1, 2015, when the tax will go to five-eighths of a cent. The bill also reduces the sales tax applied to natural gas used to produce electricity in a combined cycle turbine.

“I so appreciate your updates – saves me a lot of time.”

Melissa Smith
Human Resources Manager
McKee Foods Corporation
repairs necessary to prevent deterioration of improvements on the property or the cost of improvements necessary to comply with any code requirements that are made within 30 days after the sale. Effective April 2, 2013.

**Act 712** Provides that DFA may disclose tax records to a joint auditor employed by two or more cities for the purpose of a joint audit of advertising and promotion taxes between the two cities. The records provided to the auditor are to remain confidential and not subject to disclosure by the auditor.

**Act 1076** Creates civil and criminal penalties for the sale or use of a device or software that modifies or falsifies electronic records for the purpose of evading tax.

**Act 1135** Makes technical changes to Title 26 of the Arkansas Code concerning taxation as part of the Arkansas Code Revision Commission’s legislative recommendations.

**Act 1143** Repeals various obsolete provisions of Title 26 of the Arkansas Code concerning taxation as part of the Arkansas Code Revision Commission’s legislative recommendation.

**Act 1425** Creates the Legislative Task Force on the Taxation of Nonalcoholic Beverages to study and make recommendations regarding wholesale taxes on nonalcoholic beverages. A written report of findings and recommendations shall be made to the Governor before September 1, 2014. Expires January 1, 2015.

**Act 1458** Creates a public web page, administered by the Department of Finance and Administration, to provide a menu of links to employer-related state web applications for required reporting, tax payments, and other data submissions, and allows an employer to select a link based upon a desired type of function or application and be redirected to the appropriate agency web application.

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**ARKANSAS GENERAL ASSEMBLY BILLS AND RESOLUTION FILINGS, 1997 THROUGH CURRENT**

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**Percentage Comparisons**

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<td>71%</td>
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<td>State Chamber/AIA Tracking Over Previous Year</td>
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<td>18%</td>
<td>6%</td>
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<td>35%</td>
<td>42%</td>
<td>54%</td>
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</tr>
</tbody>
</table>
MICHAEL O. PARKER is a member of the Little Rock law firm of Dover Dixon Horne PLLC where his practice emphasizes taxation, business law and regulatory issues. He received his B.A. degree from Vanderbilt University and his J.D. degree, with honors, from the University of Arkansas School of Law at Fayetteville. Organizational activities include service as special tax counsel and legislative representative on tax issues for the Arkansas State Chamber of Commerce and Associated Industries of Arkansas. Mr. Parker is a past chairman of the Section on Taxation of the Arkansas Bar Association and has been appointed by the Governor as a Special Justice to the Arkansas Supreme Court. Honors include continued selection for Best Lawyers in America in Tax Law, Litigation and Controversy-Tax and Trusts and Estates. He is the author of the Arkansas chapter of the American Bar Association’s Sales and Use Tax Deskbook, and is a frequent author of articles on Arkansas tax issues.

THANE J. LAWHON is a member of the Little Rock law firm of Dover Dixon Horne PLLC where his practice emphasizes taxation, business law and regulatory issues. He received his B.A. degree from the University of Arkansas at Fayetteville, his M.B.A. degree from the University of Arkansas at Little Rock, and his J.D. degree, with honors, from the William H. Bowen School of Law. Mr. Lawhon is a member of the American and Arkansas bar associations.

“**You do a really good job keeping us informed for those of us that work multiple states! I appreciate you!**”

Richard Chapman  
Government and Community Relations Manager (AR/OK/TX)  
Weyerhaeuser Company

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**ARKANSAS UNEMPLOYMENT INSURANCE TRUST FUND**

<table>
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<tr>
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<td>$234.4M</td>
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ENERGY CONSERVATION Act 253 (HB 1386, Rep. Terry Rice)

Conservation programs initiated customers to opt out of energy use tax machinery and equipment required by federal law in the refining of petroleum to remove sulfur from the finished product.

Act 496 (HB 1633, Rep. John Edwards and Sen. David Sanders) Amends the Digital Product and Motion Picture Production Act of 2009 – Expands the current rebate for monies expended in Arkansas from 15 percent to 20 percent. The act also increased the level of expenditures to qualify from $50,000 to $200,000 and made other clarifying changes.

Act 755 (HB 1948, Rep. Lane Jean and Sen. Bruce Maloch) Reimbursement changes to EWTP – Changes the reimbursement paid to training providers from $80 an instructional hour to $100 an hour.

Act 1084 and Act 1476 (SB820, Sen. David Burnett and HB1870, Rep. Monte Hodges) Big River Steel – Authorizes the issuance of $125 million in general obligation bonds and prescribes the thresholds and milestones required to access incentives. This is the first time Amendment 82 has been used to finance an economic development project.


Act 1112 (HB 1931, Rep. Dan Douglas) Amends the Regional Economic Development Partnership Act – Specifies that a 1:1 local match is required to access state funds for regional economic development and addresses staffing requirements to qualify for funding.


Act 1392 (SB 11, Sen. Gary Stubblefield) Sale tax exemption for expendable supplies for farm equipment – Defines what materials will be exempt.

STATE CHAMBER/ AIA FACT:
ENERGY CONSERVATION OPT-OUT
Act 253 (HB 1386, Rep. Terry Rice)

Allows for opt out of certain businesses from PSC-ordered energy conservation programs – Allows non-residential customers to opt out of energy conservation programs initiated under the Energy Conservation Endorsement Act of 1977.

“Great work on the legislative updates this session! Thanks.”
Ron Calkins
Assistant Director – Unemployment Insurance
Arkansas Department of Workforce Services

Prepared By: Arkansas Economic Development Commission

GENERAL ECONOMIC DEVELOPMENT RELATED LEGISLATION

Act 233 (HB 1281, Rep. Matthew Shepherd) Exemption of certain machinery and equipment from the sales tax – Exempts from the sales and use tax machinery and equipment required by federal law in the refining of petroleum to remove sulfur from the finished product.

Act 496 (HB 1633, Rep. John Edwards and Sen. David Sanders) Amends the Digital Product and Motion Picture Production Act of 2009 – Expands the current rebate for monies expended in Arkansas from 15 percent to 20 percent. The act also increased the level of expenditures to qualify from $50,000 to $200,000 and made other clarifying changes.

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Act 1398 and Act 1450 (SB 135, Sen. Jason Rapert and HB 1234, Rep. Darrin Williams) Reduces tax on groceries – Describes the process required for the grocery tax to be reduced to one-eighth cent.

Act 1401 (SB 298, Sen. Jonathan Dismang) Sales tax exemption for utilities used in grain drying/storage – Defines circumstances under which an exemption can be obtained.


Act 1404 (SB 334, Sen. Jake Files) Reduces sale tax on repair and replacement parts – Creates new investment incentive – Describes the process for reducing by one cent the sales tax charged on repair and replacement parts. Also initiates a new discretionary investment incentive for companies investing more than $3 million after July 1, 2014.

Act 1408 (SB 463, Sen. Jim Hendren) Income tax exemption for military pay – Beginning January 1, 2014 pay for active duty armed services members will be exempt from state income tax.

Act 1411 (SB 791, Sen. Bill Sample) Reduces the sale tax on energy used in manufacturing – Beginning July 1, 2014, the sale tax on energy used in manufacturing will go to zero, but there will be a one percent excise tax applied, until July 1, 2015, when the tax will go to five-eighths of a cent. The bill also reduces the sale tax applied to natural gas used to produce electricity in a combined cycle turbine.

Act 1414 (SB 853, Sen. Larry Teague) Exempts dental appliances from the sales and use tax – After July 1, 2014, dental appliances sold to or by dentists will be exempt from the sales and use tax.

Act 1418 (SB 941, Sen. Bill Sample) Income tax exemption for drop-in biofuels manufacturers – This bill allows an income tax exemption of up to 20 years for a qualified drop-in biofuels manufacturer.

Act 1427 (SB 1091, Sen. Janie Dillo) Redirects ad valorem taxes on certain utilities and carriers to the Arkansas Waterways Commission – Revenues collected in excess of $2.5 million will be deposited into the Arkansas Port, Intermodal and Waterways Development Grant Program Fund to provide grants to Arkansas port, intermodal and waterway projects.

Act 1430 (SB 1108, Sen. Jason Rapert) Creates Intermodal Transportation and Commerce Task Force – Allows for the appointment of a 15-member task force to study issues related to intermodal transportation and to develop recommendations prior to the next regular session.

Act 1441 (HB 1039, Rep. Jeff Wardlaw) Exemption of sales and use tax on utilities used by qualifying agricultural structures – Beginning January 1, 2014, utilities used by qualified
agricultural, aquaculture or horticulture structures for a commercial purpose are exempt from the sales and use tax.

**Act 1459** (HB 1585, Rep. Charlie Collins) Amends income tax rates and brackets – Individual, trust and estate tax brackets were changed by elevating the top rate from $34,000 to $44,000 and the top tax rate was lowered from 7 percent to 6.875 percent.

**Act 1474** (HB 1832, Rep. Darrin Williams) State New Market Tax Credits – Authorizes the issuance of up to $166 million in state tax credits using a state program substantially similar to the Federal New Market Tax Credit Program.


**Act 1488** (HB 1966, Rep. Davy Carter) Changes in capital gains, standard deduction for income taxes – This bill increases the capital gains exemption from 30 percent to 50 percent for capital gains after January 1, 2015. Capital gains realized in excess of $10 million after January 1, 2014 are exempt from the income tax. This bill also increases the standard deduction for tax years beginning on and after January 1, 2015.

**Energy Related Legislation**

- **Act 152** (SB 125, Sen. Bobby Pierce) Incentive for converting a vehicle to use CNG or LPG – Authorizes the rebate of costs associated with converting a vehicle to use CNG or LPG under the Alternative Fuels Development Program administered by the Department of Agriculture.
- **Act 280** (SB 246, Sen. Jim Hendren) Establishes the Arkansas Energy Summary and Report – This bill tasks the Higher Education Coordinating Board with the responsibility for coordinating efforts among the state’s energy research universities and compiling a report on energy supplies and projections. A report is to be presented to the Joint Committee on Energy no later than July 1, 2014.
- **Act 341** (SB 271, Sen. Johnny Key) Requirements for certification of public convenience and necessity from the PSC – This bill defines the circumstances where a certificate of public convenience and necessity is not required of a generation and transmission cooperative.
- **Act 532** (SB 792, Sen. Larry Teague) Arkansas Clean Burning Motor Fuel Development Act – Establishes a Clean Burning Motor Fuel Development Fund and names the Arkansas Energy Office as the administrative agency to award rebates from the fund for clean burning motor fuel stations and property.
- **Act 554** (SB 340, Sen. David Johnson) Allows for energy savings to be used as a part of a guaranteed energy savings contract – Specifies the conditions under which maintenance and operations, through energy savings, can be used as repayment in a guaranteed energy savings contract for state agencies.
- **Act 1074** (SB 640, Sen. David Johnson) Energy Improvement Districts – Authorizes the establishment of property-assessed clean energy (PACE) financing to make energy improvement to homes within an established energy improvement district.
- **Act 1078** (SB 795, Sen. Jason Rapert) Regulation of Electric Demand Response Act – This act allows for the aggregation of customers to address electric demand response during peak periods of usage and states that the PSC may not regulate customer-driven demand response activities.
- **Act 1111** (HB 1887, Rep. Eddie Armstrong) Transfer of Weatherization Assistance Program – This act employed a Type 3 transfer to move the Weatherization Assistance Program from the Division of County Operation at the Department of Human Services to the Arkansas Energy Office within the Arkansas Economic Development Commission.
- **Act 1195** (SB 1146, Sen. Jim Hendren) Pilot Program for CNG School Buses – The Division of Public School Academic Facilities and Transportation of the Department of Transportation shall initiate and administer a pilot program aimed at assisting school districts with the acquisition of CNG school buses.
- **Act 1221** (HB 2019, Rep. David Branscum) Allowance for rollover of net metering account – This amendment to the net metering legislation allows for a rollover of credits, equal to up to four months of consumption, that can be carried over to a net metering customer’s electric service account.
- **Act 1252** (SB 824, Sen. David Johnson) Amendment 89 enabling legislation – energy bonds – A provision of Amendment 89 to the Arkansas Constitution allows for the issuance of energy bonds to assist with financing energy projects. This act prescribes the process by which a state agency would implement a project using energy bond financing.

“Just a note to say I enjoy your updates! Thanks!”
State Rep. Sheilla Lampkin
Monticello
The 89th General Assembly was the first under Republican rule since Reconstruction. Did the GOP govern “right”?

By Roby Brock
Talk Business Executive Editor

With Republicans in charge of the House and Senate for the first time since Reconstruction, the 89th General Assembly presented a few new chapters in the ongoing saga of the state legislature. Heading into the 2013 regular session, the looming issues of Medicaid and tax cuts were considered top storylines.

In a pre-session meeting with reporters, House Speaker Davy Carter (R-Cabot) and Senate President Michael Lamoureux (R-Russellville) acknowledged that Medicaid funding - shoring up an existing gap and developing a plan to expand the program under the federal health care law - would be the defining issue of the session. Carter called it “the elephant in the room.”

In spite of the pre-session uncertainty on that front, both leaders argued that tax cuts would find a place for discussion under Republican rule. In late January, when Gov. Mike Beebe (D) unveiled the state’s first superproject - the $1.1 billion Big River Steel mill in Osceola that would require a $125 million legislative-approved bond issue - a third character in the novel was introduced.

For the first several weeks of the session, lawmakers and Republican leadership struggled with focusing on the main budget driver issues. A range of social issues involving guns and abortion dominated weeks of debate and legislative action.

The Turning Point
Tuesday, Feb. 26 marked a turning point in the session. Speaker Carter, who later admitted he’d had a “pity party” the weekend before, returned to the state capitol with a mission to get the session on track to deal with the big three issues - Medicaid, tax cuts and Big River Steel.

Carter made the rounds of three key House committees that Tuesday morning. He told the Judiciary committee, which was handling gun regulation bills, to focus on issues “in the best interest of the state.” It was his subtle, yet direct, way of saying “enough” with the social issue legislation.

He called on Public Health members to “get to work” crafting their plan for what would become known as the “private option.” Beebe had just met with U.S. Health and Human Services Secretary Kathleen Sebelius over the previous weekend to discuss flexibility for the state’s low-income health care program. At a meeting later that Tuesday afternoon, he gave Republican lawmakers the answer they’d been waiting for: move forward with the proposal.

In making his rounds, Carter also called on his Revenue and Tax committee to get to work on tax cuts as large as $150 million, including a capital gains tax cut.

“That $150 million, I pretty much pulled out of my rear,” Carter later admitted. “When I was walking down the steps to the committee, I was thinking $100 million, but when I sat at the end of the table, $150 million just came out.”

Carter’s half-time speech seemed to jump-start the session as work on the major issues suddenly found momentum.

Democrats Adjust
The session was a big adjustment for the state’s Democrats, who had never known minority status in the modern-day political era.

Still following the lead of the titular head of the Democratic Party, popular Gov. Mike Beebe, the Democrats had a singular leader to hold them together. While gun and abortion bills drew bipartisan support, they were clearly issues that divided the Democratic caucus.

Straight Medicaid expansion and the eventual “private option” plan also seemed to find block voting from the large Democratic minority. There was little public debate against the proposal - a much different scenario than on the Republican side.

“Publicly, we were pretty quiet, but internally we had a lot of debate,” said House Minority Leader Rep. Greg Leding (D-Fayetteville). “We wanted to make sure that we weren’t being led down a path that we didn’t want to go. Once we learned more about it, we were comfortable with it.”

On the tax reform front, Democratic legislative leaders took their cue from Beebe, who constantly voiced his concerns that cuts would be too deep. Eventually, a Republican-Democrat-Beebe compromise was fashioned that had enough consensus to pass with bipartisan support.

There was very little split among Democrats on the jobs front. Big River Steel was “a layup,” said one Democratic legislator at the time.

Session Successes
So what did the 89th General Assembly accomplish and who deserves credit?

In the end, Arkansas lawmakers approved a massive $4.9 billion spending bill and divvied up about $170 million in surplus funds. They passed the Revenue Stabilization Act and its outline of spending priorities with little public division.
All told, the measure includes increases for public education, Medicaid and salaries for state employees. Legislators also approved the $125 million bond package for incentives for a $1.1 billion steel mill superproject.

Lawmakers also approved more than $120 million in net new tax breaks, although most of the cuts will not go into effect until year after next. Lawmakers are calculating that savings from the “private option” will result in significant state savings to pay for the tax cuts in future years.

Arkansas legislators referred three proposed constitutional amendments for voter consideration in the 2014 general election. They include ethics and term limits reform, changes to the signature collection process for citizen initiatives, and a mechanism to allow for more legislative oversight of executive branch rule making.

Overriding vetoes from Gov. Beebe, they also approved two abortion restriction laws – a 12-week and 20-week limit on abortion procedures – as well as a voter ID bill, which requires photo identification to be presented at the polls.

These measures deeply divided members and led to the most partisan debates during the session. All three laws have already or are likely to receive court challenges.

Gun rights enthusiasts found a pliable legislature for its interests. Most notably, a measure was passed to protect the privacy of gun owners on the state’s concealed carry list.

By session’s end, despite the multitude of conservative accomplishments, Tea Party conservatives were less than satisfied. They are convinced that the “private option” is a boondoggle and will result in enormous government growth and a federal deficit expansion. Staunch conservatives also decried the delay in tax cuts until FY 2015 and they were opposed to the Big River Steel project, which was hailed as a “government handout.”

Still, for Republicans there was plenty of back-slapping and self-congratulation by the end of the 100-day legislature.

Carter praised the bipartisanship of the session. “Washington could learn some lessons on how to come together, to work together like these men and women did here,” he said.

Beebe said despite Republican rule, he achieved nearly all of his legislative agenda. “This was the final of my four regular sessions as governor. Each has brought different opportunities and challenges, but I’m proud of all we’ve accomplished for our people,” said Beebe.

Sen. Jonathan Dismang (R-Beebe), who will guide the State Senate in 2015, said his party was true to its principles and promises despite Tea Party disappointment.

“I think we made conservatives proud, we made the party proud, and I think we’ve proven that we can govern effectively and through adversity,” Dismang said.

Roby Brock is the executive editor of Talk Business & Politics. His TV, radio and Internet news coverage focuses on Arkansas politics and business.
The Pinnacle program recognizes the state’s outstanding corporate citizens – State Chamber/AIA members who desire to make a significant statement about their participation in Arkansas’s future. These leading companies are helping make the state a better place to live, work and conduct business by supplying the leadership and financial support necessary for the State Chamber/AIA to effectively represent the Arkansas business community.

Through the involvement and leadership of senior representatives of their firms, Pinnacle members actively participate in our grassroots action network, work on policy committees and lead the State Chamber/AIA on the Board of Directors. In doing so, these Pinnacle members provide resources necessary for our organization to achieve success while helping to shape the future of Arkansas and enhance its economic climate.
With the right mix, reliable, affordable power will always be a reality in Arkansas.

Visit themixmatters.com to find out more.
I wish to contribute to (check one PAC or both):

- [ ] Arkansas State Chamber of Commerce PAC   Amount $________________
- [ ] Associated Industries of Arkansas PAC   Amount $________________

A “person” may contribute up to $5,000 per calendar year to each PAC. “Person” includes any individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, company, corporation, association, committee, or any other organization or group of persons acting in concert. The name and address of each “person” who contributes more than $500 to a PAC must be reported to the Secretary of State. (Contributions are not tax-deductible.)

Contact Information

Name _______________________________________________________________________________________________________________________
Company Name _______________________________________________________________________________________________________________
Address ______________________________________________________________________________________________________________________
City ____________________________________________________________State _______________ ZIP _____________________________________
Phone ______________________________________________________ F ax _____________________________________________________________
E-Mail________________________________________________________________________________________________________________________

_________ Check is enclosed or Please charge my:

_________ American Express       _________ Discover       _________ MasterCard      _________ VISA

Card #__________________________________________________________ Security Code _____________________ Exp. Date__________________________

Name on Card (Please Print) _____________________________________________________________________________________________________
Billing Address on Card _________________________________________________________________________________________________________

Authorized Signature ___________________________________________________________________________________________________________

You may return this by mail to the appropriate PAC at: P.O. Box 3645, Little Rock, AR 72203 or fax it to 501-372-2722 or scan and email it to dmathis@arkansasstatechamber.com
**ARKANSAS STATE CHAMBER OF COMMERCE**

*Business matters.*

We need you as a driving force to secure Arkansas’s future. Please take a few minutes to answer the following questions so we can address issues important to you in shaping a healthy and growing business climate for our state. We invite you to join a growing list of business and civic leaders as investors in our work at the Arkansas State Chamber/Associated Industries of Arkansas, driving our mission to make Arkansas the best place in the country to live, work and do business.

<table>
<thead>
<tr>
<th>NAME</th>
<th>TITLE</th>
<th>COMPANY</th>
</tr>
</thead>
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<table>
<thead>
<tr>
<th>ADDRESS</th>
<th>CITY</th>
<th>ZIP</th>
<th># OF ARKANSAS EMPLOYEES</th>
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<tr>
<th>EMAIL</th>
<th>PHONE</th>
<th>MOBILE</th>
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Did you follow the 2013 Arkansas General Assembly?

- [ ] NO
- [ ] YES
  - If Yes, how?
  - I read the State Chamber/AIA Daily Legislative Update.
  - I read newspaper articles.
  - I watched television news reports.
  - I attended local meetings where lobbyists and others reported on the Session.
  - Other: ________________________________________________________________

Did you use the State Chamber/AIA’s website during the session?

- [ ] NO
- [ ] YES
  - If Yes, how did you use the site?
  - I looked at the Bill Tracking section.
  - I caught up on Daily Legislative Updates.
  - Other: ________________________________________________________________

Did you contact your local legislators during the 2013 session?

- [ ] NO
- [ ] YES
  - If Yes, how did you make contact with them?
  - I wrote and/or called them on specific issues.
  - I met with them in person on specific issues away from the Capitol.
  - I visited the Capitol during the Session.
  - I attended meetings in which legislators spoke about the Session.
  - Other: ________________________________________________________________

What were your top issues for the Session? __________________________________________________________________________
______________________________________________________________________________

What bills were you most happy to see passed? __________________________________________________________________________
______________________________________________________________________________

What bills were you most happy to see defeated? __________________________________________________________________________
______________________________________________________________________________

What bill(s) that passed were most disappointing to you? _______________________________________________________________________
______________________________________________________________________________

Do you make political contributions to state legislative candidates?

- [ ] Yes
- [ ] No

Do you make political contributions to judicial candidates?

- [ ] Yes
- [ ] No

Do you make contributions to Political Action Committees (PACs)?

- [ ] Yes
- [ ] No

Do you support the State Chamber PAC and/or AIA PAC?

- [ ] Yes
- [ ] No

- [ ] I was not aware the State Chamber/AIA had PACs

Are you familiar with the State Chamber/AIA’s Prosperity Project Website?

- [ ] Yes
- [ ] No

Please complete and e-mail back to dmathis@arkansasstatechamber.com or fax back to 501-372-2722.

Arkansas State Chamber of Commerce • 1200 West Capitol Ave. • Little Rock, AR 72201 • 501-372-2222
www.arkansasstatechamber.com or www.arkansasprosperity.org
A COMMUNITY AS STRONG AS STEEL

At Nucor, the strength of our steel goes beyond the materials, technology and dedicated teammates behind every product we make.

Our real strength comes from the community that supports us. That’s why we are proud to give back whenever we can. From helping educate our young people to supporting efforts to find a cure for cancer, our goal is to remind our community every day that we know where real strength comes from.

We are only as strong as the community that supports us.
Deltic Timber Corporation is helping Arkansas grow. Our diversity of assets in timberland ownership and management, wood-based product manufacturing, and real estate development positions us as poised for continuing growth in an expanding economy.