



ARKANSAS ECONOMIC DEVELOPMENT COMMISSION

Financing + Incentive Programs



AEDCE 2022



ARKANSAS

INC

Business Development Incentives

Applicable to Primary/Basic Industries:

- Manufacturing & Assembly
- Food Production
- Distribution
- Regional or corporate headquarters
- Etc.

Not Applicable to Non-primary/Non-basic Industries:

- Retail and tourism
- Service Businesses
- Restaurants, Barber Shops, Service Stations

Incentives Overview / **Categories**

Statutory

- Company must meet “Eligible Business” definition
- Must meet minimum requirements defined by each program
- Approved if company meets all criteria as defined by law
- Not all programs can be used for the same project

Discretionary

- Company must meet “Eligible Business” definition
- Must meet minimum requirements defined by each program
- Programs must be approved by Executive Director and/or Governor
- Not all programs can be used for the same project

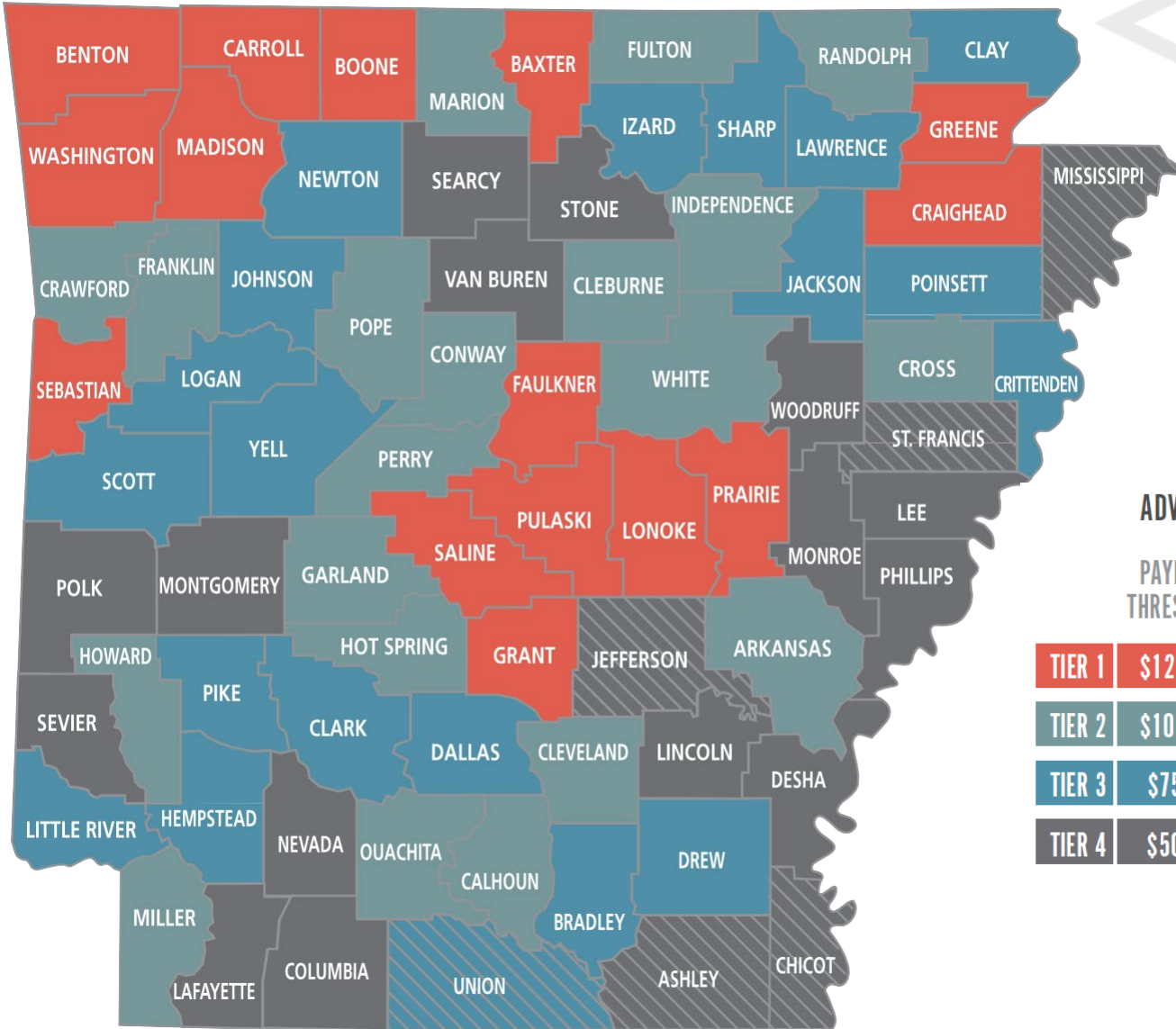


Incentives Overview / **Statutory + Discretionary**

- **Advantage Arkansas:** State income tax credit earned for 5 years; equal to 1%-4% of payroll of net new employees
- **Tax Back:** Sales and use tax refund for eligible purchases

- **Create Rebate:** Cash Rebate earned for up to 10 years; equal to 3.9%-5% of payroll of net new employees
- **ArkPlus:** State income tax credit equal to 10% of capital investment
- **Customized Training:** Reimbursement of eligible training and recruitment expenditures
- **Community Development Block Grants (CDBG):** Federal funds used in non-entitlement cities for project specific needs
- **Governor's Quick Action Closing Fund:** State funds used for project specific needs
- **Research and Development:** State income tax credit equal to 20% or 33% of eligible expenditures

Incentives Overview / Tier Map



	ADVANTAGE ARKANSAS		TAX BACK	CREATE REBATE		ARKPLUS	
	PAYROLL THRESHOLD	BENEFIT* (% OF PAYROLL)	INVESTMENT THRESHOLD	PAYROLL THRESHOLD	BENEFIT (% OF PAYROLL)	INVESTMENT THRESHOLD (BENEFIT = 10% OF INVESTMENT)	PAYROLL THRESHOLD
TIER 1	\$125,000	1%	\$500,000	\$2,000,000	3.9%	\$5,000,000	\$2,000,000
TIER 2	\$100,000	2%	\$400,000	\$1,750,000	4.25%	\$3,750,000	\$1,500,000
TIER 3	\$75,000	3%	\$300,000	\$1,500,000	4.5%	\$3,000,000	\$1,200,000
TIER 4	\$50,000	4%	\$200,000	\$1,250,000	5%	\$2,000,000	\$800,000

Minimum average hourly wage to qualify for an incentive program is \$14.94

*Qualified businesses shall receive an additional tax credit of 1% of payroll if the new employees' average hourly wage exceeds 125% of the lesser of the state or county average wage

/// Designated High Unemployment Rate Counties for Tourism Development Act Incentive

Local Incentives

- **Used to differentiate communities.**
- **Local communities cannot rely on state incentives alone to be competitive.**
- **Consider creating designated funding to support local incentives and infrastructure improvements.**
- **Some local incentive ideas:**
 - Property Tax Abatement
 - Passage of Economic Development Tax
 - Water and sewer discounts /connection waivers
 - Relocation expenses
 - Upgrading machinery/purchasing equipment
 - Parking lot expansions/upgrades/installation

Industrial Revenue Bonds

- Cities, Counties and ADFA are authorized to issue IRBs for qualified projects / bonds can be tax exempt and can provide property tax reduction of up to 65% for the life of the bond
- AEDC and ADFA can “guarantee” timely payment of principal and interest of up to \$11M / guarantee provides a more attractive bond rating which lowers the effective interest rate to the company
- Major benefit is the ability to secure long-term, fixed-rate financing for long-term assets at below-market rates

Community Development Block Grants and Loans

- Funds may be loaned to manufacturers for fixed-asset financing on projects that create jobs for low-to-moderate income families / 7-15 year terms with competitive rates

Equity Investment Tax Credit Program (EITC)

- Provides a 33 & 1/3% state income tax credit to investors in an approved company
- Company must be headquartered in Arkansas
- Must create full-time positions that pay 150% of the average wage in the County or State, whichever is less
- Although geared toward knowledge-based companies, it's not limited to those
- The tax credit is transferable
- Can only be issued for a cash investment, no like-kind or sweat equity can be incented
- \$6.25 million cap per calendar year

Financing/ **ADFA Options**

- **Venture Capital Development Fund:** Provides matching investment in AR based tech companies; \$50K - \$1M up to 20% of total raise; Last money in.
- **Venture Development Fund:** Provides matching investment in private equity and venture capital funds committed to investing in AR companies; \$250K - \$2M per fund.
- **Small Business Guaranty Program:** Loan guarantee to lenders up to 80% of the first \$200K loan amount up to \$160K max guarantee. For businesses working on a government or private contract.
- **Bond Guaranty:** Guarantees payments to bond holders up to \$6M. Can be combined with AEDC BG fund for a total of \$11M.

Financing/ **Federal Options**

- **Small Business Administration (SBA):** 7(a) – guarantees a portion of loan; 504 – long-term, fixed-rate asset financing; Microloans – up to \$50K for start up or expansion
- **US Department of Agriculture (USDA):** Provides guarantees to lenders on loans to rural businesses (population < 50K)
- **Export-Import Bank (EXIM):** Offers various financing options for US exporters (loan guarantee, project finance, working capital, direct loans)
- **New Market Tax Credits (NMTC):** Federal tax credits that encourage development in low-income communities
- **EB-5:** Provides US Green Card to foreign investors in return for creating US jobs
- **Economic Development Administration (EDA):** Grants funds for various economic development uses

ARKANSAS ECONOMIC DEVELOPMENT COMMISSION

ARKANSAS INC



1 Commerce Way, Suite 601
Little Rock, AR 72201
www.ArkansasEDC.com
501-682-1121



Arkansas Economic
Development Commission



@ArkansasEDC



@ArkansasEDC



Arkansas Inc

