

Tax Back Program Information

One of the statutory incentives available to expanding business in Arkansas is the Tax Back program. The Tax Back Program grants a refund of state and local sales and use taxes paid on the purchases of the material used in the construction of a building or buildings or any addition, modernization, or improvement to a new or expanding eligible business.

This incentive program is available to all eligible businesses that meet the qualifications for investment and payroll thresholds for the tier in which it locates or expands and are approved for benefits by the Commission. The Commission's approval is contingent upon receipt of a completed application and a local endorsement resolution from the city, county or both which authorizes the refund of its local taxes to the eligible company. To qualify, the eligible business must invest in excess of one hundred thousand dollars (\$100,000) and meet the eligibility criteria of the Advantage Arkansas (§15-4-2705), or Create Rebate, (§15-4-2707), job creation incentive programs. The financial incentive agreement for the job creation tax credit (Advantage Arkansas) or payroll rebate (Create Rebate) must be signed within 24 months of signing a financial incentive agreement for a sales and use tax refund unless the eligible business has met the requirements of a job creation financial incentive agreement under §15-4-2705 or §15-4-2707 within the previous forty-eight months.

An application, accompanied by local endorsement resolution must be filed with the Commission. The application should clearly identify the intent of the project, the expenditures planned, the start and end date of the project and an estimate of total project costs. The local endorsement resolution from the governing authority (city council, quorum court or both) in which the project is located must authorize the refund of its local sales and use taxes.

The purpose of the resolution is to: A) approve the specific entity's participation in the program; and B) specify that the municipality or county authorizes the Department of Finance and Administration to refund all or part of any sales and use tax levied at the local level. The municipality or county in which the eligible business is located may authorize the refund of any sales or use tax levied by it but may not authorize the refund of any sales and use tax not levied by it.

In the three years I've been in this position, we have worked with community partners to pass Tax Back resolutions in Benton, Booneville, Blytheville, Conway, Crossett, Danville, Emerson, Fort Smith, Harrison, Hope, Hot Springs, Leola, Little Rock, Maumelle, Mountain View, North Little Rock, Osceola, Rogers, and Siloam Springs, among other communities.

Tax Back – Process

1. *Secure signed Advantage Arkansas/Tax Back application from company. Application is made prior to hiring.*
2. *Tax Back: Application is made prior to purchasing or spending on any taxable items.*
3. ***Secure Tax Back resolutions from local Economic Development contact at city and county levels.***
4. *Package the following and scan an email copy to the Incentives Manager:*
 - *Advantage Arkansas/Tax Back Application*
 - *Advantage Arkansas Agreement.*
 - *Tax Back Resolutions – City and County*

5. *AEDC Incentives Manager will work with the Department of Finance and Administration to review the applications and seek approval. Upon approval, the Incentives Manager will add a signed approval letter from the Executive Director.*
6. *It is the Project Manager's responsibility to communicate to the applicant their application has been approved. It is at this time the Project Manager will provide the contact with the appropriate "Steps for Receiving AEDC Incentives" document.*
7. *Tax Back: Annually, at the end of each calendar year, the company must file an Annual Sales and Use Tax Refund Request with DF&A to request a refund of sales and use taxes paid on eligible project expenditures incurred during the preceding calendar year.*
8. *Upon completion of the refund request verification audit, DF&A will issue a refund of State and applicable local taxes. The State refund does not include the refund of taxes dedicated to the Educational Adequacy Fund or the Conservation Tax Fund (a reduction of 1% of the total state taxes paid).*