

RESOLUTION NO. 22-84

**RESOLUTION OF THE CITY COUNCIL OF MONTICELLO, ARKANSAS,
CERTIFYING LOCAL GOVERNMENT ENDORSEMENT OF BUSINESS TO
PARTICIPATE IN THE TAX BACK PROGRAM (AS AUTHORIZED BY SECTION
15- 4-2706(d) OF THE CONSOLIDATED INCENTIVE ACT OF 2003)**

Whereas, in order to be considered for participation in the Tax Back Program, the local government must endorse a business to participate in the Tax Back Program; and

Whereas, the local government must authorize the refund of local sales and use taxes as provided in the Consolidated Incentive Act of 2003; and

Whereas, said endorsement must be made on specific form available from the Arkansas Economic Development Commission; and

Whereas, SeaArk, LLC, located at 728 West Patton St, Monticello, AR 71655 has sought to participate in the program and more specifically has requested benefits accruing from construction of the specific facility; and

Whereas, SeaArk, LLC, has agreed to furnish the local government all necessary information for compliance.

Now therefore be it resolved by the City of Monticello, Arkansas, that:

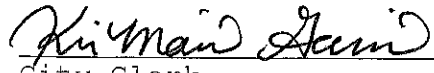
1. SeaArk, LLC, be endorsed by the City of Monticello, Arkansas, for benefits from the sales & use tax refunds as provided by Section 15-4-2706(d) of the Consolidated Incentive Act of 2003.
2. The Department of Finance and Administration is authorized to refund local sales and use taxes to SeaArk, LLC.
3. This resolution shall take effect immediately.

(END OF RESOLUTION)

ADOPTED ON THIS 15th day of December, 2022.



Mayor



City Clerk

AEDC Incentives Proposal



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ARKANSAS ECONOMIC DEVELOPMENT COMMISSION (AEDC) INCENTIVES SUMMARY SEAARK BOATS

All incentives offered are contingent upon SeaArk Boats expanding their manufacturing facility in Monticello, (Drew County), Arkansas, and meeting the applicable definitions below. Incentives are based on the project assumptions below and any change in the project criteria will require a reassessment and/or recalculation of the incentives.

PROJECT PARAMETERS

- 50 Net, New Jobs Within 5 Years
- \$17.33 Average Hourly Wage
- Investment: \$1,374,000

Eligibility

AEDC incentives are available for non-retail businesses engaged in commerce for profit that fall into one or more of the following categories:

- Manufacturers in NAICS codes 31-33
- Businesses primarily engaged in the design and development of prepackaged software, digital content production and preservation, computer processing, data preparation services or information retrieval services. Eligible computer-related businesses must derive at least 51% of their revenue from out-of-state sales and pay an average wage in excess of 125% of the lesser of the state or county average hourly wage to employees whose payroll is subject to incentive benefits.
- Businesses primarily engaged in film and digital product productions and post productions that derive at least 51% of their revenue from out-of-state sales and pay an average wage in excess of 125% of the lesser of the state or county average hourly wage to employees whose payroll is subject to incentive benefits.
- Distribution centers that derive 75% of their sales revenue from out-of-state customers.
- Intermodal facilities with more than one mode of interconnected movement of freight, commerce, or passengers.
- Office sector businesses that support primary business needs and that are non-retail businesses deriving at least 75% of their revenue from out-of-state.
- National or regional corporate headquarters as classified in the NAICS code 551114
- Scientific and technical service businesses that derive at least 51% of their revenue from out-of-state sales and pay an average in excess of 150% of the lesser of the state or county average hourly wage to employees whose payroll is subject to incentive benefits.
- Businesses primarily engaged in support activities for air transportation, NAICS

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Code 488190, that derive at least 75% of their revenue from out-of-state sales.

- Businesses primarily engage in support activities for rail transportation, NAICS Code 488210, that derive at least 75% of their revenue from out-of-state sales.

Applicable Definitions

New, Full-Time, Permanent Employee means:

- A position or job that was created pursuant to the signed financial incentive agreement and that is filled by one (1) or more employees or contractual employees working at the facility identified in the financial incentive agreement who were Arkansas taxpayers during the year in which the tax credits or incentives were earned. Existing employees may not be considered new full-time permanent employees unless certain conditions are met as defined herein.
- The position or job held by the employee or employees shall have been filled for at least twenty-six (26) consecutive weeks with an average of at least thirty (30) hours per week.
- However, to qualify under this act, a contractual employee shall be offered a benefits package comparable to a direct employee of the business seeking incentives under this act.

Project Costs include:

- Construction of a new plant or facility;
- Expansion of an established plant or facility by adding to the building, production equipment, or support infrastructure; or
- Modernization of an established plant or facility through the replacement of production or processing equipment or support infrastructure that improves efficiency or productivity.

"Project" does not include:

- Expenditures for routine repair and maintenance that do not result in new construction, expansion or modernization;
- Routine operating expenditures;
- Expenditures incurred at multiple facilities; or
- The purchase or acquisition of an existing business unless:
 - There is sufficient documentation that the existing business was closed; and
 - The purchase of the existing business will result in the retention of the jobs that would have been lost due to the closure.
- Eligible project costs must be incurred within four (4) years from the date the financial incentive agreement was signed by the Commission

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Statutory Incentives

Advantage Arkansas Program

The Advantage Arkansas Program is a job tax credit program for qualifying new and expanding companies. The credits earned will be equal to 3% of the net, new payroll for a period of five years. Employees must be taxpayers of Arkansas to qualify for the credit and the average hourly wage of the new employees must be at least \$14.94. SeaArk Boats must reach \$75,000 annual payroll threshold within 24 months to be eligible.

A business may receive an additional tax credit of 1% of the payroll if the average hourly wage exceeds \$125% of the lesser of the county (\$24.04) or state (\$31.15) average hourly wage.

The Company may apply the credit to their state income tax liability, not to exceed 50% of the total income tax liability for a reporting period. The income tax credit begins in the year in which the new employees are hired. Any unused credits can be carried forward for nine (9) years beyond the year in which they were earned.

The income tax credits are calculated as follows:

Year	Jobs	Average Hourly Wage	Payroll Estimates	Benefit	Tax Credit Estimates
Year 1	6	\$ 17.33	\$ 216,278.40	3.00%	\$ 6,488.35
Year 2	50	\$ 17.33	\$ 1,802,320.00	3.00%	\$ 54,069.60
Year 3	50	\$ 17.33	\$ 1,802,320.00	3.00%	\$ 54,069.60
Year 4	50	\$ 17.33	\$ 1,802,320.00	3.00%	\$ 54,069.60
Year 5	50	\$ 17.33	\$ 1,802,320.00	3.00%	\$ 54,069.60
Total Estimated Tax Credits					\$ 222,766.75

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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. A sales and use tax refund is also allowed for the purchases of taxable machinery or equipment associated with the building or project.

A refund shall not be authorized for:

1. routine operating expenditures;
2. the purchase of replacements of items previously purchased as part of a project unless the items previously purchased will not enable the project to function as originally intended;
3. licensed motor vehicles; or
4. expenditures for routine repair and maintenance that do not result in new construction or expansion.

To qualify for the Tax Back Program, the company must:

1. meet the minimum investment threshold of \$300,000 for Drew County
2. sign a job creation agreement (Advantage Arkansas or Create Rebate Agreement) within 24 months of obtaining the Tax Back incentive
3. submit a completed application accompanied by a local endorsement resolution from the city, county or both which authorizes the refund of its local taxes to the eligible company

The refund will not include the sales tax dedicated to the Educational Adequacy Fund and the Conservation Tax Fund. These two exceptions reduce the state refund by one percent (1%). Currently state sales tax rate is six and a half percent (6.5%) therefore the refund of state taxes will be based upon five and a half percent (5.5%) of the eligible taxable purchases. The refund of local taxes will be based on the sales tax rates for the city (1%) and county (2.25%) in which the company locates.

The Tax Back Program sales tax refunds are calculated as follows:

$$\begin{array}{rclclcl} \text{Eligible Investment amount} & \times & \text{Eligible Refund Amount} & & = & \text{Estimate Benefit Amount} \\ \$1,374,000 & \times & 60\%* & \times & 5.5\%(\text{state}) + 3.25\%(\text{local}) & = & \$ 72,135 \end{array}$$

**This estimate assumes 40% of building costs are non-taxable labor.*

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Discretionary Incentives

Community Development Block Grant Fund (CDBG)

The Arkansas Economic Development Commission will commit to the City of Monticello up to \$300,000 from the state Community Development Block Grant Fund (CDBG) to be used for infrastructure assistance or the purchase of equipment for the benefit of SeaArk Boats.

This funding is contingent upon SeaArk Boats meeting the job ramp up schedule outlined on page 1 of this proposal. The net new full-time jobs in Monticello must average \$17.33/hour. If this proposal is accepted by the company, a grant agreement and grant reimbursement agreement will be signed by AEDC and the company that will include provisions in the event that certain job and wage thresholds are not met and maintained.

Projects using CDBG funds must meet requirements of certain federal statutes and regulations which include environmental review; Davis-Bacon required federal minimum wage for construction laborers on the site; prohibition on use of CDBG assistance for job-pirating activities; employee reporting, including the requirement that at least 51% of jobs created as a result of the project are made available to persons of low-to-moderate income; and other financial and record keeping requirements. These regulations will be outlined in detail during the administration of the grant.

The company will be required to make at least 51% of all jobs available to low- to moderate-income (LMI) persons. In order to qualify a job as being made "available to" a low- to moderate-income person, the job must meet the following requirements:

- a. Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the business agrees to hire unqualified persons and provide training; and
- b. The Grantee and Company takes actions to ensure that low- to moderate-income persons receive "first consideration" for filling such jobs.

A low- to moderate-income person is someone whose family total annual income is 80% or less of the median family income for the area where the job is located, according to the Section 8 Income Chart located [here](#).

In Drew County, for example, an applicant in a four-person family would need to make less than \$50,550 a year to be considered low- to moderate-income.

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Sales Tax Exemptions – Sales Tax Savings

Exemptions from sales and use taxes for manufacturers are as follows:

- Property which becomes a recognizable, integral part of property manufactured, compounded, processed, or assembled for resale.
- Machinery and equipment used directly in manufacturing which are purchased for a new or expanding manufacturing facility or to replace existing machinery or equipment
- Machinery and equipment required by Arkansas law to be purchased for air or water pollution control

The value of this statutory exemption depends on the amount of eligible expenditures as determined by the Arkansas Department of Finance and Administration.

The State of Arkansas has a reduced 0.625% on electricity and natural gas used directly in the manufacturing process. For purposes of determining what utility usage is subject to this reduced rate, the manufacturing process includes processes beginning at the point where raw materials are first moved from raw material storage to the beginning of manufacturing or processing of those raw materials into items of tangible personal property and ends when the finished manufactured goods are packaged and ready for shipment or storage.

Training Incentives

Training resources are available through the Office of Skills Development within the Department of Career Education for incumbent worker skill upgrades. Companies must be in operation in Arkansas for 12 months before the application process begins. Exceptions may be considered by the Governor's Workforce Cabinet. Qualifying training activities may include, but are not limited to, Train-the-trainer training, Professional Development, Skills Gap for regional skills deficits, and technical skill upgrades.

The percentage of reimbursement for qualified expenditures is based on need and expected outcomes of the training program. The company must complete and submit an application for funding prior to any planned training, which will be reviewed by the Governor's Workforce Cabinet for approval. Rules and Regulations and Application documents may be found at:

<https://arkansasosd.com/grantresources/>

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Certification

The undersigned authority, _____ acknowledges that he/she is the owner or authorized official of the applicant company that has the authority to act on behalf of the applicant.

BY _____

TITLE _____

DATE _____