State of Arkansas *As Engrossed: S1/15/15 S1/22/15 H1/28/15*
90th General Assembly

A Bill

Regular Session, 2015 SENATE BILL 6

By: Senators J. Dismang, *Bledsoe, Burnett, Caldwell, E. Cheatham, L. Chesterfield, A. Clark, Collins-Smith, J. Cooper, J. English, Files, Flippo, S. Flowers, J. Hendren, Hester, Hickey, J. Hutchinson, Irvin, B. Johnson, U. Lindsey, Maloch, B. Pierce, Rapert, Rice, B. Sample, D. Sanders, G. Stubblefield, Teague, E. Williams, J. Woods*
By: Representatives Gillam, *Jean, Jett, Collins, Bragg, Branscum, Cozart, D. Douglas, Eaves, L. Fite, Henderson*

For An Act To Be Entitled

AN ACT TO CREATE THE MIDDLE CLASS TAX RELIEF ACT OF 2015; TO AMEND THE INCOME TAX RATES FOR INDIVIDUALS, TRUSTS, AND ESTATES; TO ADJUST THE MINIMUM AND MAXIMUM DOLLAR AMOUNTS IN CERTAIN INCOME BRACKETS FOR INDIVIDUALS, TRUSTS, AND ESTATES; TO AMEND THE INCOME TAX APPLICABLE TO CAPITAL GAINS; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

TO CREATE THE MIDDLE CLASS TAX RELIEF ACT OF 2015; TO AMEND THE INCOME TAX RATES AND BRACKETS FOR INDIVIDUALS, TRUSTS, AND ESTATES; TO AMEND THE INCOME TAX ON CAPITAL GAINS; AND TO DECLARE AN EMERGENCY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. DO NOT CODIFY. <u>*This act shall be known as the "Middle Class Tax Relief Act of 2015".*</u>

SECTION 2. Arkansas Code § 26-51-201(a), concerning the income tax on *individuals, trusts, and estates, is amended to read as follows:*

(a) For tax years beginning on and after January 1, ~~2012~~ 2014, a tax is imposed upon, and with respect to, the entire income of every resident, individual, trust, or estate. The tax shall be levied, collected, and paid annually upon the entire net income as defined and computed in this chapter at the following rates, giving effect to the tax credits provided hereafter, in the manner set forth:

(1)~~(A)~~ On the first ~~four thousand ninety-nine dollars ($4,099)~~ four thousand two hundred ninety-nine dollars ($4,299) of net income or any part thereof, ~~one percent (1%).~~ nine-tenths percent (0.9%);

~~(B) For tax years beginning on and after January 1, 2014, on the first four thousand ninety-nine dollars ($4,099) of net income or any part thereof, nine-tenths percent (0.9%);~~

(2)~~(A)~~ On the next four thousand one hundred dollars ($4,100) of net income or any part thereof, two and five-tenths percent (2.5%)~~.~~;

~~(B) For tax years beginning on and after January 1, 2015, on the next four thousand one hundred dollars ($4,100) of net income or any part thereof, two and four-tenths percent (2.4%);~~

(3)~~(A)~~ On the next ~~four thousand dollars ($4,000)~~ four thousand two hundred dollars ($4,200) of net income or any part thereof, three and five-tenths percent (3.5%)~~.~~;

~~(B) For tax years beginning on and after January 1, 2015, on the next four thousand dollars ($4,000) of net income or any part thereof, three and four-tenths percent (3.4%);~~

(4)~~(A)~~ On the next ~~eight thousand two hundred dollars ($8,200)~~ eight thousand four hundred dollars ($8,400) of net income or any part thereof, four and five-tenths percent (4.5%)~~.~~;

~~(B) For tax years beginning on and after January 1, 2015, on the next eight thousand two hundred dollars ($8,200) of net income or any part thereof, four and four-tenths percent (4.4%);~~

(5)~~(A)~~ On the next ~~thirteen thousand six hundred dollars ($13,600)~~ fourteen thousand one hundred dollars ($14,100) of net income or any part thereof, six percent (6%)~~.~~;

~~(B) For tax years beginning on and after January 1, 2015, on the next thirteen thousand six hundred dollars ($13,600) of net income or any part thereof, five and nine-tenths percent (5.9%); and~~

(6)~~(A)~~ On net income of ~~thirty-four thousand dollars ($34,000)~~ thirty-five thousand one hundred dollars ($35,100) and above, seven percent (7%)~~.~~;

~~(B) For tax years beginning on and after January 1, 2015, on net income of thirty-four thousand dollars ($34,000) and above, six and nine-tenths percent (6.9%).~~

(7) For tax years beginning on and after January 1, 2016, every resident, individual, trust, or estate having net income greater than or equal to twenty-one thousand dollars ($21,000), but less than or equal to seventy-five thousand dollars ($75,000), shall determine the amount of income tax due under this subsection in accordance with the table set forth below:

From	*Less Than or Equal To*	*Rate*
$0	*$4,299*	*0.9%*
$4,300	*$8,399*	*2.5%*
$8,400	*$12,599*	*3.5%*
$12,600	*$20,999*	*4.5%*
$21,000	*$35,099*	*5%*
$35,100	*$75,000*	*6%*

(8) For tax years beginning on and after January 1, 2015, every resident, individual, trust, or estate having net income of less than twenty-one thousand dollars ($21,000) shall determine the amount of income tax due under this subsection in accordance with the table set forth below:

From	*Less Than or Equal To*	*Rate*
$0	*$4,299*	*0.9%*
$4,300	*$8,399*	*2.4%*
$8,400	*$12,599*	*3.4%*
$12,600	*$20,999*	*4.4%*

(9) For tax years beginning on and after January 1, 2016, every resident, individual, trust, or estate having net income of more than seventy-five thousand dollars ($75,000) shall determine the amount of income tax due under this subsection in accordance with the table set forth below:

From	Less Than or Equal To	Rate
$0	$4,299	0.9%
$4,300	$8,399	2.5%
$8,400	$12,599	3.5%
$12,600	$20,999	4.5%
$21,000	$35,099	6%
$35,100 and above		6.9%

(10) For tax years beginning on and after January 1, 2016, every resident, individual, trust, or estate having net income of more than seventy-five thousand dollars ($75,000) but not more than eighty thousand dollars ($80,000), shall reduce the amount of income tax due as determined under subdivision (a)(9) of this section by deducting a bracket adjustment amount in accordance with the table set forth below:

From	Equal To	Bracket Adjustment Amount
$75,001	$76,000	$440
$76,001	$77,000	$340
$77,001	$78,000	$240
$78,001	$79,000	$140
$79,001	$80,000	$40
$80,001 and above		$0

(11) The tables set forth in subdivisions (a)(1)-(a)(10) of this section shall be adjusted annually in accordance with the method set forth in subsection (d) of this section.

SECTION 3. Effective for tax years beginning on and after January 1, 2015, Arkansas Code § 26-51-815(b), concerning the computation of capital gains and losses, is amended to read as follows:

(b)(1) Except as otherwise provided in this subsection, if a taxpayer has a net capital gain for tax years beginning on and after January 1, 1999, thirty percent (30%) of the gain is exempt from state income tax.

(2) If a taxpayer has a net capital gain ~~for tax years beginning on and after January 1, 2015, fifty percent (50%)~~, the following portion of the gain is exempt from state income tax~~.~~:

(A) From January 1, 2015, through January 31, 2015, fifty percent (50%); and

(B) Beginning on and after February 1, 2015, forty percent (40%).

~~*(3) The amount of net capital gain in excess of ten million dollars ($10,000,000) from a gain realized on or after January 1, 2014, is exempt from the state income tax.*~~

SECTION 4. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that income tax rates for Arkansas residents are too high in comparison to the income tax rates in surrounding states; that these burdensome income tax rates prevent Arkansas from being competitive with surrounding states in the region; that amending the exclusion from tax for a portion of capital gains income will increase the state's ability to provide additional tax relief to middle class taxpayers without overburdening the state's resources; and that this act is immediately necessary because it is in the best interests of the state to increase Arkansas's ability to compete in the region by dedicating as much funding as is economically possible and prudent to relieve the income tax burden suffered by middle class taxpayers in the state. Therefore, an emergency is declared to exist, and this act being immediately necessary for the preservation of the public peace, health, and safety shall become effective on:

(1) The date of its approval by the Governor;

(2) If the bill is neither approved nor vetoed by the Governor, the expiration of the period of time during which the Governor may veto the bill; or

(3) If the bill is vetoed by the Governor and the veto is overridden, the date the last house overrides the veto.

/s/J. Dismang

APPROVED: 02/06/2015