

HOUSE AMENDMENT 3 TO HB1006.

by deleting lines 19 through 21 on page 1 and replacing them with the following:

"TAXPAYER INCOME TAX CREDIT BASED ON FEDERAL SOCIAL SECURITY (OASDI) TAX PAID ON THE FIRST \$40,000 OF WAGES AND SALARIES; TO INDEX INDIVIDUAL INCOME TAX RATES BASED ON THE CONSUMER PRICE INDEX; TO DOUBLE THE CHILD CARE TAX CREDIT FROM 10% TO 20% OF THE FEDERAL CREDIT; TO EXCLUDE FROM INCOME GAIN ON THE SALE OF A PRINCIPAL RESIDENCE; TO INCREASE THE AMOUNT OF PROPERTY TAX REFUND BY \$50 AND ADJUST THE INCOME BRACKETS; AND FOR OTHER PURPOSES. _"

AND by deleting line 28 on page 1 and replacing it with the following:

"FEDERAL OASDI TAX PAID; INDEXES INDIVIDUAL INCOME RATES BASED ON CPI; INCREASES CHILD CARE CREDIT; EXCLUDES GAIN ON SALE OF HOME; INCREASES PROPERTY TAX REFUND. _"

AND by deleting lines 12 and 13 on page 2 and replacing them with the following:

"(3) An unmarried head of household, whose gross income for any income year does not exceed twelve thousand dollars (\$ 12,000)."

AND by deleting lines 25 through 36 on page 2, all of pages 3, 4, 5, 6, and 7, and lines 1 through 8 on page 8, and replacing them with the following:

"(3) Any head of household whose gross income for the taxable year is more than twelve thousand dollars (\$ 12,000) but not more than sixteen thousand two hundred dollars (\$16,200) may compute the income tax payable on the income in excess of twelve thousand dollars (\$ 12,000) from Reduced Tax Table C in § 26-51-302.'

SECTION 3. Ark. Code Ann. §26-51-302 is amended to read as follows:

^ (A) REDUCED TAX TABLE A - SINGLE

Income		
Below	7,701	0
7,701	7,800	20
7,801	7,900	21
7,901	8,000	22

8,001	8,100	33
8,101	8,200	35
8,201	8,300	36
8,301	8,400	38
8,401	8,500	39
8,501	8,600	41
8,601	8,700	42
8,701	8,800	44
8,801	8,900	45
8,901	9,000	47
9,001	9,100	48
9,101	9,200	50
9,201	9,300	51
9,301	9,400	79
9,401	9,500	81
9,501	9,600	83
9,601	9,700	85
9,701	9,800	87
9,801	9,900	89
9,901	10,000	91
10,001	10,100	94
10,101	10,200	96
10,201	10,300	98
10,301	10,400	100
10,401	10,500	102
10,501	10,600	104
10,601	10,700	106
10,701	10,800	108
10,801	10,900	110
10,901	11,000	112
11,001	11,100	115
11,101	11,200	118
11,201	11,300	120
11,301	11,400	123

Above \$11,400, use standard tax table.

(B) REDUCED TAX TABLE B - MARRIED

Income		
Below	15,501	0
15,501	15,600	80
15,601	15,700	81
15,701	15,800	83
15,801	15,900	84
15,901	16,000	86
16,001	16,100	116
16,101	16,200	118

Above \$16,200, use standard tax table.

(C) REDUCED TAX TABLE C
HEAD OF HOUSEHOLD

Income		
Below	12,000	0
12,001	12,100	40
12,101	12,200	42
12,201	12,300	43
12,301	12,400	44
12,401	12,500	45
12,501	12,600	46
12,601	12,700	47
12,701	12,800	48
12,801	12,900	49
12,901	13,000	50
13,001	13,100	84
13,101	13,200	85
13,201	13,300	87
13,301	13,400	88
13,401	13,500	90
13,501	13,600	91
13,601	13,700	93
13,701	13,800	94
13,801	13,900	96
13,901	14,000	97
14,001	14,100	99

14,101	14,200	100
14,201	14,300	102
14,301	14,400	103
14,401	14,500	105
14,501	14,600	106
14,601	14,700	108
14,701	14,800	109
14,801	14,900	111
14,901	15,000	112
15,001	15,100	114
15,101	15,200	115
15,201	15,300	203
15,301	15,400	205
15,401	15,500	208
15,501	15,600	210
15,601	15,700	213
15,701	15,800	215
15,801	15,900	218
15,901	16,000	220
16,001	16,100	223
16,101	16,200	225

Above \$16,200, use standard tax table.'

SECTION 4. Title 26, Chapter 51, Subchapter 5 of Arkansas Code Annotated is amended to add a new section to read as follows:

(a) A credit shall be allowed against the individual income tax imposed by the Arkansas Income Tax Act, as amended, §26-51-101, et seq. to be calculated in accordance with subsection (b) of this section.

(b) (1) The credit shall be equal to a percentage of the total amount of OASDI tax paid by each taxpayer for the taxable year on taxable income up to \$40,000. The percentage is dependent upon the taxpayer's filing status and gross income as set forth in the table below. With respect to married taxpayers, the combined gross income of both spouses is to be considered in determining the applicable percentage.

FILING STATUS	GROSS INCOME	CREDIT
Single	\$0 - 11,400	4% of OASDI tax
Single	Greater than \$11,400	2% of OASDI tax on first \$40,000 of taxable income
Married	\$0 - 16,200	4% of OASDI tax
Married	Greater than \$16,200	2% of OASDI tax on first \$40,000 of taxable income
Head of household	\$0 - 16,200	4% of OASDI tax
Head of household	Greater than \$16,200	2% of OASDI tax on first \$40,000 of taxable income

In no event shall the credit exceed the amount of credit that would have been available if the total income of the taxpayer had been subject to OASDI tax pursuant to 26 U.S.C. §§3101(a), 3201(a) or 3211(a).

(2) An equivalent income tax credit is allowed to taxpayers who do not pay OASDI tax but who, in lieu of OASDI tax, pay a similar tax imposed under federal law into a retirement plan which is not included in subsection (e) of this section. The credit shall be equal to a percentage of the total amount of tax in lieu of OASDI tax paid by each taxpayer for the taxable year on taxable income up to \$40,000. The percentage is dependent upon the taxpayer's filing status and gross income as set forth in the table in subsection (b)(1) above. With respect to married taxpayers, the combined gross income of both spouses is to be considered in determining the applicable percentage. In no event shall the tax credit allowed under this subsection exceed the amount of tax credit that would have been available under this subsection if the taxpayer's income subject to the tax in lieu of OASDI tax had been subject to OASDI tax. The Director shall determine whether a tax payment is made in lieu of OASDI tax.

(3) With respect to taxpayers who pay both the employer and employee portions of OASDI tax on taxable income, the amount of the credit shall be limited to one-half of the OASDI tax paid on such income.

(c) The credit provided in subsection (b) may not be taken if the taxpayer claims the exemptions provided by §§26-51-306 or 26-51-307(a), (b) or (c). This credit may be taken if the taxpayer chooses to itemize his or her deductions. This credit is included in the reduced income tax rates provided by §26-51-302 so that taxpayers qualifying for the reduced rates will not calculate a separate credit under this section.

(d) The Director may require such proof of payment of OASDI tax as he deems necessary.

(e) As used in this section, "OASDI tax" means the federal old age, survivors and disability insurance tax imposed:

(1) upon an employee's wages or other income pursuant to 26 U.S.C. §3101(a);

(2) upon the self-employment income of an individual pursuant to 26 U.S.C. §1401(a); or

(3) upon the income of an employee or employee representative pursuant to 26 U.S.C. §§3201(a) or 3211(a) (Railroad Retirement Tax Act).

(f) As used in this section, the term 'taxable income' means wages, salaries, tips, net earnings or other earned income upon which OASDI tax or a tax in lieu of OASDI tax is imposed.'

SECTION 5. Ark. Code Ann. §26-51-201 concerning individual income tax rates is amended to add a new paragraph to read as follows:

(d) (1) Not later than December 15 of 1998, and each subsequent calendar year, the Director shall prescribe a table which shall apply in lieu of the table contained in §26-51-201(a) with respect to taxable years beginning in the succeeding calendar year. The Director shall increase the minimum and maximum dollar amounts for each rate bracket (rounding to the nearest \$100) for which a tax is imposed under such table by the cost-of-living adjustment (COLA) for such calendar year and by not changing the rate applicable to any rate bracket as adjusted. The yearly COLA increase in each rate bracket as provided in paragraph (2) shall apply to the brackets as contained in §26-51-201(a) as in effect on January 1, 1998.

(2) For purposes of paragraph (1), the cost-of-living adjustment for any calendar year is the percentage (if any) by which the CPI for the calendar year preceding the taxable year exceeds the CPI for the calendar year 1997, not to exceed three percent (3%). The CPI for any calendar year is the average of the Consumer Price Index as of the close of the 12-month period ending on August 31 of such calendar year. "Consumer Price Index" means the last Consumer Price Index for all-urban consumers published by the Department of Labor.

(3) The new tables, as adjusted, shall apply for tax returns filed for taxable year 1999 and thereafter, and shall be used by the Director in preparing the income tax withholding tables pursuant to Ark. Code Ann. §26-51-907.'

SECTION 6. Ark. Code Ann. §26-51-502(b) relating to child care tax credit is amended to read as follows:

“(b) (1) Section 21 of the Internal Revenue Code of 1986, as amended and in effect on January 1, 1997, is adopted for purposes of determining the allowable credit under the Arkansas Income Tax Act, as amended, §26-51-101 et seq., for household and dependent care services necessary for gainful employment.

(2) The amount of credit shall be twenty percent (20%) of the federal credit allowable.’

SECTION 7. Ark. Code Ann. §26-51-404(b) (2) concerning the definition of nontaxable income is amended to read as follows:

“(2) Gain from the sale or exchange of property if, during the 7-year period ending on the date of the sale or exchange, such property has been owned and used by the taxpayer as the taxpayer's principal residence for periods aggregating 5 years or more. In the case of an unmarried individual whose spouse is deceased on the date of sale or exchange of the property, if the deceased spouse (during the 7-year period ending on the date of the sale or exchange) satisfied the holding and use requirements of the preceding sentence with respect to such property, then such individual shall be treated as satisfying the holding and use requirements of the preceding sentence with respect to such property;’

SECTION 8. Ark. Code Ann. §26-51-305 concerning income from the sale of a home is repealed.

SECTION 9. Arkansas Code 26-51-607 is amended to read as follows:

“(a) The amount of any cash refund allowed or made pursuant to the provisions of this subchapter shall be determined as follows:

(1) If the household income of the claimant_s household was eight thousand dollars (\$8,000) or less during the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant_s homestead; however, the maximum refund any claimant may receive under this subdivision shall be three hundred dollars (\$300);

(2) If the household income of the claimant_s household is more than eight thousand dollars (\$8,000) but not more than nine thousand dollars (\$9,000) for the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant_s homestead; however, the maximum refund any claimant may receive under this subdivision shall be two hundred fifty dollars (\$250);

(3) If the household income of the claimant_s household is more than nine thousand dollars (\$9,000) but not more than ten thousand dollars (\$10,000) for the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant_s homestead; however, the maximum refund any claimant may

receive under this subdivision shall be two hundred dollars (\$200);

(4) If the household income of the claimant_s household is more than ten thousand dollars (\$10,000) but not more than eleven thousand dollars (\$11,000) for the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant_s homestead; however, the maximum refund any claimant may receive under this subdivision shall be one hundred fifty dollars (\$150);

(5) If the household income of the claimant_s household is more than eleven thousand dollars (\$11,000) but not more than twelve thousand dollars (\$12,000) for the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant_s homestead; however, the maximum refund any claimant may receive under this subdivision shall be one hundred twenty-five dollars (\$125);

(6) If the household income of the claimant_s household is more than twelve thousand dollars (\$12,000) but not more than sixteen thousand dollars (\$16,000) for the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant_s homestead; however, the maximum refund any claimant may receive under this subdivision shall be one hundred dollars (\$100).

(b) The refund shall be paid to the claimant as a cash refund. However, no interest shall be allowed on any payment made to a claimant under the provisions of this subchapter.

(c) If a claimant or another member of the household has any outstanding tax liability to the State of Arkansas, the amount of any claim otherwise payable under this subchapter, or such portion thereof as is necessary, shall be applied to the payment of the outstanding tax liability.'

SECTION 10. The provisions of Section 9 of this act shall be applicable for property tax refund claims filed in 1999 for property taxes paid in 1998 and subsequent years.

SECTION 11. The provisions of Sections 1, 2, 3, 4, 6, 7 and 8 of this act shall be effective on and after January 1, 1998."

AND

by appropriately renumbering the remaining sections.