

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1411

Bill Subtitle: TO AMEND AND EXPAND THE ARKANSAS ARTS AND CULTURAL DISTRICTS ACT; AND TO CREATE TAX INCENTIVES RELATED TO ARTS AND CULTURAL DISTRICTS.

Basic Change : Sponsor: Representative Sabin

HB1411 amends AR Codes Title 15 Chapter 11 and Title 26 Chapter 51 to exempt from income tax the income earned by qualifying residing artists in a cultural district. The bill will exempt from income tax the income from the sale, publication, or production of an artistic work written, composed, executed, or created within an arts and cultural district by a qualified residing artist. The exemption also applies to income derived from the internet, mail-order, and catalog sales that are shipped to purchasers outside the arts and cultural district if the qualifying residing artist created the artistic work within the arts and cultural district. This bill is effective for tax years beginning on or after January 1, 2015.

Revenue Impact :

FY2016 of \$500,000 reduction to General Revenue

FY2017 of \$650,000 reduction to General Revenue

Taxpayer Impact :

A qualified residing artist in an arts and cultural district will be allowed to exempt income from the sale of their artistic work.

Resources Required :

Update tax forms and instructions.

Time Required :

Adequate time is provided.

Procedural Changes :

Tax forms and instruction booklets will need to be updated. Employees will need to be educated as well as the tax community.

Other Comments :

Need to clarify whether expenses related to the receipt of "artistic work" are still deductible and used to offset other income even though the receipts are not included in income for the year in which the expenses are incurred.

Legal Analysis :

HB1411 creates an income tax incentive related to an arts or cultural district. Each qualifying residing artist is entitled to an income tax exemption on the income from the sale, publication, or production of an artistic work that is created in the district and sold within the district or shipped from within the district to purchasers who order by internet, mail-order, or catalog.

Current law grants authority to the Arkansas Arts Council to determine what areas qualify as an art and cultural district. The effect of this bill is to allow the Arkansas Arts Council to likewise extend an income tax exemption to persons and business residing within those districts by virtue of that designation. The effective date of the exemption would be for tax years beginning on or after January 1, 2015.