

Department of Finance and Administration

Legislative Impact Statement

Bill: SB482

Bill Subtitle: TO AMEND THE INCOME TAX ACT OF 1929; AND TO PROVIDE AN APPORTIONMENT FORMULA FOR THE INCOME OF RAILROADS.

Basic Change :

Sponsors: Sen. J. Dismang and Rep. Eaves

SB482 amends §§ 26-5-101 and 26-51-204 to provide a railroad the ability to choose between two different methods to apportion its income for corporation income tax purposes. A railroad would have the ability to elect to use:

- Three-factor apportionment, which include property, payroll, and double-weighted sales; or
- Sales factor apportionment.

The bill also codifies the methods for railroads to calculate property, payroll, and sales that are currently contained in Corporation Income Tax Rule 1.26-51-204. SB482 declares all rules of the Department of Finance and Administration (DFA) that conflict with SB482 void including any provisions of Rule 1.26-51-204. DFA would be authorized to promulgate any rules necessary to administer SB482.

SB482 is effective for tax years beginning on or after January 1, 2023.

Revenue Impact :

Revenue neutral.

Taxpayer Impact :

A railroad will be able to choose on the apportionment methods under SB482 for corporation income tax purposes.

Resources Required :

Computer programs, tax forms, and instructions will need to be updated. Programming for the Arkansas Integrated Revenue System (AIRS) is estimated to cost \$16,000.00.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Department employees and the tax community will need to be educated on these changes.

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Other Comments :

None.

Legal Analysis :

None.