

State of Arkansas
89th General Assembly
Regular Session, 2013

A Bill

HOUSE BILL 1586

By: Representative Collins

For An Act To Be Entitled

AN ACT TO GRADUALLY REDUCE THE INCOME TAX LEVIED ON INDIVIDUALS, TRUSTS, AND ESTATES; TO AMEND THE INCOME TAX RATES AND BRACKETS FOR INDIVIDUALS, TRUSTS, AND ESTATES; TO ADJUST THE DOLLAR AMOUNTS IN CERTAIN INCOME TAX BRACKETS FOR INDIVIDUALS, TRUSTS, AND ESTATES; AND FOR OTHER PURPOSES.

Subtitle

TO GRADUALLY REDUCE THE INCOME TAX LEVIED ON INDIVIDUALS, TRUSTS, AND ESTATES; TO AMEND THE INCOME TAX RATES AND BRACKETS OVER FOUR YEARS; AND TO ADJUST THE DOLLAR AMOUNTS IN CERTAIN INCOME TAX BRACKETS.

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

SECTION 1. Arkansas Code § 26-51-201(a), concerning the income tax levied on individuals, trusts, and estates, is amended to read as follows:

(a) 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) On the first ~~two thousand nine hundred ninety-nine dollars (\$2,999)~~ four thousand ninety-nine dollars (\$4,099) of net income or any part thereof, one percent (1%);

(2)(A) On the next ~~three thousand dollars (\$3,000)~~ four thousand



one hundred dollars (\$4,100) of net income or any part thereof, ~~two and one-half percent (2 1/2%)~~ two and one-eighth percent (2 1/8%);

(B) For the tax year beginning on January 1, 2015, on the next four thousand one hundred dollars (\$4,100) of net income or any part thereof, one and three-quarter percent (1 3/4%).

(C) For the tax year beginning on January 1, 2016, on the next four thousand one hundred dollars (\$4,100) of net income or any part thereof, one and three-eighths percent (1 3/8%).

(D) For tax years beginning on and after January 1, 2017, on the next four thousand one hundred dollars (\$4,100) of net income or any part thereof, one percent (1%);

(3) On the next ~~three thousand dollars (\$3,000)~~ four thousand dollars (\$4,000) of net income or any part thereof, three and one-half percent (~~3 1/2%~~) (3 1/2%);

(4) On the next ~~six thousand dollars (\$6,000)~~ eight thousand two hundred dollars (\$8,200) of net income or any part thereof, four and one-half percent (~~4 1/2%~~) (4 1/2%);

(5) On the next ~~ten thousand dollars (\$10,000)~~ thirteen thousand six hundred dollars (\$13,600) of net income or any part thereof, six percent (6%); and

(6)(A) On net income of ~~twenty-five thousand dollars (\$25,000)~~ thirty-four thousand dollars (\$34,000) and above, ~~seven percent (7%)~~ six and three-fourths percent (6 3/4%).

(B) For the tax year beginning on January 1, 2015, on net income of thirty-four thousand dollars (\$34,000) and above, six and one-half percent (6 1/2%).

(C) For the tax year beginning on January 1, 2016, on net income of thirty-four thousand dollars (\$34,000) and above, six and one-fourth percent (6 1/4%).

(D) For the tax years beginning on and after January 1, 2017, on net income of thirty-four thousand dollars (\$34,000) and above, six percent (6%).

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

(d)(1) ~~Not~~ Except as provided in subdivision (d)(4) of this section,

no later than December 15 ~~of~~, 1998, and each subsequent calendar year, the Director of the Department of Finance and Administration shall prescribe a table ~~which~~ that shall apply in lieu of the table contained in subsection (a) of this section 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 one hundred dollars (\$100), for which a tax is imposed under such table by the cost-of-living adjustment for such calendar year and by not changing the rate applicable to any rate bracket as adjusted. The yearly cost-of-living adjustment increase in each rate bracket as provided in subdivision (d)(2) of this section shall apply to the brackets as contained in subsection (a) of this section as in effect on January 1, 1998.

(2) For purposes of subdivision (d)(1) of this section, the cost-of-living adjustment for any calendar year is the percentage, if any, by which the GPI Consumer Price Index for the calendar year preceding the taxable year exceeds the GPI Consumer Price Index for the calendar year 1997, not to exceed three percent (3%). The GPI Consumer Price Index for any calendar year is the average of the Consumer Price Index as of the close of the twelve-month period ending on August 31 of such calendar year. As used in this section, "Consumer Price Index" means the last Consumer Price Index for All Urban Consumers published by the United States 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 § 26-51-907.

(4)(A) For tax years beginning on and after January 1, 2018, the net income subject to the rate of four and one-half percent (4 1/2%) under this section shall be increased each year by the greater of the following:

(i) Fifteen thousand dollars (\$15,000); or

(ii) The cost-of-living adjustment calculated by the director under subdivision (d)(1) of this section.

(B) The net income subject to the rate of six percent (6%) under this section is all net income that exceeds the maximum amount subject to the rate of four and one-half percent (4 1/2%) under this section.

(C)(i) However, if the net general revenues for the fiscal year are equal to or less than the net general revenues for the prior fiscal year, then the adjustments required under this subdivision (d)(4) shall be

suspended until the requirements of subdivision (d)(4)(C)(ii) of this section are met and the cost-of-living adjustment required under subdivision (d)(1) of this section shall be in effect for each rate bracket.

(ii) An adjustment that has been suspended under subdivision (d)(4)(C)(i) of this section shall resume when the net general revenues for the fiscal year exceed the net general revenues received for the base fiscal year.

(D) As used in this subdivision (d)(4):

(i) "Base fiscal year" means the twelve-month period preceding the fiscal year in which the adjustment was suspended under subdivision (d)(4)(C) of this section;

(ii) "Fiscal year" means the twelve-month period ending on June 30 of the year in which the cost-of-living adjustment is calculated under subdivision (d)(1) of this section; and

(iii) "Prior fiscal year" means the twelve-month period preceding the fiscal year.

SECTION 3. EFFECTIVE DATE. This act is effective for tax years beginning on or after January 1, 2014.