

State of Arkansas
91st General Assembly
Regular Session, 2017

A Bill

HOUSE BILL 1531

By: Representative G. Hodges

For An Act To Be Entitled

AN ACT TO CREATE AN INCOME TAX CREDIT FOR CERTAIN EDUCATIONAL OPPORTUNITIES; TO CREATE AN INCOME TAX CREDIT FOR EDUCATIONAL LOAN PAYMENTS FOR QUALIFIED INDIVIDUALS AND EMPLOYERS OF QUALIFIED INDIVIDUALS; AND FOR OTHER PURPOSES.

Subtitle

TO CREATE AN INCOME TAX CREDIT FOR EDUCATIONAL LOAN PAYMENTS FOR QUALIFIED INDIVIDUALS AND EMPLOYERS OF QUALIFIED INDIVIDUALS.

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

SECTION 1. Arkansas Code Title 26, Chapter 51, Subchapter 5, is amended to add an additional section to read as follows:

26-51-515. Educational loan payment credit.

(a) As used in this section:

(1) "Benchmark loan payment" means the monthly loan payment for the amount of the principal cap paid over ten (10) years at the interest rate for federally subsidized loans in the Robert T. Stafford Student Loan program under 20 U.S.C. § 1077a applicable during the qualified individual's last year of enrollment at an accredited community college, college, or university;

(2)(A) "Educational loan payment" means a payment on a loan that:

(i) Was a part of the qualified individual's



financial aid package; and

(ii) Was made by the taxpayer during the part of the taxable year that the qualified individual was employed in Arkansas.

(B) "Educational loan payment" includes a payment on a refinanced loan that was part of a qualified individual's financial aid package if the refinanced loan remains separate from other debt.

(C) "Educational loan payment" does not include the payment of an amount in excess of the amount due during the taxable year;

(3) "Financial aid package" means financial aid obtained by a qualified individual for attendance at an accredited community college, college, or university;

(4) "Principal cap" means:

(A) For a qualified individual earning an associate's degree, the average in-state tuition and mandatory fees for attendance at an Arkansas community college for the academic year ending during the calendar year immediately preceding the year of the qualified individual's graduation multiplied by two (2);

(B) For a qualified individual earning a bachelor's degree, the average in-state tuition and mandatory fees for attendance at an Arkansas college or university for the academic year ending during the calendar year immediately preceding the year of the qualified individual's graduation multiplied by four (4); and

(C) For a qualified individual earning a graduate degree from an accredited Arkansas college or university, the average in-state tuition and mandatory fees for attendance at an Arkansas college or university for the academic year ending during the calendar year immediately preceding the year of the qualified individual's graduation multiplied by four (4); and

(5) "Qualified individual" means a person who:

(A) Was a resident of Arkansas during the tax year;

(B) Was:

(i) Employed at least sixteen (16) hours per week in a position in Arkansas;

(ii) Deployed for military service in the United States Armed Forces, the National Guard of any state, or a reserve component of any of the United States Armed Forces; or

(iii) Employed at least sixteen (16) hours per week in a position on a vessel at sea and declared his or her residency to be in Arkansas; and

(C) Earned:

(i) An associate's degree or bachelor's degree from an accredited community college, college, or university; or

(ii) A graduate degree from an accredited Arkansas college or university.

(b) There is allowed an income tax credit against the income tax imposed by this chapter for a qualified individual or the employer of a qualified individual for educational loan payments in the amount determined under subsection (c) of this section.

(c)(1) The amount of the income tax credit allowed under this section for a qualified individual is equal to the lesser of the:

(A) Benchmark loan payment amount multiplied by the number of months during the taxable year in which the taxpayer made loan payments; or

(B) Qualified individual's monthly loan payment amount multiplied by the number of months during the taxable year in which the taxpayer made loan payments.

(2)(A) The amount of the income tax credit allowed under this section for an employer of a qualified individual who makes an educational loan payment directly to a lender during the taxable year is equal to the actual monthly educational loan payment made by the employer on behalf of the qualified individual multiplied by the number of months during the taxable year that the employer made educational loan payments on behalf of the qualified individual.

(B) However, if the qualified individual is employed less than thirty-two (32) hours per week by the employer, the amount of credit allowed for an employer of a qualified individual who makes an educational loan payment directly to a lender during the taxable year is equal to fifty percent (50%) of the amount that would be allowed under subdivision (c)(2)(A) of this section.

(d)(1) Except as provided in subdivision (d)(2) of this section, the amount of the income tax credit under this section that may be claimed by the taxpayer in a tax year shall not exceed the amount of income tax due by the

taxpayer.

(2) The income tax credit allowed under this section is refundable if the qualified individual received:

(A) An associate's degree; or

(B) A bachelor's degree in science, technology, engineering, or mathematics.

(e) Any unused income tax credit under this section may be carried forward for ten (10) consecutive tax years following the tax year in which the income tax credit was earned.

SECTION 2. EFFECTIVE DATE. Section 1 of this act is effective for tax years beginning on or after January 1, 2017.