

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas  
92nd General Assembly  
Regular Session, 2019

As Engrossed: H2/6/19  
**A Bill**

HOUSE BILL 1300

By: Representatives J. Mayberry, *Sullivan*

By: Senator K. Hammer

### **For An Act To Be Entitled**

AN ACT TO DEDICATE SAVINGS FROM THE ELIMINATION OF CERTAIN TAX INCENTIVES TO BE USED FOR *HIGHWAYS AND ROADWAYS IN THE STATE*; TO ELIMINATE THE INCOME TAX DEDUCTION FOR GAMBLING LOSSES; TO AMEND THE STATE HIGHWAY AND TRANSPORTATION DEPARTMENT *FUND*; *TO AMEND THE COUNTY AID FUND*; TO AMEND THE MUNICIPAL AID FUND; TO DIRECT GENERAL REVENUES TO BE USED TO FUND *HIGHWAY AND ROADWAY PROJECTS IN THE STATE*; AND FOR OTHER PURPOSES.

### **Subtitle**

*TO ELIMINATE THE INCOME TAX DEDUCTION FOR GAMBLING LOSSES; AND TO DEDICATE THE SAVINGS FROM THE ELIMINATION OF THE INCOME TAX DEDUCTION FOR GAMBLING LOSSES TO BE USED FOR HIGHWAYS AND ROADWAYS IN THE STATE.*

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

*SECTION 1. Arkansas Code § 19-5-601(b), concerning the Municipal Aid Fund, is amended to read as follows:*

*(b) The Municipal Aid Fund shall consist of:*

*(1) Such general revenues as may be made available to the Municipal Aid Fund by the Revenue Stabilization Law, § 19-5-101 et seq.;*

*(2) Such special revenues derived from highway user imposts,*



known as highway revenues, as may be made available to the Municipal Aid Fund for the benefit of municipalities by the Arkansas Highway Revenue Distribution Law, § 27-70-201 et seq.; ~~and~~

(3) Those special revenues as specified in § 19-6-301(135) of the Revenue Classification Law, § 19-6-101 et seq.; and

(4) Those general revenues deducted from the General Revenue Fund Account of the State Apportionment Fund and transferred to the Municipal Aid Fund under § 26-51-424.

SECTION 2. Arkansas Code § 19-5-602(b), concerning the County Aid Fund, is amended to read as follows:

(b) The County Aid Fund shall consist of:

(1) The general revenues as may be provided by the Revenue Stabilization Law, § 19-5-101 et seq., to the County Aid Fund;

(2) Such special revenues derived from highway user imposts, known as highway revenues, as may be provided by the Arkansas Highway Revenue Distribution Law, § 27-70-201 et seq.;

(3) Those special revenues as set out in § 19-6-301(74) and (117) and thirty-four percent (34%) of those special revenues as specified in § 19-6-301(20) of the Revenue Classification Law, § 19-6-101 et seq.; ~~and~~

(4) Twenty-five percent (25%) of all severance taxes other than those imposed upon saw timber and timber products as set out in § 19-6-301(18) of the Revenue Classification Law, § 19-6-101 et seq.; and

(5) Those general revenues deducted from the General Revenue Fund Account of the State Apportionment Fund and transferred to the County Aid Fund under § 26-51-424.

SECTION 3. Arkansas Code § 19-5-602(c)(1)(A), concerning the distribution of general revenues and special revenues in the County Aid Fund, is amended to read as follows:

(1)(A) The general revenues made available to the County Aid Fund by the Revenue Stabilization Law, § 19-5-101 et seq., and under § 26-51-424, shall be distributed with seventy-five percent (75%) divided equally among the seventy-five (75) counties of this state and twenty-five percent (25%) distributed on the basis of population according to the most recent federal decennial or special census, with each county to receive the

*proportion that its population bears to the total population of the state.*

SECTION 4. Arkansas Code § 19-6-405 is amended to read as follows:

19-6-405. State Highway and Transportation Department Fund.

The State Highway and Transportation Department Fund shall consist of:

(1) That part of the special revenues as specified in § 19-6-301(2)-(4), (22), (81), (105)-(107), (182), and (256), known as “highway revenue”, as distributed under the Arkansas Highway Revenue Distribution Law, § 27-70-201 et seq., and § 27-70-103 and § 27-72-301 et seq.;

(2) Those special revenues specified in § 19-6-301(10), (152), (187), (239), and (241);

(3) Fifty percent (50%) of § 19-6-301(26);

(4) That portion of § 19-6-301(2) as set out in § 27-14-601(a)(3)(H)(ii)(f);

(5) That portion of § 19-6-301(222);

(6) Those designated revenues as set out in § 26-56-201(e)(1), which consist of the additional total of four cents (4¢) distillate special fuel taxes to be distributed as provided in the Arkansas Highway Financing Act of 1999, § 27-64-201 et seq.;

(7) Federal revenue sharing funds as set out in § 19-5-1005; ~~and~~

(8) Those general revenues deducted from the General Revenue Fund Account of the State Apportionment Fund and transferred to the State Highway and Transportation Department Fund under § 26-51-424; and

(9) Any federal funds that may become available, there to be used for the maintenance, operation, and improvement required by the Arkansas Department of Transportation in carrying out the functions, powers, and duties as set out in Arkansas Constitution, Amendment 42, and §§ 27-65-102 – 27-65-107, 27-65-110, 27-65-122, and 27-65-124, and the other laws of this state prescribing the powers and duties of the department and the State Highway Commission.

SECTION 5. Arkansas Code § 26-51-424(a)(2), concerning the income tax deduction for losses, is amended to read as follows:

(2) In the case of an individual, the deduction under subdivision (a)(1) of this section shall be limited to:

(A) Losses incurred in a trade or business; or

(B)(i) Losses incurred in any transaction entered into for profit, though not connected with the trade or business, ~~including without limitation gambling losses, which are:~~

~~(i) Deductible to the extent of gambling winnings;~~  
and

~~(ii) Not subject to the two percent (2%) limitation on miscellaneous itemized deductions.~~

(ii)(a) However, gambling losses are not eligible for the deduction allowed under subdivision (a)(1) of this section.

(b) To capture the savings realized under subdivision (a)(2)(B)(ii)(a) of this section, the Treasurer of State, before making the percentage distributions of general revenues on the last day of each month as provided by law, shall deduct from the General Revenue Fund Account of the State Apportionment Fund an amount equal to one-twelfth (1/12) of ten million dollars (\$10,000,000) each month for transfer as follows:

(1) Seventy percent (70%) to the State Highway and Transportation Department Fund;

(2) Fifteen percent (15%) to the County Aid Fund; and

(3) Fifteen percent (15%) to the Municipal Aid Fund.

SECTION 6. EFFECTIVE DATE. This act is effective for tax years beginning on or after January 1, 2019.

*/s/J. Mayberry*