

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

State of Arkansas
92nd General Assembly
Regular Session, 2019

A Bill

HOUSE BILL 1434

By: Representative Love

For An Act To Be Entitled

AN ACT TO REDUCE THE TAX BURDEN ON ALL ARKANSAS TAXPAYERS; TO AMEND THE INCOME TAX IMPOSED ON INDIVIDUALS, TRUSTS, AND ESTATES; TO ALLOW AN EARNED INCOME TAX CREDIT; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

TO REDUCE THE TAX BURDEN ON ALL ARKANSAS TAXPAYERS; TO AMEND THE INCOME TAX IMPOSED ON INDIVIDUALS, TRUSTS, AND ESTATES; TO ALLOW AN EARNED INCOME TAX CREDIT; AND TO DECLARE AN EMERGENCY.

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

SECTION 1. Arkansas Code § 26-51-201(a)(7)-(10), concerning the income tax imposed on individuals, trusts, and estates, are amended to read as follows:

(7) Every resident, individual, trust, or estate having net income greater than or equal to ~~twenty-one thousand dollars (\$21,000)~~ twenty-two thousand two hundred dollars (\$22,200), but less than or equal to ~~seventy-five thousand dollars (\$75,000)~~ seventy-nine thousand three hundred dollars (\$79,300), shall determine the amount of income tax due under this subsection in accordance with the table set forth below:

From	Less Than or Equal To	Rate
\$0	\$4,299 <u>\$4,499</u>	0.75%
\$4,300 <u>\$4,500</u>	\$8,399 <u>\$8,899</u>	2.5%



\$8,400 <u>\$8,900</u>	\$12,599 <u>\$13,399</u>	3.5%
\$12,600 <u>\$13,400</u>	\$20,999 <u>\$22,199</u>	4.5%
\$21,000 <u>\$22,200</u>	\$35,099 <u>\$37,199</u>	5%
\$35,100 <u>\$37,200</u>	\$75,000 <u>\$79,300</u>	6% <u>5.9%</u>

(8) Every resident, individual, trust, or estate having net income of less than ~~twenty-one thousand dollars (\$21,000)~~ twenty-two thousand two hundred dollars (\$22,200) shall determine the amount of income tax due under this subsection in accordance with the table set forth below:

From	Less Than or Equal To	Rate
\$0	\$4,299 <u>\$4,499</u>	0%
\$4,300 <u>\$4,500</u>	\$8,399 <u>\$8,899</u>	2%
\$8,400 <u>\$8,900</u>	\$12,599 <u>\$13,399</u>	3%
\$12,600 <u>\$13,400</u>	\$20,999 <u>\$22,199</u>	3.4%

(9) ~~For tax years beginning on and after January 1, 2016, every~~ Every resident, individual, trust, or estate having net income of more than ~~seventy-five thousand dollars (\$75,000)~~ seventy-nine thousand three hundred dollars (\$79,300) shall determine the amount of income tax due under this subsection in accordance with the table set forth below:

From	Less Than or Equal To	Rate
\$0	\$4,299	0.9%
\$4,300	\$8,399	2.5%
\$8,400	\$12,599	3.5%
\$12,600	\$20,999	4.5%
\$21,000	\$35,099	6%
\$35,100 and above		6.9%
<u>\$0</u>	<u>\$4,000</u>	<u>2%</u>
<u>\$4,001</u>	<u>\$8,000</u>	<u>4%</u>
<u>\$8,001</u>	<u>\$79,300</u>	<u>5.9%</u>
<u>\$79,301 and above</u>		<u>6.6%</u>

(10) ~~For tax years beginning on and after January 1, 2016, every~~ Every resident, individual, trust, or estate having net income of more than ~~seventy-five thousand dollars (\$75,000)~~ seventy-nine thousand three hundred dollars (\$79,300), but not more than ~~eighty thousand dollars (\$80,000)~~ eighty-four thousand six hundred dollars (\$84,600), shall reduce the amount of income tax due as determined under subdivision (a)(9) of this section by deducting a bracket adjustment amount in accordance with the table set forth

below:

From	Less Than or Equal To	Bracket Adjustment Amount
\$75,001 <u>\$79,301</u>	\$76,000 <u>\$80,300</u>	\$440
\$76,001 <u>\$80,301</u>	\$77,000 <u>\$81,300</u>	\$340
\$77,001 <u>\$81,301</u>	\$78,000 <u>\$82,500</u>	\$240
\$78,001 <u>\$82,501</u>	\$79,000 <u>\$83,600</u>	\$140
\$79,001 <u>\$83,601</u>	\$80,000 <u>\$84,600</u>	\$40
\$80,001 <u>\$84,601</u> and above		\$0

SECTION 2. Arkansas Code § 26-51-201(e), concerning the income tax imposed on individuals, trusts, and estates, is repealed.

~~(e) If the director determines that federal law authorizes the state to collect sales and use tax from sellers that do not have a physical presence in the state, then after the first twelve (12) months of collecting sales and use tax from sellers that do not have a physical presence in the state, the director shall:~~

~~(1) After making the deductions required under § 19-5-202(b)(2)(B)(i), certify to the Governor and the Office of Economic and Tax Policy the amount of available net general revenues attributable to the collection of sales and use tax from sellers that do not have a physical presence in the state during the first twelve (12) months of collections;~~

~~(2) Use any amount under subdivision (c)(1) of this section that exceeds seventy million dollars (\$70,000,000) to reduce the rate of four and five-tenths percent (4.5%) in the table contained in subdivision (a)(7) of this section equally for all taxpayers subject to the rate of four and five-tenths percent (4.5%);~~

~~(3) Certify the amount of the reduction of the income tax rate under this subsection to the Governor and the Office of Economic and Tax Policy; and~~

~~(4) Incorporate the reduced income tax rate into the table prescribed under subsection (d) of this section, which shall be applicable for each tax year thereafter.~~

SECTION 3. Arkansas Code Title 26, Chapter 51, Subchapter 5, is amended to add an additional section to read as follows:

26-51-515. Earned income tax credit.

(a) There is allowed an income tax credit against the income tax imposed by this chapter in the amount equal to five percent (5%) of the credit allowed to the taxpayer under 26 U.S.C. § 32, as it existed on January 1, 2019.

(b) If the amount of the income tax credit allowed under this section exceeds the taxpayer's income tax liability, the excess shall be refunded to the taxpayer.

(c) The Department of Finance and Administration shall annually notify taxpayers of their potential eligibility for the income tax credit allowed under this section.

SECTION 4. EFFECTIVE DATE. Section 1 of this act is effective for tax years beginning on or after January 1, 2020.

SECTION 5. EFFECTIVE DATE. Section 3 of this act is effective for tax years beginning on or after January 1, 2021.

SECTION 6. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that income tax rates for Arkansas residents are too high in comparison to the income tax rates in surrounding states; that these burdensome income tax rates prevent Arkansas from being competitive with surrounding states in the region; and that this act is immediately necessary because it is in the best interests of the state to increase Arkansas's ability to compete in the region by dedicating as much funding as is economically possible and prudent to relieve the income tax burden suffered by all taxpayers in the state. Therefore, an emergency is declared to exist, and this act being immediately necessary for the preservation of the public peace, health, and safety shall become effective on:

(1) The date of its approval by the Governor;

(2) If the bill is neither approved nor vetoed by the Governor, the expiration of the period of time during which the Governor may veto the bill; or

(3) If the bill is vetoed by the Governor and the veto is overridden, the date the last house overrides the veto.