State of Arkansas
92nd General Assembly
Regular Session, 2019

# A Bill

SENATE BILL 211

By: Senators J. Dismang, J. Hendren
By: Representatives Jett, Shepherd

## For An Act To Be Entitled

AN ACT TO CREATE THE TAX COMPETITIVENESS AND RELIEF ACT OF 2019; TO REDUCE THE TAX BURDEN ON ARKANSAS TAXPAYERS; TO AMEND THE INCOME TAX IMPOSED ON INDIVIDUALS, TRUSTS, AND ESTATES; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

## Subtitle

TO CREATE THE TAX COMPETITIVENESS AND RELIEF ACT OF 2019; AND TO DECLARE AN EMERGENCY.

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

SECTION 1. DO NOT CODIFY. Title.

This act shall be known and may be cited as the "Tax Competitiveness and Relief Act of 2019".

SECTION 2. DO NOT CODIFY. Legislative findings and intent.

(a) The General Assembly finds that:

(1) The Arkansas Tax Reform and Relief Legislative Task Force was charged with:

(A) Examining and identifying areas of potential tax reform within the tax laws; and

(B) Recommending legislation to the General Assembly to:

(i) Modernize and simplify the Arkansas tax code;

(ii) Make Arkansas's tax laws competitive with tax laws in other states;

(iii) Create jobs; and

(iv) Ensure fairness to all taxpayers;

(2) The state's income tax laws should be amended to modernize and simplify the tax code and ensure fairness to all taxpayers;

(3) Any savings realized by the state through tax reforms should be dedicated to reducing the tax burden for Arkansas taxpayers;

(4) In recent years, the General Assembly has reduced the tax burden on those individuals, trusts, and estates that have income subject to the low-income tax table and the middle-income tax table;

(5) The General Assembly is committed to fairly and equitably reducing the tax burden on Arkansas taxpayers; and

(6) Reducing the top marginal income tax rate for individuals, trusts, and estates would reduce the overall tax burden on Arkansas taxpayers and provide relief for those taxpayers that have not received a significant reduction in taxes in recent years.

(b) It is the intent of the General Assembly to:

(1) Reform Arkansas tax laws to modernize and simplify the tax code, increase the state's competitiveness, and ensure fairness to all taxpayers;

(2) Offset any revenue savings realized through tax reform with corresponding changes to reduce the tax burden for Arkansas taxpayers; and

(3) Reduce the tax burden on Arkansas taxpayers in a fiscally responsible manner.

SECTION 3. 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~~ $4,499 | 0.75% |

| | | |
|---|---|---|
| ~~$4,300~~ $4,500 | ~~$8,399~~ $8,899 | 2.5% |
| ~~$8,400~~ $8,900 | ~~$12,599~~ $13,399 | 3.5% |
| ~~$12,600~~ $13,400 | ~~$20,999~~ $22,199 | 4.5% |
| ~~$21,000~~ $22,200 | ~~$35,099~~ $37,199 | 5% |
| ~~$35,100~~ $37,200 | ~~$75,000~~ $79,300 | ~~6%~~ 5.9% |

(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~~ $4,499 | 0% |
| ~~$4,300~~ $4,500 | ~~$8,399~~ $8,899 | 2% |
| ~~$8,400~~ $8,900 | ~~$12,599~~ $13,399 | 3% |
| ~~$12,600~~ $13,400 | ~~$20,999~~ $22,199 | 3.4% |

(9)(A) ~~For tax years beginning on and after January 1, 2016, every~~ For the tax year beginning January 1, 2020, 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%~~ |
| $0 | $4,000 | 2% |
| $4,001 | $8,000 | 4% |
| $8,001 | $79,300 | 5.9% |
| $79,301 and above | | 6.6% |

(B) For tax years beginning on and after January 1, 2021, every resident, individual, trust, or estate having net income of more than 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 | $4,000 | 2% |
| $4,001 | $8,000 | 4% |
| $8,001 and above | | 5.9% |

(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~~ $79,301 | ~~$76,000~~ $80,300 | $440 |
| ~~$76,001~~ $80,301 | ~~$77,000~~ $81,300 | $340 |
| ~~$77,001~~ $81,301 | ~~$78,000~~ $82,500 | $240 |
| ~~$78,001~~ $82,501 | ~~$79,000~~ $83,600 | $140 |
| ~~$79,001~~ $83,601 | ~~$80,000~~ $84,600 | $40 |
| ~~$80,001~~ $84,601 and above | | $0 |

SECTION 4. 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 (e)(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 5. EFFECTIVE DATE. Section 3 of this act is effective for tax years beginning on or after January 1, 2020.

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 lower-income 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.