

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

State of Arkansas      *As Engrossed: S3/19/19 H3/27/19 H3/29/19*  
92nd General Assembly      **A Bill**  
Regular Session, 2019

SENATE BILL 571

By: Senator J. Hendren  
By: Representative L. Johnson

**For An Act To Be Entitled**

AN ACT TO REDUCE THE INCOME TAX IMPOSED ON CERTAIN INDIVIDUALS, TRUSTS, AND ESTATES; TO FUND INCOME TAX REDUCTIONS THROUGH A TAX ON E-CIGARETTES; TO IMPOSE A PRIVILEGE TAX ON E-CIGARETTES; *TO CREATE THE CIGARETTE TAX AND INCOME TAX REFORM STUDY*; AND FOR OTHER PURPOSES.

**Subtitle**

*TO PROVIDE FOR AN INDIVIDUAL INCOME TAX REDUCTION; TO PROVIDE FUNDING FOR THE INCOME TAX REDUCTION THROUGH A TAX ON E-CIGARETTES; AND TO CREATE THE CIGARETTE TAX AND INCOME TAX REFORM STUDY.*

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

*SECTION 1.* Arkansas Code § 26-51-201(a)(8), as amended by Acts 2019, No. 182, § 3, concerning the income tax imposed on individuals, trusts, and estates, is amended to read as follows:

(8) Every resident, individual, trust, or estate having net income of less than 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	\$4,499	0%
\$4,500	\$8,899	<del>2%</del> <u>1%</u>



\$8,900	\$13,399	3%
\$13,400	\$22,199	3.4%

*SECTION 2.* Arkansas Code Title 26, Chapter 57, is amended to add an *additional subchapter* to read as follows:

Subchapter 16 – E-Cigarette Privilege Tax

26-57-1601. Definition.

As used in this subchapter, "e-cigarette" means a vapor product or an e-liquid product, as those terms are defined in § 26-57-203.

26-57-1602. Privilege tax.

There is levied a privilege tax on e-cigarettes sold in this state that is equal to the total tax levied on tobacco products, as defined in § 26-57-203, other than cigarettes.

26-57-1603. Imposition, reporting, remittance, and administration of privilege tax.

Except as otherwise provided in this subchapter, the privilege tax levied under § 26-57-1602 shall be imposed, reported, remitted, and administered in the same manner and at the same time as taxes on tobacco products under the Arkansas Tobacco Products Tax Act of 1977, § 26-57-201 et seq.

26-57-1604. Invoices.

The privilege tax levied under § 26-57-1702 shall be separately stated and identified on each invoice or statement as the "E-cigarette Privilege Tax".

26-57-1605. Distribution of revenues.

The revenues collected under this subchapter shall be general revenues and shall be credited to the General Revenue Fund Account of the State Apportionment Fund to be distributed as authorized under § 19-5-202(b)(2)(B)(iii).

26-57-1606. Applicability.

The privilege tax levied under § 26-57-1602 applies to e-cigarettes sold on or after the effective date of this subchapter.

26-57-1607. Rules.

The Director of the Department of Finance and Administration, the Director of Arkansas Tobacco Control, and the Arkansas Tobacco Control Board shall adopt rules necessary to implement and allow for the enforcement of this subchapter.

SECTION 3. DO NOT CODIFY. Rules.

(a) When adopting the initial rules required under this act, the final rules shall be filed with the Secretary of State for adoption under § 25-15-204(f):

(1) On or before September 1, 2019; or

(2) If approval under § 10-3-309 has not occurred by September 1, 2019, as soon as practicable after approval under § 10-3-309.

(b) The Director of the Department of Finance and Administration, the Director of Arkansas Tobacco Control, and the Arkansas Tobacco Control Board shall file the proposed rules with the Legislative Council under § 10-3-309(c) sufficiently in advance of September 1, 2019, so that the Legislative Council may consider the rules for approval before September 1, 2019.

SECTION 4. EFFECTIVE DATES.

(a) Section 1 of this act is effective for tax years beginning on or after January 1, 2020.

(b) Section 2 of this act is effective on the first day of the second calendar month following the effective date of this act.

SECTION 5. TEMPORARY LANGUAGE. DO NOT CODIFY. Cigarette Tax and Income Tax Reform Study – Creation – Duties.

(a) The General Assembly finds that:

(1) Arkansas spends hundreds of millions of dollars a year to help pay for the cost of treating tobacco-related illnesses;

(2) The state cigarette tax should be increased, or a new tax on cigarettes should be levied, to help pay for the cost of treating tobacco-

related illnesses;

(3) The Arkansas Tax Reform and Relief Legislative Task Force studied the state's tax laws and policies to determine how to provide tax relief and reform the state's tax laws;

(4) The legislature should continue to study how the state can reform and reduce income taxes in a fiscally responsible manner; and

(5) Where possible, revenues resulting from increases in taxes should be used to offset other tax reductions.

(b) The House Committee on Revenue and Taxation, the Senate Committee on Revenue and Taxation, the House Committee on Public Health, Welfare, and Labor, and the Senate Committee on Public Health, Welfare, and Labor shall meet jointly to conduct the Cigarette Tax and Income Tax Reform Study.

(c)(1) The chairs of the House Committee on Revenue and Taxation, the Senate Committee on Revenue and Taxation, the House Committee on Public Health, Welfare, and Labor, and the Senate Committee on Public Health, Welfare, and Labor shall call the first joint meeting for the purpose of beginning the study within sixty (60) days of the effective date of this act.

(2) All meetings shall be open public meetings under the Freedom of Information Act of 1967, Arkansas Code § 25-19-101 et seq.

(3) Joint meetings for the purpose of conducting the study shall be held at least one (1) time every three (3) months but may occur more often at the call of the chairs.

(d) The purpose of the study is to make recommendations to the General Assembly regarding:

(1) Additional taxes on cigarettes to help offset the costs to the state of covering the treatment of tobacco-related illnesses; and

(2) The reduction of the income tax burden on individuals, particularly low-income and middle-income individuals.

(e) In order to fulfill the purpose of this act, the House Committee on Revenue and Taxation, the Senate Committee on Revenue and Taxation, the House Committee on Public Health, Welfare, and Labor, and the Senate Committee on Public Health, Welfare, and Labor shall conduct a study to include without limitation the following:

(1) How much the cigarette tax should be increased or the rate at which a new tax on cigarettes should be levied to help offset the costs to the state of covering the treatment of tobacco-related illnesses;

(2) The feasibility of enacting an earned income tax credit to reduce the tax burden on low- and middle-income Arkansans; and

(3) The possibilities for reducing the income tax burden on individuals, including without limitation an increase in the standard deduction amount.

(f) On or before December 1, 2020, the House Committee on Revenue and Taxation, the Senate Committee on Revenue and Taxation, the House Committee on Public Health, Welfare, and Labor, and the Senate Committee on Public Health, Welfare, and Labor shall file with the Legislative Council a final written report of their activities, findings, and recommendations, and the study shall be complete upon that submission.

/s/J. Hendren