

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

State of Arkansas
93rd General Assembly
Regular Session, 2021

As Engrossed: H2/10/21

A Bill

HOUSE BILL 1049

By: Representative Jett

For An Act To Be Entitled

AN ACT TO ALLOW THE WITHHOLDING OF STATE INCOME TAX FROM UNEMPLOYMENT COMPENSATION BENEFITS AND UNEMPLOYMENT INSURANCE BENEFITS; AND FOR OTHER PURPOSES.

Subtitle

TO ALLOW THE WITHHOLDING OF STATE INCOME TAX FROM UNEMPLOYMENT COMPENSATION BENEFITS AND UNEMPLOYMENT INSURANCE BENEFITS.

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

SECTION 1. Arkansas Code § 11-10-803(a), concerning withdrawals from the Unemployment Trust Fund, is amended to add an additional subsection to read as follows:

(3) For payments beginning on and after January 1, 2022, subdivision (a)(1) of this section shall not be construed to prohibit deducting an amount from unemployment compensation otherwise payable to an individual and using the amount so deducted to pay for the withholding of Arkansas individual income tax, if the individual elected to have the deduction made and the deduction was made under § 26-51-905 and under a program approved by the United States Secretary of Labor.

SECTION 2. Arkansas Code § 26-51-905, concerning the withholding of tax under the Arkansas Income Tax Withholding Act of 1965, is amended to add an additional subsection to read as follows:



(c)(1)(A) For purposes of this subchapter, the payment of unemployment compensation benefits or unemployment insurance benefits shall be treated as the payment of wages by an employer to an employee if:

(i) The payment is of the type included in "gross income" under § 26-51-404(a)(1)(G) or (a)(1)(H); and

(ii) The recipient of the payment has requested that the payment be subject to withholding under this subchapter by the agency receiving the application for unemployment compensation benefits or unemployment insurance benefits.

(B) The amount to be deducted and withheld from a payment under subdivision (c)(1)(A) of this section is four and five-tenths percent (4.5%) of the payment.

(2) A person applying for unemployment compensation benefits or unemployment insurance benefits shall be informed by the agency receiving the application of the taxability of the unemployment compensation benefits or unemployment insurance benefits and the option to request withholding under this subchapter.

(3) The recipient of unemployment compensation benefits or unemployment insurance benefits shall be permitted to change his or her previously elected withholding status.

(4) An agency required to deduct and withhold under this subsection is not liable under § 26-51-916 for the amounts required to be deducted and withheld.

(5) This subsection shall not be construed to require the Arkansas Department of Workforce Services to deduct, withhold, or remit any amount under the income tax withholding act or the income tax levy of any state other than Arkansas.

SECTION 3. TEMPORARY LANGUAGE. DO NOT CODIFY.

The withholding allowed under this act shall not occur until:

(1)(A) The Director of the Division of Workforce Services notifies the Secretary of the Department of Finance and Administration that the Division of Workforce Services' computer technology and information management systems are prepared to carry out withholding under this act; and

(B) The withholding program created by this act is approved by the United States Secretary of Labor or the United States

Secretary of Labor determines approval is not necessary.

(2)(A) Upon occurrence of the events in subdivision (1) of this section, the Secretary of the Department of Finance and Administration shall make a proclamation that withholding under this act shall begin on the first day of the calendar month following the proclamation.

(B) Withholding under this act shall begin on the first day of the calendar month following the secretary's proclamation.

(3) The director and the Secretary of the Department of Finance and Administration shall cooperate to request the United States Secretary of Labor's approval of the withholding program created under this act.

/s/Jett