

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

State of Arkansas
94th General Assembly
First Extraordinary Session, 2023

A Bill

Call Item 1
HOUSE BILL 1007

By: Representatives Eaves, M. Shepherd, Andrews, Beaty Jr., Beck, M. Berry, Brooks, K. Brown, Burkes, Cavenaugh, C. Cooper, Crawford, Fortner, Furman, Gazaway, Haak, Hawk, Hollowell, Ladyman, Long, Lundstrum, Lynch, Maddox, McAlindon, McClure, B. McKenzie, Ray, Rose, Rye, Tosh, Underwood, Unger, Vaught, Wardlaw, Warren, Watson, Wing, Wooten
By: Senators J. Dismang, Hickey, J. Boyd, J. Bryant, Caldwell, A. Clark, Crowell, B. Davis, Dees, J. Dotson, J. English, Flippo, Gilmore, K. Hammer, Hester, Hill, Irvin, B. Johnson, M. McKee, J. Payton, C. Penzo, J. Petty, Rice, Stone, D. Sullivan, D. Wallace

For An Act To Be Entitled

AN ACT TO AMEND THE LAWS CONCERNING INCOME TAX; TO REDUCE THE INCOME TAX RATES APPLICABLE TO INDIVIDUALS, TRUSTS, ESTATES, AND CORPORATIONS; TO CREATE AN INFLATIONARY RELIEF INCOME TAX CREDIT FOR CERTAIN TAXPAYERS; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

TO REDUCE THE INCOME TAX RATES APPLICABLE TO INDIVIDUALS, TRUSTS, ESTATES, AND CORPORATIONS; TO CREATE AN INFLATIONARY RELIEF INCOME TAX CREDIT FOR CERTAIN TAXPAYERS; 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)(3), concerning the income tax imposed on individuals, trusts, and estates, is amended to read as follows:

(3) For tax years beginning on or after January 1, 2024:

(A) Every resident, individual, trust, or estate having net income less than or equal to eighty-seven thousand dollars (\$87,000)



shall determine the amount of income tax due under this subsection in accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
<u>\$0</u>	<u>\$5,099</u>	<u>0%</u>
<u>\$5,100</u>	<u>\$10,299</u>	<u>2%</u>
<u>\$10,300</u>	<u>\$14,699</u>	<u>3%</u>
<u>\$14,700</u>	<u>\$24,299</u>	<u>3.4%</u>
<u>\$24,300</u>	<u>\$87,000</u>	<u>4.4%</u>

(B) Every resident, individual, trust, or estate having net income greater than eighty-seven thousand dollars (\$87,000) shall determine the amount of income tax due under this subsection in accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
<u>\$0</u>	<u>\$4,400</u>	<u>2%</u>
<u>\$4,401</u>	<u>\$8,800</u>	<u>4%</u>
<u>\$8,801 and above</u>		<u>4.4%</u>

(C) Every resident, individual, trust, or estate having net income greater than or equal to eighty-seven thousand one dollars (\$87,001) but not greater than ninety thousand eight hundred dollars (\$90,800) shall reduce the amount of income tax due as determined under subdivision (a)(3)(B) of this section by deducting a bracket adjustment amount in accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Bracket Adjustment Amount</u>
<u>\$87,001</u>	<u>\$87,100</u>	<u>\$380</u>
<u>\$87,101</u>	<u>\$87,200</u>	<u>\$370</u>
<u>\$87,201</u>	<u>\$87,300</u>	<u>\$360</u>
<u>\$87,301</u>	<u>\$87,400</u>	<u>\$350</u>
<u>\$87,401</u>	<u>\$87,500</u>	<u>\$340</u>
<u>\$87,501</u>	<u>\$87,600</u>	<u>\$330</u>
<u>\$87,601</u>	<u>\$87,700</u>	<u>\$320</u>
<u>\$87,701</u>	<u>\$87,800</u>	<u>\$310</u>
<u>\$87,801</u>	<u>\$87,900</u>	<u>\$300</u>
<u>\$87,901</u>	<u>\$88,000</u>	<u>\$290</u>
<u>\$88,001</u>	<u>\$88,100</u>	<u>\$280</u>
<u>\$88,101</u>	<u>\$88,200</u>	<u>\$270</u>
<u>\$88,201</u>	<u>\$88,300</u>	<u>\$260</u>

<u>\$88,301</u>	<u>\$88,400</u>	<u>\$250</u>
<u>\$88,401</u>	<u>\$88,500</u>	<u>\$240</u>
<u>\$88,501</u>	<u>\$88,600</u>	<u>\$230</u>
<u>\$88,601</u>	<u>\$88,700</u>	<u>\$220</u>
<u>\$88,701</u>	<u>\$88,800</u>	<u>\$210</u>
<u>\$88,801</u>	<u>\$88,900</u>	<u>\$200</u>
<u>\$88,901</u>	<u>\$89,000</u>	<u>\$190</u>
<u>\$89,001</u>	<u>\$89,100</u>	<u>\$180</u>
<u>\$89,101</u>	<u>\$89,200</u>	<u>\$170</u>
<u>\$89,201</u>	<u>\$89,300</u>	<u>\$160</u>
<u>\$89,301</u>	<u>\$89,400</u>	<u>\$150</u>
<u>\$89,401</u>	<u>\$89,500</u>	<u>\$140</u>
<u>\$89,501</u>	<u>\$89,600</u>	<u>\$130</u>
<u>\$89,601</u>	<u>\$89,700</u>	<u>\$120</u>
<u>\$89,701</u>	<u>\$89,800</u>	<u>\$110</u>
<u>\$89,801</u>	<u>\$89,900</u>	<u>\$100</u>
<u>\$89,901</u>	<u>\$90,000</u>	<u>\$90</u>
<u>\$90,001</u>	<u>\$90,100</u>	<u>\$80</u>
<u>\$90,101</u>	<u>\$90,200</u>	<u>\$70</u>
<u>\$90,201</u>	<u>\$90,300</u>	<u>\$60</u>
<u>\$90,301</u>	<u>\$90,400</u>	<u>\$50</u>
<u>\$90,401</u>	<u>\$90,500</u>	<u>\$40</u>
<u>\$90,501</u>	<u>\$90,600</u>	<u>\$30</u>
<u>\$90,601</u>	<u>\$90,700</u>	<u>\$20</u>
<u>\$90,701</u>	<u>\$90,800</u>	<u>\$10</u>
<u>\$90,801 and up</u>		<u>\$0</u>

(4) The tables set forth in subdivisions ~~(a)(1) and (2)~~ (a)(1)-(3) of this section shall be adjusted annually in accordance with the method set forth in subsection (d) of this section.

SECTION 2. Arkansas Code § 26-51-205(a), concerning the income tax imposed on domestic corporations, is amended to add an additional subdivision to read as follows:

(5) For tax years beginning on or after January 1, 2024, every corporation organized under the laws of this state shall pay annually an income tax with respect to carrying on or doing business on the entire net

income of the corporation, as now defined by the laws of this state, received by the corporation during the income year, on the following basis:

(A) On the first three thousand dollars (\$3,000) of net income or any part thereof, one percent (1%);

(B) On the next three thousand dollars (\$3,000) of net income or any part thereof, two percent (2%);

(C) On the next five thousand dollars (\$5,000) of net income or any part thereof, three percent (3%); and

(D) On net income exceeding eleven thousand dollars (\$11,000), four and eight-tenths percent (4.8%).

SECTION 3. Arkansas Code § 26-51-205(b), concerning the income tax imposed on foreign corporations, is amended to add an additional subdivision to read as follows:

(5) For tax years beginning on or after January 1, 2024, every foreign corporation doing business within the jurisdiction of this state shall pay annually an income tax on the proportion of its entire net income as now defined by the income tax laws of this state, on the following basis:

(A) On the first three thousand dollars (\$3,000) of net income or any part thereof, one percent (1%);

(B) On the next three thousand dollars (\$3,000) of net income or any part thereof, two percent (2%);

(C) On the next five thousand dollars (\$5,000) of net income or any part thereof, three percent (3%); and

(D) On net income exceeding eleven thousand dollars (\$11,000), four and eight-tenths percent (4.8%).

SECTION 4. DO NOT CODIFY. TEMPORARY LANGUAGE. Inflationary relief income tax credit.

(a) As used in this section, "resident" means natural persons and includes, for the purpose of determining liability for the tax imposed by the Income Tax Act of 1929, § 26-51-101 et seq., upon or with reference to the income of any taxable year, any person domiciled in the State of Arkansas and any other person who maintains a permanent place of abode within this state and spends in the aggregate more than six (6) months of the taxable year within this state.

(b)(1)(A) For the tax year beginning January 1, 2023, a resident individual taxpayer who files an Arkansas full-year resident income tax return, other than a joint return, having net income up to one hundred three thousand six hundred dollars (\$103,600) is allowed an income tax credit against the individual income tax imposed by the Income Tax Act of 1929, § 26-51-101 et seq., in accordance with the following table:

<u>From</u>	<u>Less Than or Equal to</u>	<u>Credit Amount</u>
<u>\$1</u>	<u>\$89,600</u>	<u>\$150</u>
<u>\$89,601</u>	<u>\$90,600</u>	<u>\$140</u>
<u>\$90,601</u>	<u>\$91,600</u>	<u>\$130</u>
<u>\$91,601</u>	<u>\$92,600</u>	<u>\$120</u>
<u>\$92,601</u>	<u>\$93,600</u>	<u>\$110</u>
<u>\$93,601</u>	<u>\$94,600</u>	<u>\$100</u>
<u>\$94,601</u>	<u>\$95,600</u>	<u>\$90</u>
<u>\$95,601</u>	<u>\$96,600</u>	<u>\$80</u>
<u>\$96,601</u>	<u>\$97,600</u>	<u>\$70</u>
<u>\$97,601</u>	<u>\$98,600</u>	<u>\$60</u>
<u>\$98,601</u>	<u>\$99,600</u>	<u>\$50</u>
<u>\$99,601</u>	<u>\$100,600</u>	<u>\$40</u>
<u>\$100,601</u>	<u>\$101,600</u>	<u>\$30</u>
<u>\$101,601</u>	<u>\$102,600</u>	<u>\$20</u>
<u>\$102,601</u>	<u>\$103,600</u>	<u>\$10</u>
<u>\$103,601 and up</u>		<u>\$0</u>

(B) Spouses filing separately on the same income tax return may each claim one (1) credit under subdivision (b)(1)(A) of this section against the tax on the return of each spouse.

(2)(A) For the tax year beginning January 1, 2023, resident individual taxpayers who file a joint Arkansas full year resident income tax return having net income up to two hundred seven thousand two hundred dollars (\$207,200) are allowed an income tax credit against the individual income tax imposed by the Income Tax Act of 1929, § 26-51-101 et seq., in accordance with the following table:

<u>From</u>	<u>Less Than or Equal to</u>	<u>Credit Amount</u>
<u>\$1</u>	<u>\$179,200</u>	<u>\$300</u>
<u>\$179,201</u>	<u>\$181,200</u>	<u>\$280</u>
<u>\$181,201</u>	<u>\$183,200</u>	<u>\$260</u>

<u>\$183,201</u>	<u>\$185,200</u>	<u>\$240</u>
<u>\$185,201</u>	<u>\$187,200</u>	<u>\$220</u>
<u>\$187,201</u>	<u>\$189,200</u>	<u>\$200</u>
<u>\$189,201</u>	<u>\$191,200</u>	<u>\$180</u>
<u>\$191,201</u>	<u>\$193,200</u>	<u>\$160</u>
<u>\$193,201</u>	<u>\$195,200</u>	<u>\$140</u>
<u>\$195,201</u>	<u>\$197,200</u>	<u>\$120</u>
<u>\$197,201</u>	<u>\$199,200</u>	<u>\$100</u>
<u>\$199,201</u>	<u>\$201,200</u>	<u>\$80</u>
<u>\$201,201</u>	<u>\$203,200</u>	<u>\$60</u>
<u>\$203,201</u>	<u>\$205,200</u>	<u>\$40</u>
<u>\$205,201</u>	<u>\$207,200</u>	<u>\$20</u>
<u>\$207,201 and up</u>		<u>\$0</u>

(B) Spouses filing jointly on the same income tax return shall receive only one (1) credit under subdivision (b)(2)(A) of this section against their aggregate tax.

(c) The income tax credits allowed under subdivisions (b)(1) and (2) of this section shall not be claimed by a taxpayer:

(1) For any tax year other than the tax year beginning on January 1, 2023; or

(2) Who files a nonresident return or a part-year resident return.

(d) The amount of the income tax credit under this section that may be claimed by a taxpayer in a tax year shall not exceed the amount of income tax due by the taxpayer.

SECTION 5. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that this act would create significant changes to the state's income tax laws; that taxpayers and employers plan to meet their obligations on a calendar-year basis; and that this act is immediately necessary to ensure the financial stability of the state, to allow taxpayers and employers time both to plan for and to implement the changes in law created by this act, and to ensure that the Department of Finance and Administration has sufficient time to update its forms and software and train its personnel in accordance with this act. 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.