

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

State of Arkansas
95th General Assembly
Regular Session, 2025

As Engrossed: H2/19/25

A Bill

HOUSE BILL 1065

By: Representatives Ray, Achor, Andrews, Barker, Beaty Jr., Beck, Bentley, S. Berry, Breaux, Brooks, A. Brown, K. Brown, M. Brown, N. Burkes, R. Burkes, Joey Carr, John Carr, Cavanaugh, C. Cooper, Cozart, Eaton, Eaves, Gonzales, Gramlich, Hawk, Holcomb, Hollowell, Hudson, Jean, Long, Lundstrum, Lynch, Maddox, McAlindon, McClure, McCollum, McGrew, B. McKenzie, S. Meeks, Milligan, Pilkington, R. Scott Richardson, Richmond, Rose, Rye, Schulz, Torres, Underwood, Unger, Wing, Wooten

By: Senator J. Dismang

For An Act To Be Entitled

AN ACT TO CREATE THE INFLATION REDUCTION ACT OF 2025;
TO AMEND THE STATE INCOME TAX LAWS; TO REMOVE THE CAP
ON INCREASES TO THE STANDARD DEDUCTION AND INDIVIDUAL
INCOME TAX TABLES DUE TO INFLATION; TO TIE INCREASES
OF THE STANDARD DEDUCTION AND INDIVIDUAL INCOME TAX
TABLES TO A REGIONAL INDEX OF THE CONSUMER PRICE
INDEX; FOR OTHER PURPOSES.

Subtitle

TO CREATE THE INFLATION REDUCTION ACT OF
2025.

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 "Inflation Reduction Act of 2025."

SECTION 2. Arkansas Code § 26-51-201(d)(2), concerning the method of annually adjusting the tables that determine the amount of individual income



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tax due, is amended to read as follows:

(2) For purposes of subdivision (d)(1) of this section, the cost-of-living adjustment for a calendar year is the percentage, if any, by which the CPI for the current calendar year exceeds the CPI for the preceding calendar year, ~~not to exceed three percent (3%)~~. The CPI for any calendar year is the average of the Consumer Price Index as of the close of the twelve-month period ending on August 31 of such calendar year. "Consumer Price Index" means the last Consumer Price Index for ~~All Urban Consumers~~ the West South Central division of the South Region published by the United States Department of Labor.

SECTION 3. Arkansas Code § 26-51-430(c), concerning the indexing of the standard income tax deduction to inflation, is amended to read as follows:

(c)(1) The Secretary of the Department of Finance and Administration shall increase annually the standard deduction provided under subsection (b) of this section by the cost-of-living adjustment for the current calendar year, rounding the amount to the nearest ten dollars (\$10.00).

(2)(A)(i) For purposes of subdivision (c)(1) of this section, the cost-of-living adjustment for a calendar year is the percentage, if any, by which the Consumer Price Index for the current calendar year exceeds the Consumer Price Index for the preceding calendar year, ~~not to exceed three percent (3%)~~.

(ii) If the Consumer Price Index for the current calendar year does not exceed the Consumer Price Index for the preceding calendar year, the standard deduction shall not be adjusted under this subsection for that year.

(B) The Consumer Price Index for a calendar year is the average of the Consumer Price Index as of the close of the twelve-month period ending on August 31 of that calendar year.

(C) As used in this subsection, "Consumer Price Index" means the most recent Consumer Price Index for ~~All Urban Consumers~~ the West South Central division of the South Region published by the United States Department of Labor.

SECTION 4. EFFECTIVE DATE. Sections 2 and 3 of this act are effective

for tax years beginning on or after January 1, 2025.

/s/Ray