

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

State of Arkansas
95th General Assembly
Regular Session, 2025

A Bill

HOUSE BILL 1538

By: Representative Ray

For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERNING THE NET OPERATING LOSS INCOME TAX DEDUCTION; TO INCREASE THE CARRY-FORWARD PERIOD FOR THE NET OPERATING LOSS INCOME TAX DEDUCTION; AND FOR OTHER PURPOSES.

Subtitle

TO AMEND THE LAW CONCERNING THE NET OPERATING LOSS INCOME TAX DEDUCTION; AND TO INCREASE THE CARRY-FORWARD PERIOD FOR THE NET OPERATING LOSS INCOME TAX DEDUCTION.

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

SECTION 1. DO NOT CODIFY. Legislative findings.

The General Assembly finds that:

(1) The state's income tax laws should be amended to modernize and simplify the tax code, increase Arkansas's competitiveness, create jobs, and ensure fairness to all taxpayers;

(2) Net operating loss carry-forward provisions promote tax neutrality by reducing tax burdens on businesses with cyclical income streams or exposure to economic downturns, regardless of size or age;

(3) Longer net operating loss carry-forward provisions promote longevity and facilitate future growth in start-up businesses, expansion of existing operations, and new facility locations; and

(4) Federal net operating losses are carried forward indefinitely up to eighty percent (80%) in one (1) year, and many states



conform to the federal law or provide uncapped twenty-year carry-forward periods, while Arkansas is in the minority with a ten-year carry-forward period.

SECTION 2. Arkansas Code § 15-4-2404(a), concerning the net operating loss deduction carry-forward period for certain steel manufacturers, is amended to read as follows:

(a) Taxpayers qualified for the benefits of this subchapter and entitled to a net operating loss deduction as provided in § 26-51-427 may carry forward that deduction to the next-succeeding taxable year following the year of the net operating loss and annually thereafter for a total period of ~~ten (10)~~ twenty (20) years or until the net operating loss has been exhausted, whichever is earlier.

SECTION 3. Arkansas Code § 26-51-427(1)(C)(i), concerning the carry-forward period for the income tax deduction for net operating loss, is amended to read as follows:

(C)(i) For net operating losses occurring in taxable years beginning on or after January 1, 2020, the net operating loss may be carried over to the next succeeding taxable year and annually thereafter for the following number of years next succeeding the tax year of the net operating loss or until the net operating loss has been exhausted or absorbed by the taxable income of a succeeding year, whichever is earlier:

(a) For net operating losses occurring in the tax year beginning January 1, 2020, a total period of eight (8) years; ~~and~~

(b) For net operating losses occurring in tax years beginning on or after January 1, 2021, a total period of ten (10) years; and

(c) For net operating losses occurring in tax years beginning on or after January 1, 2025, a total period of twenty (20) years.

SECTION 4. Arkansas Code § 26-51-427(1)(E)(ii), concerning the carry-forward period for the income tax deduction for net operating loss, is amended to read as follows:

(ii) In the case of a qualified medical company, a

net operating loss for any taxable year shall be a net operating loss carryover to each of the ~~fifteen (15)~~ twenty (20) taxable years following the taxable year of the loss.

SECTION 5. Arkansas Code § 26-51-427(1)(E)(iv), concerning the carry-forward period for the income tax deduction for net operating loss, is amended to read as follows:

(iv) The net operating loss provisions stated in this subdivision (1)(E), which resulted from the operation of a qualified medical company, are effective for taxable years beginning on and after January 1, ~~1987~~ 2025;

SECTION 6. Arkansas Code § 26-51-1203(a), concerning the carry-forward period for the net operating loss deduction for certain steel mills, is amended to read as follows:

(a) Taxpayers qualified under § 26-51-1202(a) and (b), entitled to a net operating loss deduction as provided in § 26-51-427, may carry forward that deduction to the next succeeding taxable year following the year of the net operating loss and annually thereafter for a total period of ~~ten (10)~~ twenty (20) years or until the net operating loss has been exhausted, whichever is earlier.

SECTION 7. Arkansas Code § 26-51-1213(a), concerning the carry-forward period for the net operating loss deduction for certain steel mills, is amended to read as follows:

(a) Taxpayers qualified under § 26-51-1212(2) and entitled to a net operating loss deduction as provided in § 26-51-427 may carry forward that deduction to the next-succeeding taxable year following the year of such net operating loss and annually thereafter for a total period of ~~ten (10)~~ twenty (20) years or until such net operating loss has been exhausted, whichever is earlier.

SECTION 8. Arkansas Code § 26-52-913 is amended to read as follows:
26-52-913. Net operating loss deduction – Carry forward.

Taxpayers qualified under § 26-52-912(2) and entitled to a net operating loss deduction as provided in § 26-51-427 may carry forward that

deduction to the next-succeeding taxable year following the year of the net operating loss and annually thereafter for a total period of ~~ten (10)~~ twenty (20) years or until the net operating loss has been exhausted, whichever is earlier. The net operating loss deduction must be carried forward in the order named above.

SECTION 9. EFFECTIVE DATE. Sections 1-8 of this act are effective for tax years beginning on or after January 1, 2025.