

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

SENATE BILL 412

By: Senator J. Boyd

By: Representative McClure

For An Act To Be Entitled

AN ACT TO AMEND THE INCOME TAX DEDUCTIONS FOR MOVING AND TRAVEL EXPENSES; TO AUTHORIZE THE DEPARTMENT OF FINANCE AND ADMINISTRATION TO SET THE PER-MILE AMOUNT FOR THE INCOME TAX DEDUCTION FOR TRAVEL AND TRANSPORTATION EXPENSES BY PROCLAMATION; AND FOR OTHER PURPOSES.

Subtitle

TO AUTHORIZE THE DEPARTMENT OF FINANCE AND ADMINISTRATION TO SET THE PER-MILE AMOUNT FOR THE INCOME TAX DEDUCTION FOR TRAVEL AND TRANSPORTATION EXPENSES BY PROCLAMATION.

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

SECTION 1. Arkansas Code § 10-3-309(b)(1)(B), concerning the items not included in the definition of "rule" as used in relation to the legislative review and approval of state agency rules, is amended to add an additional subdivision to read as follows:

(vi) A proclamation issued by the Secretary of the Department of Finance and Administration under § 26-51-423(a)(2).

SECTION 2. Arkansas Code § 25-15-202(9)(B), concerning the items not included in the definition of "rule" under the Arkansas Administrative Procedure Act, is amended to add an additional subdivision to read as follows:



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(ix) A proclamation issued by the Secretary of the Department of Finance and Administration under § 26-51-423(a)(2).

SECTION 3. Arkansas Code § 26-51-403(b)(8), concerning deductions from gross income, is amended to read as follows:

(8) Deductions for moving expenses, as set forth in § ~~26-51-423(a)(4)~~ 26-51-423(a)(1)(C);

SECTION 4. Arkansas Code § 26-51-423(a), concerning income tax deductions for expenses, is amended to read as follows:

(a)(1) In computing net income, there shall be allowed as deductions the following expenses:

~~(1)(A)~~ Business Expenses. All of 26 U.S.C. § 162, except subsection (n), as in effect on January 1, 2019, regarding trade or business expenses, is adopted for the purpose of computing Arkansas income tax liability;

~~(2)(B)~~ Medical and Dental Expenses. Title 26 U.S.C. § 213, as in effect on January 1, 2011, is adopted in computing the medical and dental expense deduction under the state income tax law; and

~~(3) Travel Expenses. In determining travel expenses deductible as a business expense in computing net income as provided under subdivision (a)(1) of this section, the deduction for vehicle miles shall be determined by the Secretary of the Department of Finance and Administration under his or her regulatory authority in § 26-18-301; and~~

~~(4)(C)~~ Moving Expenses. Title 26 U.S.C. § 217, as in effect on January 1, 2011, regarding the deduction of moving expenses, is adopted for the purpose of computing Arkansas income tax liability.

(2)(A) In determining travel and transportation expenses deductible under this subsection in computing net income, the amount of the per-mile deduction for vehicle miles shall be determined by proclamation of the Secretary of the Department of Finance and Administration.

(B) The amount of the per-mile deduction allowed under this subsection shall not exceed one dollar (\$1.00) per mile.

(C) The secretary shall:

(i) Set the amount of the per-mile deduction allowed under this subsection as close to the amount of the per-mile deduction for

vehicle miles most recently established by the Internal Revenue Service as is fiscally responsible without causing an undue hardship on taxpayers; and
(ii) Issue a proclamation under subdivision
(a)(2)(A) of this section no later than thirty (30) days after the per-mile deduction for vehicle miles established by the Internal Revenue Service is changed.

SECTION 5. Arkansas Code § 26-51-423(c)(3), concerning income tax deductions for expenses for a self-employed taxpayer, is amended to read as follows:

(3) Any amount paid by the taxpayer for insurance to which this subsection applies shall not be taken into account in computing the amount allowable to the taxpayer as a deduction under subdivision ~~(a)(2)~~ (a)(1)(B) of this section.

SECTION 6. Arkansas Code § 26-51-423(g)(1), concerning income tax deductions for expenses, is amended to read as follows:

(g)(1) A deduction pursuant to subdivision (a)(1)(A) of this section for interest or intangible-related expenses paid by the taxpayer to a related party shall be allowed only if:

(A) The interest or intangible-related income received by the related party is subject to income tax imposed by the State of Arkansas, another state, or a foreign government that has entered into a comprehensive income tax treaty with the United States;

(B) The interest or intangible-related income received by the related party was received pursuant to:

(i) An “arm’s length” contract or at an “arm’s length” rate of interest; and

(ii) A transaction not intended to avoid the payment of Arkansas income tax otherwise due;

(C) The taxpayer and the secretary enter into a written agreement prior to the due date of the taxpayer’s Arkansas income tax return:

(i) Authorizing the taxpayer to take the deduction for the tax year at issue; or

(ii) Requiring the use of an alternative method of income apportionment by the taxpayer for the tax year at issue; or

(D) During the taxable year, the related party recipient of interest or intangible-related income, in a location not described in subdivision (g)(1)(A) of this section, a "non-tax location":

(i) Operates an active trade or business in the non-tax location;

(ii) Has a minimum of fifty (50) full-time-equivalent employees in the non-tax location;

(iii) Owns real or tangible personal property with a fair market value in excess of one million dollars (\$1,000,000) located in the non-tax location; and

(iv) Has revenues generated from sources within the non-tax location in excess of one million dollars (\$1,000,000).

SECTION 7. Arkansas Code § 26-51-437(b)(1) and (2), concerning the itemized deductions not included in the definition of "miscellaneous itemized deductions", are amended to read as follows:

(1) The deduction allowed under § 26-51-423(a)(1)(A) relating to expenses in carrying on a trade or business. However, employee business expenses which are not reimbursed by the employer are miscellaneous itemized deductions;

(2) The deduction allowed under § ~~26-51-423(a)(2)~~ 26-51-423(a)(1)(B) relating to medical, dental, drug, and related healthcare expenses;