

1 State of Arkansas  
2 81st General Assembly  
3 Regular Session, 1997

As Engrossed: H1/27/97 H2/4/97 S2/18/97

# A Bill

ACT 328 OF 1997  
HOUSE BILL 1006

4 By: Representative Hogue, McGinnis, Rorie, Baker, Critcher, Luker, Shoffner, Davis, Harris, McGee, Wagner, Trammell, Wooldridge,  
5 Lynn, Capps, Booker, Broadway, Stalnaker, Jones, Choate, Lancaster, Jeffress, Newman, Beatty, Sheppard, Faris, Rodgers, Angel,  
6 Teague, Dawson, McKissack, Purdom, Madison, Wilkinson, Stewart, McGehee, Hall, Ammons, McJunkin, Whorton, Simmons, Wilkins,  
7 Ingram, Northcutt, Cunningham, Wood, Allison, Miller, Wilson, Kidd, Johnson, Walker, Ferrell, Diane Hudson, Bond, Bennett, Dietz,  
8 Molinaro, Roberts, French, Terry Smith, Horn, Pappas, Hale, Young, Schexnayder, Wren, Goodwin, Hunton, Maddox, Cook,  
9 Thicksten, Lavery, Willems, Curran, Simon, Wallis, Judy Smith, Malone, Flanagan, Vess, Fletcher, and Courtney

## For An Act To Be Entitled

10  
11 "AN ACT TO INCREASE THE STANDARD INDIVIDUAL INCOME TAX  
12 DEDUCTION FROM \$1,000 TO \$2,000 PER TAXPAYER; TO ELIMINATE  
13 THE MARRIAGE PENALTY FOR MARRIED TAXPAYERS WHO RECEIVE A  
14 SINGLE STANDARD DEDUCTION; TO ADJUST THE REDUCED INCOME  
15 TAX RATES TO ELIMINATE THE INCOME TAX ON FAMILIES BELOW  
16 THE POVERTY LEVEL; AND TO PROVIDE AN INDIVIDUAL WORKING  
17 TAXPAYER INCOME TAX CREDIT BASED ON FEDERAL SOCIAL  
18 SECURITY (OASDI) TAX PAID ON THE FIRST \$40,000 OF WAGES  
19 AND SALARIES; TO INDEX INDIVIDUAL INCOME TAX RATES BASED  
20 ON THE CONSUMER PRICE INDEX; TO DOUBLE THE CHILD CARE TAX  
21 CREDIT FROM 10% TO 20% OF THE FEDERAL CREDIT; TO EXCLUDE  
22 FROM INCOME GAIN ON THE SALE OF A PRINCIPAL RESIDENCE; TO  
23 INCREASE THE AMOUNT OF PROPERTY TAX REFUND BY \$50 AND  
24 ADJUST THE INCOME BRACKETS; AND FOR OTHER PURPOSES."

### Subtitle

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27 "INCREASES STANDARD DEDUCTION; ADJUSTS  
28 REDUCED INDIVIDUAL INCOME TAX RATES;  
29 ALLOWS AN INCOME TAX CREDIT BASED ON  
30 FEDERAL OASDI TAX PAID; INDEXES  
31 INDIVIDUAL INCOME RATES BASED ON CPI;  
32 INCREASES CHILD CARE CREDIT; EXCLUDES  
33 GAIN ON SALE OF HOME; INCREASES PROPERTY  
34 TAX REFUND."

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

2

3 SECTION 1. Ark. Code Ann. §26-51-430 is amended to read as follows:

4 "26-51-430. Deductions - Standard deduction.

5 (a) In lieu of itemizing deductions, each taxpayer may elect to use the  
6 standard deduction.

7 (b) The standard deduction shall be two thousand dollars (\$2,000) per  
8 taxpayer. In the case of a married couple, each spouse shall be entitled to  
9 claim a standard deduction of \$2,000."

10

11 SECTION 2. Arkansas Code 26-51-301(a) and (b) are amended to read as  
12 follows:

13 "(a) There shall be exempted from state individual income tax the  
14 following income categories:

15 (1) A single individual whose gross income does not exceed seven  
16 thousand seven hundred (\$7,700) for any income year;

17 (2) A married couple filing jointly whose gross income does not  
18 exceed fifteen thousand five-hundred dollars (\$15,500) for any income year;

19 (3) An unmarried head of household, whose gross income for any  
20 income year does not exceed twelve thousand dollars (\$12,000).

21 (b) However:

22 (1) Any single individual whose gross income for the taxable year  
23 is more than seven thousand seven-hundred dollars (\$7,700) but not more than  
24 eleven thousand four hundred dollars (\$11,400) may compute the income tax  
25 payable on the income in excess of seven thousand seven-hundred dollars  
26 (\$7,700) from Reduced Tax Table A in §26-51-302;

27 (2) Any married couple filing jointly whose gross income for the  
28 taxable year is more than fifteen thousand five-hundred dollars (\$15,500) but  
29 not more than sixteen thousand two-hundred dollars (\$16,200) may compute the  
30 income tax payable on the income in excess of fifteen thousand five-hundred  
31 dollars (\$15,500) from Reduced Tax Table B in §26-51-302;

32 (3) Any head of household whose gross income for the taxable  
33 year is more than twelve thousand dollars (\$ 12,000) but not more than  
34 sixteen thousand two hundred dollars (\$16,200) may compute the income tax  
35 payable on the income in excess of twelve thousand dollars (\$ 12,000) from  
36 Reduced Tax Table C in § 26-51-302."

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SECTION 3. Ark. Code Ann. §26-51-302 is amended to read as follows:

" (A) REDUCED TAX TABLE A - SINGLE

<i>Income</i>			
<i>Below</i>	<i>7,701</i>		<i>0</i>
<i>7,701</i>	<i>7,800</i>		<i>20</i>
<i>7,801</i>	<i>7,900</i>		<i>21</i>
<i>7,901</i>	<i>8,000</i>		<i>22</i>
<i>8,001</i>	<i>8,100</i>		<i>33</i>
<i>8,101</i>	<i>8,200</i>		<i>35</i>
<i>8,201</i>	<i>8,300</i>		<i>36</i>
<i>8,301</i>	<i>8,400</i>		<i>38</i>
<i>8,401</i>	<i>8,500</i>		<i>39</i>
<i>8,501</i>	<i>8,600</i>		<i>41</i>
<i>8,601</i>	<i>8,700</i>		<i>42</i>
<i>8,701</i>	<i>8,800</i>		<i>44</i>
<i>8,801</i>	<i>8,900</i>		<i>45</i>
<i>8,901</i>	<i>9,000</i>		<i>47</i>
<i>9,001</i>	<i>9,100</i>		<i>48</i>
<i>9,101</i>	<i>9,200</i>		<i>50</i>
<i>9,201</i>	<i>9,300</i>		<i>51</i>
<i>9,301</i>	<i>9,400</i>		<i>79</i>
<i>9,401</i>	<i>9,500</i>		<i>81</i>
<i>9,501</i>	<i>9,600</i>		<i>83</i>
<i>9,601</i>	<i>9,700</i>		<i>85</i>
<i>9,701</i>	<i>9,800</i>		<i>87</i>
<i>9,801</i>	<i>9,900</i>		<i>89</i>
<i>9,901</i>	<i>10,000</i>		<i>91</i>
<i>10,001</i>	<i>10,100</i>		<i>94</i>
<i>10,101</i>	<i>10,200</i>		<i>96</i>
<i>10,201</i>	<i>10,300</i>		<i>98</i>
<i>10,301</i>	<i>10,400</i>		<i>100</i>
<i>10,401</i>	<i>10,500</i>		<i>102</i>
<i>10,501</i>	<i>10,600</i>		<i>104</i>

1	10,601	10,700	106
2	10,701	10,800	108
3	10,801	10,900	110
4	10,901	11,000	112
5	11,001	11,100	115
6	11,101	11,200	118
7	11,201	11,300	120
8	11,301	11,400	123

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11 Above \$11,400, use standard tax table.

12

13 (B) REDUCED TAX TABLE B - MARRIED

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15 Income

16	Below	15,501	0
17	15,501	15,600	80
18	15,601	15,700	81
19	15,701	15,800	83
20	15,801	15,900	84
21	15,901	16,000	86
22	16,001	16,100	116
23	16,101	16,200	118

24

25 Above \$16,200, use standard tax table.

26

27

28 (C) REDUCED TAX TABLE C

29

HEAD OF HOUSEHOLD

30

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32 Income

33	Below	12,000	0
34	12,001	12,100	40
35	12,101	12,200	42
36	12,201	12,300	43

1	12,301	12,400	44
2	12,401	12,500	45
3	12,501	12,600	46
4	12,601	12,700	47
5	12,701	12,800	48
6	12,801	12,900	49
7	12,901	13,000	50
8	13,001	13,100	84
9	13,101	13,200	85
10	13,201	13,300	87
11	13,301	13,400	88
12	13,401	13,500	90
13	13,501	13,600	91
14	13,601	13,700	93
15	13,701	13,800	94
16	13,801	13,900	96
17	13,901	14,000	97
18	14,001	14,100	99
19	14,101	14,200	100
20	14,201	14,300	102
21	14,301	14,400	103
22	14,401	14,500	105
23	14,501	14,600	106
24	14,601	14,700	108
25	14,701	14,800	109
26	14,801	14,900	111
27	14,901	15,000	112
28	15,001	15,100	114
29	15,101	15,200	115
30	15,201	15,300	203
31	15,301	15,400	205
32	15,401	15,500	208
33	15,501	15,600	210
34	15,601	15,700	213
35	15,701	15,800	215
36	15,801	15,900	218

1	15,901	16,000	220
2	16,001	16,100	223
3	16,101	16,200	225

4  
5 Above \$16,200, use standard tax table."  
6

7 SECTION 4. Title 26, Chapter 51, Subchapter 5 of Arkansas Code  
8 Annotated is amended to add a new section to read as follows:

9 "(a) A credit shall be allowed against the individual income tax  
10 imposed by the Arkansas Income Tax Act, as amended, §26-51-101, et seq. to be  
11 calculated in accordance with subsection (b) of this section.

12 (b)(1) The credit shall be equal to a percentage of the total amount  
13 of OASDI tax paid by each taxpayer for the taxable year on taxable income up  
14 to \$40,000. The percentage is dependent upon the taxpayer's filing status and  
15 gross income as set forth in the table below. With respect to married  
16 taxpayers, the combined gross income of both spouses is to be considered in  
17 determining the applicable percentage.

19 FILING	GROSS	
20 STATUS	INCOME	CREDIT
22 Single	\$0 - 11,400	4% of OASDI tax
24 Single	Greater than \$11,400	2% of OASDI tax on first \$40,000 of taxable income
28 Married	\$0 - 16,200	4% of OASDI tax
30 Married	Greater than \$16,200	2% of OASDI tax on first \$40,000 of taxable income
34 Head of household	\$0 - 16,200	4% of OASDI tax
36 Head of household	Greater than \$16,200	2% of OASDI tax on

1 first \$40,000 of  
2 taxable income

3

4 In no event shall the credit exceed the amount of credit that would have been  
5 available if the total income of the taxpayer had been subject to OASDI tax  
6 pursuant to 26 U.S.C. §§3101(a), 3201(a) or 3211(a).

7 (2) An equivalent income tax credit is allowed to taxpayers who  
8 do not pay OASDI tax but who, in lieu of OASDI tax, pay a similar tax imposed  
9 under federal law into a retirement plan which is not included in subsection  
10 (e) of this section. The credit shall be equal to a percentage of the total  
11 amount of tax in lieu of OASDI tax paid by each taxpayer for the taxable year  
12 on taxable income up to \$40,000. The percentage is dependent upon the  
13 taxpayer's filing status and gross income as set forth in the table in  
14 subsection (b)(1) above. With respect to married taxpayers, the combined  
15 gross income of both spouses is to be considered in determining the applicable  
16 percentage. In no event shall the tax credit allowed under this subsection  
17 exceed the amount of tax credit that would have been available under this  
18 subsection if the taxpayer's income subject to the tax in lieu of OASDI tax  
19 had been subject to OASDI tax. The Director shall determine whether a tax  
20 payment is made in lieu of OASDI tax.

21 (3) With respect to taxpayers who pay both the employer and  
22 employee portions of OASDI tax on taxable income, the amount of the credit  
23 shall be limited to one-half of the OASDI tax paid on such income.

24 (c) The credit provided in subsection (b) may not be taken if the  
25 taxpayer claims the exemptions provided by §§26-51-306 or 26-51-307(a), (b) or  
26 (c). This credit may be taken if the taxpayer chooses to itemize his or her  
27 deductions. This credit is included in the reduced income tax rates provided  
28 by §26-51-302 so that taxpayers qualifying for the reduced rates will not  
29 calculate a separate credit under this section.

30 (d) The Director may require such proof of payment of OASDI tax as he  
31 deems necessary.

32 (e) As used in this section, 'OASDI tax' means the federal old age,  
33 survivors and disability insurance tax imposed:

34 (1) upon an employee's wages or other income pursuant to 26 U.S.C.  
35 §3101(a);

36 (2) upon the self-employment income of an individual pursuant to

1 26 U.S.C. §1401(a); or

2 (3) upon the income of an employee or employee representative  
3 pursuant to 26 U.S.C. §§3201(a) or 3211(a) (Railroad Retirement Tax Act).

4 (f) As used in this section, the term 'taxable income' means wages,  
5 salaries, tips, net earnings or other earned income upon which OASDI tax or a  
6 tax in lieu of OASDI tax is imposed."

7

8 SECTION 5. Ark. Code Ann. §26-51-201 concerning individual income tax  
9 rates is amended to add a new paragraph to read as follows:

10 "(d)(1) Not later than December 15 of 1998, and each subsequent  
11 calendar year, the Director shall prescribe a table which shall apply in lieu  
12 of the table contained in §26-51-201(a) with respect to taxable years  
13 beginning in the succeeding calendar year. The Director shall increase the  
14 minimum and maximum dollar amounts for each rate bracket (rounding to the  
15 nearest \$100) for which a tax is imposed under such table by the cost-of-  
16 living adjustment (COLA) for such calendar year and by not changing the rate  
17 applicable to any rate bracket as adjusted. The yearly COLA increase in each  
18 rate bracket as provided in paragraph (2) shall apply to the brackets as  
19 contained in §26-51-201(a) as in effect on January 1, 1998.

20 (2) For purposes of paragraph (1), the cost-of-living adjustment for  
21 any calendar year is the percentage (if any) by which the CPI for the calendar  
22 year preceding the taxable year exceeds the CPI for the calendar year 1997,  
23 not to exceed three percent (3%). The CPI for any calendar year is the  
24 average of the Consumer Price Index as of the close of the 12-month period  
25 ending on August 31 of such calendar year. 'Consumer Price Index' means the  
26 last Consumer Price Index for all-urban consumers published by the Department  
27 of Labor.

28 (3) The new tables, as adjusted, shall apply for tax returns filed  
29 for taxable year 1999 and thereafter, and shall be used by the Director in  
30 preparing the income tax withholding tables pursuant to Ark. Code Ann. §26-51-  
31 907."

32

33 SECTION 6. Ark. Code Ann. §26-51-502(b) relating to child care tax  
34 credit is amended to read as follows:

35 "(b)(1) Section 21 of the Internal Revenue Code of 1986, as amended  
36 and in effect on January 1, 1997, is adopted for purposes of determining the



1 allowable credit under the Arkansas Income Tax Act, as amended, §26-51-101 et  
2 seq., for household and dependent care services necessary for gainful  
3 employment.

4 (2) The amount of credit shall be twenty percent ( 20%) of the federal  
5 credit allowable."

6

7 SECTION 7. Ark. Code Ann. §26-51-404(b)(2) concerning the definition of  
8 nontaxable income is amended to read as follows:

9 "(2)(A) So much of the gain, if any, resulting from the sale or  
10 exchange of property which is located within the State of Arkansas, used by  
11 the taxpayer as his principal residence, which shall, within a period  
12 beginning two (2) years prior to the date of sale or exchange and ending two  
13 (2) years after that date, be applied by the taxpayer to purchase, acquire,  
14 construct, or reconstruct other property which is thereafter used or to be  
15 used by the taxpayer as his principal residence if the new residence is within  
16 the State of Arkansas;

17 (B) Gain from the sale or exchange of property if, during the 5-year  
18 period ending on the date of the sale or exchange, such property has been  
19 owned and used by the taxpayer as the taxpayers principal residence for  
20 periods aggregating three (3) years or more. In the case of an unmarried  
21 individual whose spouse is deceased on the date of sale or exchange of the  
22 property, if the deceased spouse (during the 5-year period ending on the date  
23 of the sale or exchange) satisfied the holding and use requirements of the  
24 preceding sentence with respect to such property, then such individual shall  
25 be treated as satisfying the holding and use requirements of the preceding  
26 sentence with respect to such property;"

27

28 SECTION 8. Ark. Code Ann. §26-51-305 concerning income from the sale of  
29 a home is repealed.

30

31 SECTION 9. Arkansas Code 26-51-607 is amended to read as follows:

32 "(a) The amount of any cash refund allowed or made pursuant to the  
33 provisions of this subchapter shall be determined as follows:

34 (1) If the household income of the claimants household was eight  
35 thousand dollars (\$8,000) or less during the income year, the claimant shall  
36 be entitled to file a claim for an amount equal to the ad valorem taxes paid

1 on the claimants homestead; however, the maximum refund any claimant may  
2 receive under this subdivision shall be three hundred dollars (\$300);

3           (2) If the household income of the claimants household is more  
4 than eight thousand dollars (\$8,000) but not more than nine thousand dollars  
5 (\$9,000) for the income year, the claimant shall be entitled to file a claim  
6 for an amount equal to the ad valorem taxes paid on the claimants homestead;  
7 however, the maximum refund any claimant may receive under this subdivision  
8 shall be two hundred fifty dollars (\$250);

9           (3) If the household income of the claimants household is more  
10 than nine thousand dollars (\$9,000) but not more than ten thousand dollars  
11 (\$10,000) for the income year, the claimant shall be entitled to file a claim  
12 for an amount equal to the ad valorem taxes paid on the claimants homestead;  
13 however, the maximum refund any claimant may receive under this subdivision  
14 shall be two hundred dollars (\$200);

15           (4) If the household income of the claimants household is more  
16 than ten thousand dollars (\$10,000) but not more than eleven thousand dollars  
17 (\$11,000) for the income year, the claimant shall be entitled to file a claim  
18 for an amount equal to the ad valorem taxes paid on the claimants homestead;  
19 however, the maximum refund any claimant may receive under this subdivision  
20 shall be one hundred fifty dollars (\$150);

21           (5) If the household income of the claimants household is more  
22 than eleven thousand dollars (\$11,000) but not more than twelve thousand  
23 dollars (\$12,000) for the income year, the claimant shall be entitled to file  
24 a claim for an amount equal to the ad valorem taxes paid on the claimants  
25 homestead; however, the maximum refund any claimant may receive under this  
26 subdivision shall be one hundred twenty-five dollars (\$125);

27           (6) If the household income of the claimants household is more  
28 than twelve thousand dollars (\$12,000) but not more than sixteen thousand  
29 dollars (\$16,000) for the income year, the claimant shall be entitled to file  
30 a claim for an amount equal to the ad valorem taxes paid on the claimants  
31 homestead; however, the maximum refund any claimant may receive under this  
32 subdivision shall be one hundred dollars (\$100).

33           (b) The refund shall be paid to the claimant as a cash refund. However,  
34 no interest shall be allowed on any payment made to a claimant under the  
35 provisions of this subchapter.

36           (c) If a claimant or another member of the household has any

1 outstanding tax liability to the State of Arkansas, the amount of any claim  
2 otherwise payable under this subchapter, or such portion thereof as is  
3 necessary, shall be applied to the payment of the outstanding tax liability."  
4

5 SECTION 10. The provisions of Section 9 of this act shall be applicable  
6 for property tax refund claims filed in 1999 for property taxes paid in 1998  
7 and subsequent years.  
8

9 SECTION 11. This Act shall be effective on and after November 15, 1998  
10 unless a constitutional amendment or initiated act shall be approved or an act  
11 of the General Assembly shall become law before that date which exempts food,  
12 either wholly or partially, from the Arkansas gross receipts tax. If a  
13 constitutional amendment, initiated act, or act of the General Assembly  
14 exempting food is not approved, then the provisions of Section 1, 2, 3, 4, 6,  
15 7, and 8 of this Act shall be effective for tax years beginning on and after  
16 January 1, 1998; the provisions of Section 5 of this Act shall be effective as  
17 provided in that section; and the provisions of Section 9 of this Act shall be  
18 effective as provided in Section 10.  
19

20 SECTION 12. The withholding tables prescribed by the Director of the  
21 Department of Finance and Administration pursuant to Ark. Code Ann. § 26-51-  
22 907 shall not be amended for tax year 1998 to reflect the changes adopted by  
23 this Act. If this Act becomes effective on November 15, 1998, the effect of  
24 the various provisions of this Act for tax year 1998 shall be reflected on the  
25 income tax return filed for that year. For all subsequent years, the Director  
26 shall adjust the withholding tables as otherwise required by law.  
27

28 SECTION 13. All provisions of this act of a general and permanent  
29 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas  
30 Code Revision Commission shall incorporate the same in the Code.  
31

32 SECTION 14. If any provision of this act or the application thereof to  
33 any person or circumstance is held invalid, such invalidity shall not affect  
34 other provisions or applications of the act which can be given effect without  
35 the invalid provision or application, and to this end the provisions of this  
36 act are declared to be severable.

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SECTION 15. All laws and parts of laws in conflict with this act are hereby repealed.

*/s/Rep. Hogue, et al*

APPROVED:3-03-97