

ARKANSAS SENATE

84th General Assembly - Second Extraordinary Session, 2003

Amendment Form

Subtitle of Senate Bill No. 61

"LEVIES FLAT (7%) CORPORATE INCOME TAX RATE AND INCREASES INCOME TAX SURCHARGE, SEVERANCE TAX ON NATURAL GAS, BEER TAX, AND THE PERCENTAGE OF PROPERTY VALUE THAT IS SUBJECT TO PROPERTY TAX."

Amendment No. 3 to Senate Bill No. 61.

Amend Senate Bill No. 61 as engrossed, S1/20/04 (version: 01-20-2004 11:24):

Page 1, delete lines 9 through 18 and substitute:

"AN ACT TO INCREASE THE TOP CORPORATE INCOME TAX RATE TO SEVEN PERCENT (7%); TO INCREASE THE SEVERANCE TAX ON NATURAL GAS BY FIFTEEN CENTS (15¢) PER ONE THOUSAND CUBIC FEET (1,000 CU. FT.); TO INCREASE THE CORPORATE FRANCHISE TAX; AND FOR OTHER PURPOSES."

AND

Page 1, delete lines 21 through 25 and substitute:

INCREASES TOP CORPORATE INCOME TAX RATE TO SEVEN PERCENT (7%), INCREASES SEVERANCE TAX ON NATURAL GAS BY FIFTEEN CENTS (15¢) PER ONE THOUSAND CUBIC FEET (1,000 CU. FT.), AND INCREASES THE CORPORATE FRANCHISE TAX.

AND

Page 1, delete lines 30 through 36 and substitute the following:

"SECTION 1. Arkansas Code § 26-51-205(a)(2), concerning corporate income tax on domestic corporations, is amended to read as follows:

(2) ~~On net income exceeding \$100,000, a flat rate of six and one half (6 1/2 %) percent shall be applied to net income~~ Tax at the rate of seven percent (7%) shall be applied to net income exceeding one hundred thousand dollars (\$100,000) for tax years beginning on or after January 1, 2004.

SECTION 2. Arkansas Code § 26-51-205(b)(2), concerning corporate income tax on foreign corporations, is amended to read as follows:

(2) ~~On net income exceeding \$100,000, a flat rate of six and one half percent (6 1/2%) shall be applied to the entire net income~~ Tax at the rate of seven percent (7%) shall be applied to net income exceeding one hundred thousand dollars (\$100,000) for tax years beginning on or after



January 1, 2004.

SECTION 3. Arkansas Code § 26-51-205(c), concerning the distribution of corporate income tax, is amended to read as follows:

(c)(1) There is hereby created on the books of the Treasurer of State, the Auditor of State, and the Chief Fiscal Officer of the State a fund to be known as the "Work Force 2000 Development Fund." This fund shall consist of those special revenues as specified in § ~~26-51-205(e)(2)~~ 26-51-205(c)(2)(B)(iii) and all other revenues as may be authorized by law.

(2)(A) The Revenue Services Division of the Department of Finance and Administration shall deposit the funds collected under the provisions of this section for corporate income tax into the State Treasury, there to be credited to the Revenue Holding Fund Account of the State Apportionment Fund.

(B)(i) For each of the state's fiscal years, the Chief Fiscal Officer of the State shall determine as an annual allocation available under the provisions of this section an amount based on the total net revenues, as enumerated in § 26-51-205(a) and (b), which were collected in the immediate past year, multiplied by a factor of six hundred seventy-eight ten thousandths (.0678). On the last day of each month of the respective fiscal year, the Chief Fiscal Officer of the State shall certify to the Treasurer of State an amount based on one-twelfth (1/12) of the annual allocation provided in this section for transfer as specified in § 26-51-205(c)(2)(B)(ii).

(ii) The Treasurer of State shall then transfer the amount so certified to the Special Revenue Fund Account as part of the gross special revenues.

(iii) After the deductions as set out in § 19-5-203 have been made, the remaining amount shall be credited to the "Work Force 2000 Development Fund."

~~(iv) The remaining corporate income tax collections remaining in the Revenue Holding Fund Account shall be credited to the General Revenue Fund Account of the State Apportionment Fund, there to be distributed with the other gross general revenue collections for that month in accordance with the provisions of § 19-5-201 et seq.~~

(C)(i) For the fiscal year beginning July 1, 2005, the Chief Fiscal Officer of the State shall determine as an annual allocation available under the provisions of this section an amount equal to the total net revenues collected under § 26-51-205(a) and (b) in the immediate past year, multiplied by a factor of forty-nine thousandths (0.049).

(ii) On the last day of each month of the fiscal year, the Chief Fiscal Officer of the State shall certify to the Treasurer of State an amount equal to one-twelfth (1/12) of the annual allocation calculated in subdivision (c)(2)(C)(i) of this section.

(iii) The Treasurer of State shall transfer the amount certified in subdivision (c)(2)(C)(ii) of this section from the Revenue Holding Fund Account of the State Apportionment Fund to the Special Revenue Fund Account as part of the gross special revenues.

(iv) After the deductions under § 19-5-203 have been made, the remaining amount shall be credited to the Educational Adequacy Trust Fund Account.

(D)(i) For the fiscal year beginning July 1, 2006, and

fiscal years thereafter, the Chief Fiscal Officer of the State shall determine as an annual allocation available under the provisions of this section an amount equal to the total net revenues collected under § 26-51-205(a) and (b) in the immediate past year, multiplied by a factor of seventy-four thousandths (0.074).

(ii) On the last day of each month of the fiscal year, the Chief Fiscal Officer of the State shall certify to the Treasurer of State an amount equal to one-twelfth (1/12) of the annual allocation calculated in subdivision (c)(2)(D)(i) of this section.

(iii) The Treasurer of State shall transfer the amount certified in subdivision (c)(2)(D)(i) of this section from the Revenue Holding Fund Account of the State Apportionment Fund to the Special Revenue Fund Account as part of the gross special revenues.

(iv) After the deductions under § 19-5-203 have been made, the remaining amount shall be credited to the Educational Adequacy Trust Fund Account.

(E) The corporate income tax collections remaining in the Revenue Holding Fund Account after the transfers required under subdivisions (c)(2)(B) - (D) of this section shall be credited to the General Revenue Fund Account of the State Apportionment Fund, there to be distributed with the other gross general revenue collections for that month in accordance with the provisions of § 19-5-201, et. seq.

SECTION 4. Arkansas Code § 26-51-205(d)(1), concerning the Work Force 2000 Development Fund, is amended to read as follows:

(d)(1) All proceeds ~~derived from the additional tax levied by this section~~ credited to the Work Force 2000 Development Fund as provided by § 26-51-205(c)(2)(B)(iii) shall be used exclusively for the authorized educational activities of:

(A) Any postsecondary vocational-technical school, technical institute, comprehensive lifelong learning center, technical college, community college; or

(B) Any postsecondary vocational-technical school, technical institute, comprehensive lifelong learning center, or technical college that merges with a two-year branch of a four-year institution, a four-year institution, a technical college, or a community college.

SECTION 5. Arkansas Code § 26-54-104 is amended to read as follows:
26-54-104. Annual franchise tax.

(a) Every corporation shall file an annual franchise tax report and pay an annual franchise tax, unless exempted under § 26-54-105, as follows:

(1) Each life, fire, accident, surety, liability, steam boiler, tornado, health, or other kind of insurance company of whatever nature, having an outstanding capital stock of less than five hundred thousand dollars (\$500,000) shall pay ~~one hundred dollars (\$100)~~ three hundred dollars (\$300). Each such company having an outstanding capital stock of five hundred thousand dollars (\$500,000) or more shall pay ~~two hundred dollars (\$200)~~ four hundred dollars (\$400);

(2) Each legal reserve mutual insurance corporation having assets of less than one hundred million dollars (\$100,000,000) shall pay ~~one hundred dollars (\$100)~~ three hundred dollars (\$300). Each such corporation having assets of one hundred million dollars (\$100,000,000) or more shall pay

~~two hundred dollars (\$200)~~ four hundred dollars (\$400);

(3) Each mutual assessment insurance corporation shall pay ~~one hundred dollars (\$100)~~ three hundred dollars (\$300);

(4) Each mortgage loan corporation shall pay an amount equivalent to ~~twenty seven one hundredths of one percent (0.27%)~~ thirty one-hundredths of one percent (0.30%) of that proportion of the par value of its outstanding capital stock that its aggregate outstanding loans made in the State of Arkansas bears to the total aggregate outstanding loans made in all states. No corporation shall pay an annual tax of less than ~~one hundred dollars (\$100)~~ three hundred dollars (\$300) ~~nor more than one million seventy five thousand dollars (\$1,075,000)~~;

(5) Each corporation, other than those in subdivisions (2)-(4) of this section, without authorized capital stock shall pay ~~one hundred dollars (\$100)~~ three hundred dollars (\$300);

(6) Each corporation, other than those in subdivisions (1)-(5) of this section, shall pay an amount equivalent to ~~twenty seven one hundredths of one percent (0.27%)~~ thirty one-hundredths of one percent (0.30%) of that proportion of the par value of its outstanding capital stock that the value of its real and personal property in the State of Arkansas bears to the total value of the real and personal property of the corporation. No corporation shall pay an annual tax of less than ~~fifty dollars (\$50.00)~~ two hundred fifty dollars (\$250) ~~nor more than one million seventy five thousand dollars (\$1,075,000)~~;

(7) Each corporation, actually and actively in the process of liquidation and which does not rent or lease its property but which retains its corporate charter or authority for the sole purpose of winding up its affairs, shall pay an annual tax as provided in subdivision (6) of this section or an amount equivalent to ~~twenty seven one hundredths of one percent (0.27%)~~ thirty one-hundredths of one percent (0.30%) of the value of its real and tangible personal property in Arkansas, whichever is smaller, but in no instance shall the tax be less than ~~fifty dollars (\$50.00)~~ two hundred fifty dollars (\$250) ~~nor more than one million seventy five thousand dollars (\$1,075,000)~~;

(8) Organizations formed pursuant to the Small Business Entity Tax Pass Through Act, § 4-32-101 et seq., shall pay the minimum franchise tax.

(b)(1) In addition to the annual franchise taxes levied in subsection (a) of this section, there is hereby levied a franchise tax of three dollars (\$3.00) per year on each corporation required to report and remit franchise taxes under that subsection. All revenues derived from the additional franchise tax levied in subsection (a) of this section shall be deposited in the State Treasury as special revenues and shall be credited to the Voter Registration Signature Imaging System Fund and shall be used exclusively for acquiring and operating a voter registration signature imaging system in the office of the Secretary of State.

(2) There is hereby created on the books of the Treasurer of State, the Auditor of State, and the Chief Fiscal Officer of the State a fund to be known as the "Voter Registration Signature Imaging System Fund".

(c) This section shall be effective for tax years beginning January 1, 2004.

SECTION 6. Arkansas Code § 26-54-105(c), concerning the filing of

franchise tax reports, is amended to read as follows:

(c)(1) Each corporation subject to the requirements of this chapter shall file a franchise tax report with the Secretary of State which shows its condition and status as of the close of business on December 31, ~~last preceding~~, of the preceding calendar year, and other information required by the Secretary of State.

(2) The franchise tax as computed on the report shall be remitted with the franchise tax report on or before ~~June 1~~ May 1 of the reporting year."

AND

Page 2, delete lines 1 through 36

AND

Page 3, delete lines 1 through 36

AND

Page 4, delete lines 1 through 36

AND

Page 5, delete lines 1 through 36

AND

Page 6, delete lines 1 through 36

AND

Page 7, delete lines 1 through 36

AND

Page 8, delete lines 1 through 36

AND

Page 9, delete lines 1 through 14

AND

Appropriately renumber the remaining sections of the bill

AND

Page 10, on line 8, delete "(1.33ç)" and substitute "(1 3/10ç)"

AND

Page 10, delete lines 26 through 28 and substitute:

"(b) The fund shall consist of the revenues generated by Arkansas Code §§ 26-51-205(c)(2)(C) and (D), 26-58-127, and other revenues provided by law."

The Amendment was read the first time, rules suspended and read the second time and _____

By: Senator Wooldridge

BBC/VFF - 01-23-2004 10:09

VFF111

Secretary