

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1430

Bill Subtitle: TO EXTEND THE NET OPERATING LOSS CARRY-FORWARD PERIOD FOR CALCULATING ARKANSAS INCOME TAX; AND TO MAKE TECHNICAL CHANGES.

Basic Change : Sponsor: Representative Neal

The bill would extend a net operating loss (NOL) from the current 5 year carry forward to a 10 year carry forward as follows:

6 years for tax years beginning Jan 1, 2016

7 years for tax years beginning Jan 1, 2017

8 years for tax years beginning Jan 1, 2018

9 years for tax years beginning Jan 1, 2019

10 years for tax years beginning Jan 1, 2020 and after

This act is effective for losses established on or after January 1, 2016.

Revenue Impact :

Estimate revenue loss of \$14.9M per year for FY2023 and FY2024.

Estimate revenue loss of \$28.3M per year for FY2025 and FY2026.

Estimate revenue loss of \$39.9M per year for FY2027 and FY2028.

Estimate revenue loss of \$49.9M per year for FY2029 and FY2030.

Estimate revenue loss of \$58.2M per year for FY2031 and after.

Taxpayer Impact :

Taxpayers claiming a net operating loss (NOL) beginning with tax year 2016 will be allowed to carryforward the loss for 6 instead of 5 years; for 2017 the carryforward is 7 years; for 2018 the carryforward is 8 years; for 2019 the carryforward is 9 years; and for 2020 and after the carryforward is 10 years. Taxpayers would be required to maintain records to substantiate the net operating loss deduction.

Resources Required :

Booklet changes, changes in forms, changes in computer programs and changes in return processing procedures.

Time Required :

Adequate time is provided.

Procedural Changes :

Forms and instructions, employee training and processing procedures need to be modified. Taxpayers, tax preparers and software companies will need to be informed.

Other Comments :

None.

Legal Analysis :

Under HB1430, the net operating loss carry-forward period remains at five years for such losses occurring before January 1, 2016. The net operating loss carry forward period is extended thereafter as follows:

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Six years for 2016 tax year losses;
Seven years for 2017 tax year losses;
Eight years for 2018 tax year losses;
Nine years for 2019 tax year losses; and
Ten years for 2020, and thereafter, tax year losses.

The carry forward period for a qualified medical company remains at 15 years. All other provisions regarding the method for calculating net operating losses and the law regarding corporate acquisitions involving net operating loss carry-forwards remain the same.