

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1431

Bill Subtitle: TO AMEND 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 7 year carry forward as follows:

6 years for tax years beginning Jan 1, 2016

7 years for tax years beginning Jan 1, 2017 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 after.

Taxpayer Impact :

Taxpayers claiming a net operating loss (NOL) beginning with tax year 2016 will be allowed to carryforward the loss for 6 years instead of 5. For 2017 and after, the carryforward is allowed for 7 years. Taxpayers would be required to maintain records to substantiate the net operation 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 HB1431, the net operating loss carry-forward period remains at 5 years for such losses occurring before January 1, 2016. The carry forward period is extended to 6 years for net operating losses occurring in the tax year 2016 and to 7 years for such losses occurring in tax years beginning on and after January 1, 2017. 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.