

Department of Finance and Administration

Legislative Impact Statement

Bill: SB490

As Engrossed: 3/5/2015

Bill Subtitle: TO IMPROVE THE FAIRNESS OF TAX ADMINISTRATION.

Basic Change : Sponsors: Senators B. Sample, Teague, Hester and Files

Engrossment 03/05/15 --- Senate Amendment 2 --- The amendment changes the time period available for local tax rebate claims. As originally drafted, the time period would have been extended from 6 months to 3 years. The amendment changes that time period to 1 year.

Engrossment 03/03/15 --- Senate Amendment 1 --- Allows taxpayers to file claims for refunds for those same tax periods that are provided to DFA for assessment of taxes due. Arkansas law provides that the period of tax assessment is extended from 3 years to 6 years if taxes are underreported by 25% or more. This amendment would allow the extension for refunds during those same tax periods up to the amount of the additional taxes determined to be due.

The amendment also replaces Section 3 of the bill regarding the standard of proof required for exemptions, deductions, and credits.

Changes proposed regarding the payment of attorney's fees by DFA have been removed resulting in current law being maintained. The Arkansas Rules of Civil Procedure regarding nonsuit and commencement of new actions will apply to tax appeals. The amendment also removes Sections 6 and 7 of the original bill regarding proposed changes in interest on overpayments and deficiencies and reimbursements of fees and other costs related to tax matters. The proposal would be effective on the first day of the calendar quarter following the effective date of the act.

Revenue Impact :

FY2016

\$700,000 Reduction in Corporation Income Tax Collections resulting from the one month shift in tax reporting.

Taxpayer Impact :

Tax administration procedures and processes as provided in State Tax Procedures would be amended to assist Arkansas taxpayers in compliance with Arkansas tax laws

Resources Required :

Development of a web application for the publication of legal opinions. Modification of the tax system for the changes in due dates for tax returns. Modification of the tax system to allow for the change in time period for claiming local tax rebates.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Education of staff in the changes.

Legal Analysis :

Sections of SB490 as engrossed 3/5/15 that relate to changes or corrections by the IRS remain the same as when the bill was originally filed as do sections of the bill concerning transparency, judicial relief, nonsuit, and the filing date for income tax returns. Provisions of SB490 that changed the statutory interest rate on assessments and refunds and that permitted recovery of attorney fees and costs related to administrative challenges of tax assessments and refund claim denials have been removed from the bill.