

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB211**

**Bill Subtitle: TO CREATE THE TAX COMPETITIVENESS AND RELIEF ACT OF 2019; AND TO DECLARE AN EMERGENCY.**

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### Basic Change :

**Sponsors: Sens. Dismang and Hendren, Reps. Jett and Shepherd**

SB211 is titled the "Tax Competitiveness and Relief Act of 2019," and provides reductions for individual, trust, and estate taxpayers in the middle and upper income tax tables. The upper income tax table is also simplified to four rates in 2020 and then reduced to three rates in 2021. The top marginal income tax rate in Arkansas would be reduced to 5.9% by tax years beginning on or after January 1, 2021.

**Tax Year 2020** – For tax years beginning on or after January 1, 2020, the 6.0% top income tax rate in the middle income table of § 26-51-201(7) would be reduced to 5.9%. The six upper income table tax rates of 0.9%, 2.5%, 3.5%, 4.5%, 6%, and 6.9% would be replaced with the following four rates: 2%, 4%, 5.9%, and 6.6%. The bill does not make any amendments to the tax rates in the lower income table. Additionally, all three tax tables as well as the bracket adjustment of § 26-51-201(10) are updated to reflect prior inflation adjustments that have occurred through the 2018 tax year. For the **2020** tax year, the three tax tables would be the following:

#### **Lower Income Table – Taxable Income of less than \$22,200**

\$0 to	\$4,499	0%
\$4,500 to	\$8,899	2%
\$8,900 to	\$13,399	3%
\$13,400 to	\$22,199	3.4%

#### **Middle Income Table – Taxable Income of \$22,200 to \$79,300**

\$0 to	\$4,499	0.75%
\$4,500 to	\$8,899	2.5%
\$8,900 to	\$13,399	3.5%
\$13,400 to	\$22,199	4.5%
\$22,200 to	\$37,199	5%
\$37,200 to	\$79,300	5.9%

#### **Upper Income Table – Taxable Income of more than \$79,300**

\$0 to	\$4,000	2%
\$4,001 to	\$8,000	4%
\$8,001 to	\$79,300	5.9%
\$79,300 and above		6.6%

**Tax Year 2021** – For tax years beginning on or after January 1, 2021, the upper-income table would be further simplified to three income tax rates (2%, 4%, and 5.9%) with the top income tax rate of 6.6% eliminated and replaced with to 5.9% top rate.

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For the **2021** tax year, the three tax tables would be the following:

**Lower Income Table – Taxable Income of less than \$22,200**

\$0 to	\$4,499	0%
\$4,500 to	\$8,899	2%
\$8,900 to	\$13,399	3%
\$13,400 to	\$22,199	3.4%

**Middle Income Table – Taxable Income of \$22,200 to \$79,300**

\$0 to	\$4,499	0.75%
\$4,500 to	\$8,899	2.5%
\$8,900 to	\$13,399	3.5%
\$13,400 to	\$22,199	4.5%
\$22,200 to	\$37,199	5%
\$37,200 to	\$79,300	5.9%

**Upper Income Table – Taxable Income of more than \$79,300**

\$0 to	\$4,000	2%
\$4,001 to	\$8,000	4%
\$8,001 and above		5.9%

The bill retains the bracket adjustments in § 26-51-201(10) for individuals with net income of more than \$79,300 but less than \$84,600. SB211 would repeal § 26-51-201(e), which contained a trigger for reduced income tax rates based upon collections from out-of-state sellers.

**Revenue Impact :**

**FY2020** - \$25.6 Million Reduction in State General Revenues

**FY2021** - \$74.1 Million Reduction in State General Revenues

**FY2022** - \$97 Million Reduction in State General Revenues

**Taxpayer Impact :**

Approximately 579,000 taxpayers with net taxable incomes greater than \$38,200 will receive a decrease in income tax due. No taxpayer will receive a tax increase under SB211.

**Resources Required :**

Reducing the individual income tax rates will require updating computer programs, tax forms, and instructions.

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**Time Required :**

Adequate time is provided for implementation.

**Procedural Changes :**

Computer programs, forms and instructions will need to be updated.

**Other Comments :**

None.

**Legal Analysis :**

None.