

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: LCW066 - Amendment to SB47**

**Bill Subtitle: AN ACT FOR THE DEPARTMENT OF INSPECTOR GENERAL APPROPRIATION FOR THE 2024-2025 FISCAL YEAR.**

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### **Basic Change:**

**Sponsor: Senator J. Payton**

LCW066 amends SB47, the Department of Inspector General appropriation bill, to add special language amending the Independent Tax Appeals Commission Act, § 26-18-1101, et seq., to limit the ability of the Department of Finance and Administration (DFA) to seek judicial relief from a decision of the Tax Appeals Commission (Commission).

Under current law, a taxpayer or DFA can seek judicial relief from any decision of the Commission by filing an appeal to circuit court. LCW066 amends § 26-18-1117 to limit the ability of DFA to file suit to appeal a decision of the Commission to cases where the “net amount of tax deficiencies and claimed refunds in controversy” is more than \$25,000, not including penalties and interest.

### **Revenue Impact:**

Undetermined revenue impact.

### **Taxpayer Impact:**

None.

### **Resources Required:**

Computer programs, tax forms, and instructions might need to be updated.

### **Time Required:**

Adequate time is provided for implementation.

### **Procedural Changes:**

Department employees will need to be educated as well as the tax community.

### **Other Comments:**

None.

### **Legal Analysis:**

In 2023, the Commission served DFA with 2,863 petitions filed by taxpayers. The Commission issued 2,493 decisions in 2023. After excluding the 470 joint income tax refund offset decisions to focus only on decisions concerning assessed taxes or denied refunds, the Commission issued 2,023 decisions in 2023. Of those decisions, DFA appealed four decisions to circuit court. Under LCW066, these four appeals would have been prohibited because the amount in controversy was less than \$25,000.

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Year to date in 2024, the Commission has served DFA with 797 petitions. The Commission issued 809 decisions so far this year. Some petitions filed in 2023 were not ruled on until 2024. After excluding the 71 joint income tax refund offset decisions to focus only on decisions concerning assessed taxes or denied refunds, the Commission issued 738 decisions in 2024. Of those decisions, DFA has appealed one decision. Under LCW066, this one appeal would have been prohibited because the amount in controversy was less than \$25,000.

Fiscal sessions of the Arkansas General Assembly may only entertain appropriation bills. Ark. Const. Art. 5, § 5(b) (as amended by Amendment 86). A bill other than an appropriation bill may be considered in a fiscal session if two-thirds of the members of each house of the General Assembly approve consideration of the bill. *Id.* at (c)(2). Article 5, § 29 of the Arkansas Constitution requires that appropriations be made by law with a distinctly stated purpose. These appropriations may only encompass one purpose pursuant to Article 5, § 30 of the Arkansas Constitution. An appropriation bill may not include substantive provisions distinct from the appropriation itself. See *Reid v. Jones*, 261 Ark. 550, 551 S.W.2d 191 (1977). LCW066 may be subject to challenge under the Arkansas Constitution.