

Stricken language would be deleted from present law. Underlined language would be added to present law.

1 State of Arkansas
2 81st General Assembly
3 Regular Session, 1997

As Engrossed: H3/7/97

A Bill

HOUSE BILL 1685

4
5 By: Representatives Sheppard and Courtway

For An Act To Be Entitled

9 "AN ACT TO CREATE THE SMALL BUSINESS CAPITAL FORMATION ACT
10 OF 1997 ; TO PROVIDE A DEDUCTION FROM INCOME FOR CAPITAL
11 GAINS ON THE SALE OF QUALIFIED STOCK; AND FOR OTHER
12 PURPOSES."

Subtitle

15 "TO CREATE THE SMALL BUSINESS CAPITAL
16 FORMATION ACT; TO PROVIDE A DEDUCTION
17 FROM INCOME FOR CAPITAL GAINS ON THE
18 SALE OF QUALIFIED STOCK."

19
20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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22 SECTION 1. (a) There shall be allowed a deduction from net income for
23 a qualified small business net capital gain recognized on the sale of
24 qualified small business stock for any taxable year in an amount equal to the
25 following:

26 (1) For qualified small business stock held for a period of five
27 (5) years from the date of the purchase of the stock, fifty percent (50%);

28 (2) For qualified small business stock held for a period of six
29 (6) years from the purchase of the stock, sixty percent (60%);

30 (3) For qualified small business stock held for a period of seven
31 (7) years from the purchase of the stock, seventy percent (70%);

32 (4) For qualified small business stock held for a period of eight
33 (8) years from the purchase of the stock, eighty percent (80%);

34 (5) For qualified small business stock held for a period of nine (9)
35 years from the purchase of the stock, ninety percent (90%); and

36 (6) For qualified small business stock held for a period of ten

1 (10) years from the purchase of the stock, one hundred percent (100%).

2 (b) For purposes of this act:

3 (1) "Qualified small business net capital gain" means the net
4 capital gain for the taxable year determined by taking into account only gain
5 or loss from sales or exchanges of qualified small business stock;

6 (2) "Qualified small business stock" means stock issued directly
7 by a qualified small business after December 31, 1998;

8 (3) "Qualified small business" means any domestic corporation
9 whose total capitalization does not exceed one hundred million dollars
10 (\$100,000,000) and no more than ten percent (10%) of the firms assets are held
11 in the form of real estate during the holding periods set forth in Section
12 1(a) of this Act.

13 (c) Any taxpayer who seeks to qualify for the income tax deduction set
14 forth in this section must:

15 (1) Obtain a certified statement from the corporation issuing the
16 qualified business stock stating:

17 (i) The name and address of the purchaser;

18 (ii) The number of shares of qualified business stock
19 purchased;

20 (iii) The amount paid by the original purchaser for the
21 qualified business stock; and

22 (iv) The dates of purchase and sale of the qualified business
23 stock.

24 (2) Attach a copy of the statement described in (c)(1) of this
25 section to the income tax return for the year the deduction is claimed.

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27 SECTION 2. The provisions of this act shall be in effect for taxable
28 years beginning on and after January 1, 1998.

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30 SECTION 3. All provisions of this act of a general and permanent nature
31 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
32 Revision Commission shall incorporate the same in the Code.

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34 SECTION 4. If any provision of this act or the application thereof to
35 any person or circumstance is held invalid, such invalidity shall not affect
36 other provisions or applications of the act which can be given effect without

1 the invalid provision or application, and to this end the provisions of this
2 act are declared to be severable.

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4 SECTION 5. All laws and parts of laws in conflict with this act are
5 hereby repealed.

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/s/Rep. Sheppard, et al

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