

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 84th General Assembly
3 Regular Session, 2003
4

As Engrossed: H3/12/03

A Bill

HOUSE BILL 2621

5 By: Representative Mahony
6
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For An Act To Be Entitled

9 AN ACT TO IMPOSE A 6½% (SIX AND ONE-HALF PERCENT)
10 FLAT TAX ON CORPORATIONS WITH TOTAL NET INCOME
11 EXCEEDING \$100,000 (ONE HUNDRED THOUSAND
12 DOLLARS); TO LEVY A 10% (TEN PERCENT) INCOME TAX
13 SURCHARGE; AND FOR OTHER PURPOSES.
14

Subtitle

15 AN ACT TO IMPOSE A 6½% (SIX AND ONE-HALF
16 PERCENT) FLAT TAX ON CORPORATIONS WITH
17 TOTAL NET INCOME EXCEEDING \$100,000 (ONE
18 HUNDRED THOUSAND DOLLARS); TO LEVY A 10%
19 (TEN PERCENT) INCOME TAX SURCHARGE.
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23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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25 *SECTION 1. Arkansas Code § 26-51-205 is amended to read as follows:*
26 *26-51-205. Corporations - Work Force 2000 Development Fund.*

27 *(a) ~~Every~~ Except as provided in subdivision (a)(2) of this section,*
28 *every corporation organized under the laws of this state shall pay annually*
29 *an income tax with respect to carrying on or doing business on the entire net*
30 *income of the corporation, as now defined by the laws of the State of*
31 *Arkansas, received by such corporation during the income year, on the*
32 *following basis:*

33	<i>(1) On the first \$3,000 of net income or any part thereof</i>	<i>1 %</i>
34	<i>On the second \$3,000 net income or any part thereof</i>	<i>2 %</i>
35	<i>On the next \$5,000 of net income or any part thereof</i>	<i>3 %</i>
36	<i>On the next \$14,000 of net income or any part thereof</i>	<i>5 %</i>



1 On the next \$75,000 of net income or any part thereof,
2 but not exceeding \$100,000 6 %

3 ~~(2) On net income exceeding \$100,000, a flat rate of six and one half~~
4 ~~(6 1/2 %) percent shall be applied to the entire net income. If the total~~
5 ~~net income of a corporation exceeds one hundred thousand dollars (\$100,000),~~
6 ~~then instead of the tax imposed by § 26-51-205(a)(1), there is imposed a tax~~
7 ~~of six and one-half percent (6.5%) on the entire net income of the~~
8 ~~corporation.~~

9 (b) ~~Every~~ Except as provided in subdivision (b)(2) of this section,
10 every foreign corporation doing business within the jurisdiction of this
11 state shall pay annually an income tax on the proportion of its entire net
12 income as now determined by the income tax laws of Arkansas, on the following
13 basis:

- 14 (1) On the first \$3,000 of net income or any part thereof 1 %
- 15 On the second \$3,000 of net income or any part thereof 2 %
- 16 On the next \$5,000 of net income or any part thereof 3 %
- 17 On the next \$14,000 of net income or any part thereof 5 %
- 18 On the next \$75,000 of net income or any part thereof,
- 19 but not exceeding \$100,000 6 %

20 ~~(2) On net income exceeding \$100,000, a flat rate of six and one-~~
21 ~~half percent (6 1/2%) shall be applied to the entire net income. If the total~~
22 ~~net income of a corporation exceeds one hundred thousand dollars (\$100,000),~~
23 ~~then instead of the tax imposed by § 26-51-205(b)(1), there is imposed a tax~~
24 ~~of six and one-half percent (6.5%) on the entire net income of the~~
25 ~~corporation.~~

26 (c)(1) There is hereby created on the books of the Treasurer of State,
27 the Auditor of State, and the Chief Fiscal Officer of the State a fund to be
28 known as the "Work Force 2000 Development Fund." This fund shall consist of
29 those special revenues as specified in § 26-51-205(c)(2) and all other
30 revenues as may be authorized by law.

31 (2)(A) The Revenue Services Division of the Department of Finance
32 and Administration shall deposit the funds collected under the provisions of
33 this section for corporate income tax into the State Treasury, there to be
34 credited to the Revenue Holding Fund Account of the State Apportionment Fund.

35 ~~(B)(i) For each of the state's fiscal years, the Chief~~
36 ~~Fiscal Officer of the State shall determine as an annual allocation available~~

~~under the provisions of this section an amount based on the total net revenues, as enumerated in § 26-51-205(a) and (b), which were collected in the immediate past year, multiplied by a factor of six hundred seventy eight ten thousandths (.0678). On the last day of each month of the respective fiscal year, the Chief Fiscal Officer of the State shall certify to the Treasurer of State an amount based on one twelfth (1/12) of the annual allocation provided in this section for transfer as specified in § 26-51-205(e)(2)(B)(ii).~~

~~(ii) (B)(i) The~~ On the last day of each month, the Treasurer of State shall then transfer ~~the amount so certified~~ one million dollars (\$1,000,000) to the Special Revenue Fund Account as part of the gross special revenues.

~~(iii) (ii)~~ After the deductions as set out in § 19-5-203 have been made, the remaining amount shall be credited to the "Work Force 2000 Development Fund."

~~(iv) (iii)~~ The remaining corporate income tax collections remaining in the Revenue Holding Fund Account shall be credited to the General Revenue Fund Account of the State Apportionment Fund, there to be distributed with the other gross general revenue collections for that month in accordance with the provisions of Revenue Stabilization Law § 19-5-201 et seq.

~~(d)(1) All proceeds derived from the additional tax levied by this section~~ transferred to the Work Force 2000 Development Fund shall be used exclusively for the authorized educational activities of:

(A) Any postsecondary vocational-technical school, technical institute, comprehensive lifelong learning center, technical college, community college; or

(B) Any postsecondary vocational-technical school, technical institute, comprehensive lifelong learning center, or technical college that merges with a two-year branch of a four-year institution, a four-year institution, a technical college, or a community college.

(2) The distribution of the proceeds shall be supervised by the State Board of Workforce Education and Career Opportunities for the postsecondary vocational-technical schools, technical institutes, and comprehensive lifelong learning centers. The distribution of the proceeds for technical colleges, community colleges, or any postsecondary vocational-

1 technical school, technical institute, comprehensive lifelong learning
2 center, or technical college that merges with a two-year branch of a four-
3 year institution, a four-year institution, a technical college, or a
4 community college shall continue at the same proportion as those
5 distributions made in fiscal year 1996-97, excluding one-time capital
6 disbursements and professional development disbursements made in fiscal year
7 1996-97 equal to the amount of funds distributed in fiscal year 1998-99. Any
8 increase in the amount of funds in the Work Force 2000 Development Fund above
9 the amount distributed in fiscal year 1998-99 shall be supervised by the
10 Arkansas Higher Education Coordinating Board and shall be distributed after a
11 review of needs including, but not limited to, equity considerations and
12 workforce development and after consultation with the presidents and
13 chancellors of the technical and former technical colleges.

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15 SECTION 2. Arkansas Code Title 52, Chapter 51, Subchapter 2, is
16 amended by adding an additional section to read as follows:

17 26-51-207. Income tax surcharge.

18 (a) In addition to the tax levied by §§ 26-51-201 through 26-51-206,
19 26-51-301 and 26-51-302, there is levied an income tax surcharge of ten
20 percent (10%) of the tax liability of every person required to file an
21 Arkansas income tax return.

22 (b)(1) If an individual is a resident of an Arkansas border city
23 described in §§ 26-52-601 through 26-52-607, then the individual shall be
24 liable for the income tax surcharge levied in subsection (a) of this section.

25 (2) The surcharge shall be computed on the tax liability that
26 would have been due had the income tax exemption of §§ 26-52-601 through 26-
27 52-607 not been available.

28 (3) The income tax exemption of §§ 26-52-601 through 26-52-607
29 shall not apply to the income tax levied in subsection (a) of this section.

30 (c) The revenues derived from the additional tax imposed by this
31 section shall be credited to the General Revenue Fund Account of the State
32 Apportionment Fund, there to be distributed with the other gross general
33 revenue collections in accordance with the Revenue Stabilization Law.

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35 SECTION 3. This act shall become effective for tax years beginning on
36 or after January 1, 2003.

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/s/ Mahony