

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

A Bill

HOUSE BILL 2666

4
5 By: Representative Mahony
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For An Act To Be Entitled

9 AN ACT TO REPEAL THE FEDERAL SOCIAL SECURITY
10 (OASDI) TAX CREDIT, ALSO KNOWN AS THE WORKING
11 TAXPAYER CREDIT, AGAINST INDIVIDUAL INCOME TAX;
12 AND FOR OTHER PURPOSES.
13

Subtitle

14 REPEALS THE FEDERAL SOCIAL SECURITY
15 (OASDI) TAX CREDIT, ALSO KNOWN AS THE
16 WORKING TAXPAYER CREDIT.
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20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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22 SECTION 1. Arkansas Code § 26-51-510 is repealed.

23 ~~26-51-510. Federal Social Security (OASDI) tax credit.~~

24 ~~(a) A credit shall be allowed against the individual income tax~~
25 ~~imposed by the Arkansas Income Tax Act, as amended, § 26-51-101, et seq. to~~
26 ~~be calculated in accordance with subsection (b) of this section.~~

27 ~~(b)(1) The credit shall be equal to a percentage of the total amount~~
28 ~~of OASDI tax paid by each taxpayer for the taxable year on taxable income up~~
29 ~~to forty thousand dollars (\$40,000). The percentage is dependent upon the~~
30 ~~taxpayer's filing status and gross income as set forth in the table below.~~
31 ~~With respect to married taxpayers, the combined gross income of both spouses~~
32 ~~is to be considered in determining the applicable percentage.~~
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FILING STATUS	GROSS INCOME	CREDIT
Single	\$0 — 11,400	4% of OASDI tax



1	Single	Greater than \$11,400	2% of OASDI tax on first
2			\$40,000 of taxable income
3	Married	\$0 — 16,200	4% of OASDI tax
4	Married	Greater than \$16,200	2% of OASDI tax on first
5			\$40,000 of taxable income
6	Head of household	\$0 — 16,200	4% of OASDI tax
7	Head of household	Greater than \$16,200	2% of OASDI tax on first
8			\$40,000 of taxable income

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 10 ~~In no event shall the credit exceed the amount of credit that would~~
 11 ~~have been available if the total income of the taxpayer had been subject to~~
 12 ~~OASDI tax pursuant to 26 U.S.C. §§ 3101(a), 3201(a) or 3211(a).~~

13 ~~(2) An equivalent income tax credit is allowed to taxpayers who~~
 14 ~~do not pay OASDI tax but who, in lieu of OASDI tax, pay a similar tax imposed~~
 15 ~~under federal law into a retirement plan which is not included in subsection~~
 16 ~~(e) of this section. The credit shall be equal to a percentage of the total~~
 17 ~~amount of tax in lieu of OASDI tax paid by each taxpayer for the taxable year~~
 18 ~~on taxable income up to \$40,000. The percentage is dependent upon the~~
 19 ~~taxpayer's filing status and gross income as set forth in the table in~~
 20 ~~subsection (b)(1) above. With respect to married taxpayers, the combined~~
 21 ~~gross income of both spouses is to be considered in determining the~~
 22 ~~applicable percentage. In no event shall the tax credit allowed under this~~
 23 ~~subsection exceed the amount of tax credit that would have been available~~
 24 ~~under this subsection if the taxpayer's income subject to the tax in lieu of~~
 25 ~~OASDI tax had been subject to OASDI tax. The director shall determine whether~~
 26 ~~a tax payment is made in lieu of OASDI tax.~~

27 ~~(3) With respect to taxpayers who pay both the employer and~~
 28 ~~employee portions of OASDI tax on taxable income, the amount of the credit~~
 29 ~~shall be limited to one half (1/2) of the OASDI tax paid on such income.~~

30 ~~(e) The credit provided in subsection (b) of this section may not be~~
 31 ~~taken if the taxpayer claims the exemptions provided by §§ 26 51 306, 26 51-~~
 32 ~~307(a), (b), or (c), or § 26 52 601 et seq. This credit may be taken if the~~
 33 ~~taxpayer chooses to itemize his or her deductions. This credit is included in~~
 34 ~~the reduced income tax rates provided by § 26 51 302 so that taxpayers~~
 35 ~~qualifying for the reduced rates will not calculate a separate credit under~~
 36 ~~this section.~~

1 ~~(d) The director may require such proof of payment of OASDI tax as he~~
2 ~~deems necessary.~~

3 ~~(e) As used in this section, "OASDI tax" means the federal old age,~~
4 ~~survivors and disability insurance tax imposed.~~

5 ~~(1) Upon an employee's wages or other income pursuant to 26~~
6 ~~U.S.C. § 3101(a);~~

7 ~~(2) Upon the self-employment income of an individual pursuant to~~
8 ~~26 U.S.C. § 1401(a); or~~

9 ~~(3) Upon the income of an employee or employee representative~~
10 ~~pursuant to 26 U.S.C. §§ 3201(a) or 3211(a) (Railroad Retirement Tax Act).~~

11 ~~(f) As used in this section, the term "taxable income" means wages,~~
12 ~~salaries, tips, net earnings or other earned income upon which OASDI tax or a~~
13 ~~tax in lieu of OASDI tax is imposed.~~

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15 SECTION 2. EFFECTIVE DATE. This act shall apply to tax years
16 beginning on or after January 1, 2003.

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