

1 State of Arkansas
2 89th General Assembly
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4

As Engrossed: H3/28/13 H4/3/13

A Bill

HOUSE BILL 1966

5 By: Representatives Carter, Collins
6 By: Senator J. Dismang
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE LAWS CONCERNING THE STANDARD
10 DEDUCTION AND THE INCOME TAX ON CAPITAL GAINS; AND
11 FOR OTHER PURPOSES.
12
13

Subtitle

15 TO AMEND THE LAWS CONCERNING THE STANDARD
16 DEDUCTION AND THE INCOME TAX ON CAPITAL
17 GAINS.
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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 § 26-51-430(b), concerning the standard
23 deduction for purposes of the income tax, is amended to read as follows:

24 (b)(1) The standard deduction shall be:

25 (A) For the tax year beginning January 1, 2014, two
26 thousand dollars (\$2,000) per taxpayer;

27 (B) For the tax year beginning January 1, 2015, two
28 thousand two hundred dollars (\$2,200); and

29 (C) For tax years beginning on and after January 1, 2016,
30 two thousand four hundred dollars (\$2,400).

31 (2) In the case of a married couple, each spouse shall be
32 entitled to claim a standard deduction of:

33 (A) For the tax year beginning January 1, 2014, two
34 thousand dollars (\$2,000);

35 (B) For the tax year beginning January 1, 2015, two
36 thousand two hundred dollars (\$2,200); and



1 (C) For tax years beginning on and after January 1, 2016,
2 two thousand four hundred dollars (\$2,400).

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4 SECTION 2. Arkansas Code § 26-51-815(b), concerning the computation of
5 capital gains and losses, is amended to read as follows:

6 (b)(1) If Except as otherwise provided in this subsection, if a
7 taxpayer has a net capital gain for tax years beginning on and after January
8 1, 1999, thirty percent (30%) of the gain shall be is exempt from state
9 income tax.

10 (2) If a taxpayer has a net capital gain from an investment:

11 (A) The amount of net capital gain up to five million
12 dollars (\$5,000,000) from an investment made before January 1, 2014, is
13 subject to income tax under subdivision (b)(1) of this section;

14 (B) Seventy percent (70%) of the amount of net capital
15 gain that is at least five million dollars (\$5,000,000) but is less than ten
16 million dollars (\$10,000,000) from an investment made before January 1, 2014,
17 is exempt from the state income tax;

18 (C) The amount of net capital gain in excess of ten
19 million dollars (\$10,000,000) from an investment made before January 1, 2014,
20 is exempt from the state income tax; and

21 (D) The amount of net capital gain from an investment made
22 on or after January 1, 2014, is subject to income tax under subdivision
23 (b)(1) of this section unless subsection (e) of this section applies.

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25 SECTION 3. Arkansas Code § 26-51-815 is amended to add an additional
26 subsection to read as follows:

27 (e)(1) As used in subdivision (e)(2) of this section:

28 (A) "Arkansas property" means:

29 (i) Real property located entirely within this
30 state;

31 (ii) Tangible property located entirely within this
32 state for at least one (1) uninterrupted year before the date of the sale
33 from which the net capital gain arose; and

34 (iii) Intangible property in a corporation, limited
35 liability company, partnership, or other legal entity that has its primary
36 headquarters located in this state for at least one (1) uninterrupted year

1 before the date of the sale from which the net capital gain arose;

2 (B) "Directly" means the taxpayer has direct ownership of
3 the asset;

4 (C) "Indirectly" means the taxpayer owns an interest in a
5 pass-through entity or chain of pass-through entities that sells the asset
6 that gives rise to the net capital gain; and

7 (D) "Net capital gain" includes net capital gains of all
8 corporations, C corporations, limited liability companies, partnerships, or
9 other legal entities.

10 (2) If a taxpayer has a net capital gain from the sale of
11 Arkansas property, seventy percent (70%) of the net capital gain is exempt
12 from the Income Tax Act of 1929, § 26-51-101 et seq., if the Arkansas
13 property from which the net capital gain arose was:

14 (A) Acquired by the taxpayer on or after January 1, 2014;
15 and

16 (B) Owned directly or indirectly by the taxpayer for more
17 than one (1) uninterrupted year before the sale.

18 (3) The Director of the Department of Finance and Administration
19 shall promulgate rules to implement this subsection.

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21 SECTION 4. EFFECTIVE DATE. This act is effective for tax years
22 beginning on or after January 1, 2014.

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24 /s/Carter
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