

1 State of Arkansas
2 92nd General Assembly
3 Regular Session, 2019
4

A Bill

SENATE BILL 571

5 By: Senators J. Hendren, Bledsoe, Bond, E. Cheatham, L. Chesterfield, J. Cooper, L. Eads, Elliott, Hester,
6 Irvin, B. Johnson, M. Johnson, G. Leding, Maloch, M. Pitsch, Rapert, D. Wallace
7 By: Representatives L. Johnson, Clowney, F. Allen, Blake, Boyd, Breaux, Burch, Cloud, A. Collins,
8 Cozart, D. Douglas, Evans, D. Ferguson, K. Ferguson, Fielding, V. Flowers, D. Garner, Glover, Godfrey,
9 Hawks, Hillman, M. Hodges, Kelly, Love, Lundstrum, Lynch, Magie, McCullough, Murdock, Nicks,
10 Perry, Petty, Richardson, Richey, Rushing, Rye, Scott, Walker, Watson, D. Whitaker
11

For An Act To Be Entitled

12
13 AN ACT TO REDUCE THE INCOME TAX IMPOSED ON CERTAIN
14 INDIVIDUALS, TRUSTS, AND ESTATES; TO INCREASE THE
15 STANDARD DEDUCTION FOR INCOME TAX PURPOSES; TO CREATE
16 AN EARNED INCOME TAX CREDIT; TO CREATE THE EARNED
17 INCOME TAX CREDIT TRUST FUND; TO FUND INCOME TAX
18 REDUCTIONS THROUGH NEW TAXES ON CIGARETTES AND E-
19 CIGARETTES; TO IMPOSE A PRIVILEGE TAX ON E-
20 CIGARETTES; TO IMPOSE A SPECIAL EXCISE TAX ON THE
21 RETAIL SALE OF CIGARETTES; AND FOR OTHER PURPOSES.
22
23

Subtitle

24
25 TO CREATE AN EARNED INCOME TAX CREDIT, AN
26 INCREASED STANDARD DEDUCTION, AND AN
27 INDIVIDUAL INCOME TAX REDUCTION; AND TO
28 PROVIDE FUNDING FOR INCOME TAX REDUCTIONS
29 THROUGH NEW TAXES ON CIGARETTES AND E-
30 CIGARETTES.
31
32

33 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
34

35 SECTION 1. Arkansas Code Title 19, Chapter 5, Subchapter 11, is
36 amended to add an additional section to read as follows:



1 19-5-1150. Earned Income Tax Credit Trust Fund.

2 (a) There is created on the books of the Treasurer of State, the
3 Auditor of State, and the Chief Fiscal Officer of the State a trust fund to
4 be known as the "Earned Income Tax Credit Trust Fund".

5 (b) The Earned Income Tax Credit Trust Fund shall consist of:

6 (1) The funds deposited under § 26-57-1603;

7 (2) Any remaining balances carried forward from year to year;

8 and

9 (3) Any other funds authorized or provided by law.

10 (c) The Earned Income Tax Credit Trust Fund shall be used to offset
11 the cost of the earned income tax credit allowed under § 26-51-515 as
12 follows:

13 (1) On January 1, 2022, and on January 1 of each following year,
14 the Director of the Department of Finance and Administration shall certify to
15 the Treasurer of State the total amount of income tax credits claimed under §
16 26-51-515 during immediately preceding calendar year; and

17 (2) The Treasurer of State shall transfer the amount certified
18 under subdivision (c)(1) of this section from the Earned Income Tax Credit
19 Trust Fund to the General Revenue Fund Account of the State Apportionment
20 Fund to be distributed as authorized under § 19-5-202(b)(2)(B)(iii).

21
22 SECTION 2. Arkansas Code § 26-51-201(a)(8), as amended by Acts 2019,
23 No. 182, § 3, concerning the income tax imposed on individuals, trusts, and
24 estates, is amended to read as follows:

25 (8) Every resident, individual, trust, or estate having net
26 income of less than twenty-two thousand two hundred dollars (\$22,200) shall
27 determine the amount of income tax due under this subsection in accordance
28 with the table set forth below:

From	Less Than or Equal To	Rate
\$0	\$4,499 <u>\$8,899</u>	0%
\$4,500	\$8,899	2%
\$8,900	\$13,399	3%
\$13,400	\$22,199	3.4%

34
35 SECTION 3. Arkansas Code § 26-51-430(b), concerning the standard
36 deduction for income tax purposes, is amended to read as follows:

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

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

4 (B) For tax years beginning on and after January 1, 2015,
5 two thousand two hundred dollars (\$2,200) per taxpayer; and

6 (C) For tax years beginning on and after January 1, 2020,
7 three thousand three hundred dollars (\$3,300).

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

10 (A) For the tax year beginning January 1, 2014, two
11 thousand dollars (\$2,000); ~~and~~

12 (B) For tax years beginning on and after January 1, 2015,
13 two thousand two hundred dollars (\$2,200); and

14 (C) For tax years beginning on and after January 1, 2020,
15 three thousand three hundred dollars (\$3,300).

16

17 SECTION 4. Arkansas Code Title 26, Chapter 51, Subchapter 5, is
18 amended to add an additional section to read as follows:

19 26-51-515. Earned income tax credit.

20 (a) There is allowed an income tax credit against the income tax
21 imposed by this chapter in the amount determined under subsection (b) of this
22 section.

23 (b)(1) By December 31, 2020, and by December 31 of each following
24 year, the Director of the Department of Finance and Administration shall
25 determine the percentage of the credit allowed to a taxpayer under 26 U.S.C.
26 § 32, as it existed on January 1, 2019, that the state may allow under this
27 section based on the amount of money in the Earned Income Tax Credit Trust
28 Fund as of the date of the director's determination.

29 (2) The credit allowed under this section shall be at least five
30 percent (5%) of the credit allowed to a taxpayer under 26 U.S.C. § 32, as it
31 existed on January 1, 2019, if there are sufficient funds in the Earned
32 Income Tax Credit Trust Fund.

33 (3) The amount determined under subdivision (b)(1) shall apply
34 for the tax year in which the determination is made.

35 (c) If the amount of the income tax credit allowed under this section
36 exceeds the taxpayer's income tax liability, the excess shall be refunded to

1 the taxpayer.

2 (d) The Department of Finance and Administration shall annually notify
3 taxpayers of their potential eligibility for the income tax credit allowed
4 under this section.

5
6 SECTION 5. Arkansas Code Title 26, Chapter 57, is amended to add
7 additional subchapters to read as follows:

8 Subchapter 16 – Special Excise Tax on Cigarettes

9
10 26-57-1601. Special excise tax.

11 (a) There is levied a special excise tax of twenty percent (20%) upon
12 all retail receipts or proceeds derived from the sale of cigarettes, as
13 defined in § 26-57-203.

14 (b) The tax levied under this section is in addition to all other
15 taxes now imposed and cumulative to the Arkansas Gross Receipts Act of 1941,
16 § 26-52-101 et seq.

17
18 26-57-1602. Imposition, reporting, remittance, and administration of
19 excise tax.

20 (a) It shall be the duty of every retailer in this state to collect
21 the tax levied under this subchapter from the consumer in addition to the
22 established retail price of cigarettes and to file a return and remittance
23 with the Director of the Department of Finance and Administration on or
24 before the twentieth day of each calendar month for the preceding month.

25 (b) Failure to file the return and remittance on the due date shall be
26 cause for the director to enter an assessment for the return and remittance
27 and add as a penalty ten percent (10%) of the amount of tax found to be due.

28 (c) A return and remittance under this section shall be filed
29 electronically as prescribed by the director in accordance with any rules
30 adopted by the director.

31
32 26-57-1603. Distribution of revenues.

33 The revenues derived from the excise tax on cigarettes levied under
34 this section shall be deposited as follows to reduce the income tax burden on
35 individual taxpayers:

36 (1) The first fifty-five million dollars (\$55,000,000) shall be

1 deposited into the General Revenue Fund Account of the State Apportionment
 2 Fund to be used to offset the cost of reducing individual income taxes; and
 3 (2) Any remaining revenues shall be deposited into the Earned
 4 Income Tax Credit Trust Fund to be used to determine the amount of the earned
 5 income tax credit the state shall allow under § 26-51-515.

6
 7 26-57-1604. Rules.

8 The Director of the Department of Finance and Administration may adopt
 9 rules to implement and administer this subchapter.

10
 11 Subchapter 17 – E-Cigarette Privilege Tax

12
 13 26-57-1701. Definition.

14 As used in this subchapter, "e-cigarette" means a vapor product or an
 15 e-liquid product, as those terms are defined in § 26-57-203.

16
 17 26-57-1702. Privilege tax.

18 There is levied a privilege tax on e-cigarettes sold in this state that
 19 is equal to the total tax levied on tobacco products, as defined in § 26-57-
 20 203, other than cigarettes.

21
 22 26-57-1703. Imposition, reporting, remittance, and administration of
 23 privilege tax.

24 Except as otherwise provided in this subchapter, the privilege tax
 25 levied under § 26-57-1702 shall be imposed, reported, remitted, and
 26 administered in the same manner and at the same time as taxes on tobacco
 27 products under the Arkansas Tobacco Products Tax Act of 1977, § 26-57-201 et
 28 seq.

29
 30 26-57-1704. Invoices.

31 The privilege tax levied under § 26-57-1702 shall be separately stated
 32 and identified on each invoice or statement as the "E-cigarette Privilege
 33 Tax".

34
 35 26-57-1705. Distribution of revenues.

36 The revenues collected under this subchapter shall be general revenues

1 and shall be credited to the General Revenue Fund Account of the State
2 Apportionment Fund to be distributed as authorized under § 19-5-
3 202(b)(2)(B)(iii).

4
5 26-57-1706. Applicability.

6 The privilege tax levied under § 26-57-1702 applies to inventory and
7 stocks of e-cigarettes held by a wholesaler or retailer on and after the
8 effective date of this subchapter.

9
10 26-57-1707. Rules.

11 The Director of the Department of Finance and Administration, the
12 Director of Arkansas Tobacco Control, and the Arkansas Tobacco Control Board
13 shall adopt rules necessary to implement and allow for the enforcement of
14 this subchapter.

15
16 SECTION 6. DO NOT CODIFY. Rules.

17 (a) When adopting the initial rules required under this act, the final
18 rules shall be filed with the Secretary of State for adoption under § 25-15-
19 204(f):

20 (1) On or before September 1, 2019; or

21 (2) If approval under § 10-3-309 has not occurred by September
22 1, 2019, as soon as practicable after approval under § 10-3-309.

23 (b) The Director of the Department of Finance and Administration, the
24 Director of Arkansas Tobacco Control, and the Arkansas Tobacco Control Board
25 shall file the proposed rules with the Legislative Council under § 10-3-
26 309(c) sufficiently in advance of September 1, 2019, so that the Legislative
27 Council may consider the rules for approval before September 1, 2019.

28
29 SECTION 7. EFFECTIVE DATES.

30 (a) Sections 2-4 of this act are effective for tax years beginning on
31 or after January 1, 2020.

32 (b) Section 5 of this act is effective on the first day of the second
33 calendar month following the effective date of this act.