

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1239

Bill Subtitle: TO AMEND LAWS CONCERNING THE CORPORATE FRANCHISE TAX; TO REPEAL THE ARKANSAS CORPORATE FRANCHISE TAX ACT OF 1979; AND TO MAKE CONFORMING CHANGES.

Basic Change :

Sponsors: Reps. Underwood, Ray, Hollowell, and G. Hodges; Sen. Dotson

HB1239 repeals the Arkansas Corporate Franchise Tax Act of 1979 (the Act). Under current law, a business formed in the state or transacting business in the state must file an annual report and pay an annual franchise tax to the Secretary of State. The first \$8,000,000 of franchise tax and penalty collected is General Revenue and any amount exceeding \$8,000,000 is transferred to the Educational Adequacy Fund. HB1239 repeals the Act so that the franchise tax, including all payment and reporting requirements, would cease.

Revenue Impact :

FY2024

\$7.8M - General Revenue Reduction

\$25.3M - Educational Adequacy Fund Reduction

\$700,000 - State Central Services Fund Reduction

\$300,000 - Constitutional Officers Fund Reduction

Taxpayer Impact :

A taxpayer would no longer be required to pay or report franchise tax.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

None.

Other Comments :

None.

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Legal Analysis :

HB1239 may benefit from the addition of an effective date that takes into account the timing of franchise tax payments. HB1239 may also benefit from an amendment providing clarity regarding the collection of franchise taxes currently owed, but not yet paid, at the time the act becomes effective and the proper allocation of any funds collected after the effective date of the act.