

Stricken language would be deleted from and underlined language would be added to present law.

1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

As Engrossed: H3/28/23 H4/3/23

A Bill

HOUSE BILL 1045

5 By: Representatives Beaty Jr., Ray, Achor, Andrews, Barker, Beck, Bentley, M. Berry, Brooks, K. Brown,
6 Burkes, Joey Carr, Cavenaugh, C. Cooper, Cozart, Crawford, Dalby, Duffield, Eaves, Eubanks, Evans,
7 C. Fite, L. Fite, Fortner, Furman, Gazaway, Gramlich, Haak, Hawk, G. Hodges, Holcomb, Hollowell,
8 Jean, L. Johnson, Ladyman, Long, Lundstrum, Lynch, Maddox, McAlindon, McClure, McCollum, B.
9 McKenzie, S. Meeks, Miller, Milligan, J. Moore, K. Moore, Painter, Pilkington, Puryear, R. Scott
10 Richardson, Richmond, Rose, Rye, M. Shepherd, Steimel, Tosh, Underwood, Unger, Vaught, Walker,
11 Wardlaw, Warren, Watson, Womack, Wooten
12 By: Senators Gilmore, Hester, Hill, B. Johnson
13

For An Act To Be Entitled

14 AN ACT TO ENHANCE ECONOMIC COMPETITIVENESS BY PHASING
15 OUT THE THROWBACK RULE; TO AMEND THE INCOME TAX
16 PROVISIONS CONCERNING THE APPORTIONMENT OF BUSINESS
17 INCOME; AND FOR OTHER PURPOSES.
18

Subtitle

19 TO ENHANCE ECONOMIC COMPETITIVENESS BY
20 PHASING OUT THE THROWBACK RULE.
21

22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
23

24 SECTION 1. DO NOT CODIFY. Legislative findings and intent.
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26 (a) The General Assembly finds that:
27

28 (1) The income tax apportionment throwback rule causes the
29 Arkansas income tax to unduly burden job creation and investment in the
30 state, thus harming economic competitiveness, especially in comparison to
31 states that do not have a throwback rule or that do not impose an income tax;
32 and
33

34 (2) The Arkansas Tax Reform and Relief Legislative Task Force
35 recommended repeal of the throwback rule.
36



1 (b) The General Assembly intends to repeal the throwback rule to
2 encourage investment and job creation in Arkansas by multistate enterprises.

3
4 SECTION 2. Arkansas Code § 26-5-101, Article IV, paragraph 16,
5 concerning the division of income under the Multistate Tax Compact, is
6 amended to read as follows:

7 16. Sales of tangible personal property are in this state
8 if:

9 (a) The property is delivered or shipped to a
10 purchaser, ~~other than the United States Government,~~ within this state
11 regardless of the f.o.b. point or other conditions of the sale; or

12 (b) The property is shipped from an office, store,
13 warehouse, factory, or other place of storage in this state and ~~(1) the~~
14 ~~purchaser is the United States Government or (2) the taxpayer is not taxable~~
15 ~~in the state of the purchaser, in which case the sales shall be sourced as~~
16 follows:

17 (1) For the tax year beginning on January 1,
18 2024, sales shall be sourced eighty-five and seventy-one hundredths percent
19 (85.71%) within this state and fourteen and twenty-nine hundredths percent
20 (14.29%) outside this state;

21 (2) For the tax year beginning on January 1,
22 2025, sales shall be sourced seventy-one and forty-two hundredths percent
23 (71.42%) within this state and twenty-eight and fifty-eight hundredths
24 percent (28.58%) outside this state;

25 (3) For the tax year beginning on January 1,
26 2026, sales shall be sourced fifty-seven and thirteen hundredths percent
27 (57.13%) within this state and forty-two and eighty-seven hundredths percent
28 (42.87%) outside this state;

29 (4) For the tax year beginning on January 1,
30 2027, sales shall be sourced forty-two and eighty-four hundredths percent
31 (42.84%) within this state and fifty-seven and sixteen hundredths percent
32 (57.16%) outside this state;

33 (5) For the tax year beginning on January 1,
34 2028, sales shall be sourced twenty-eight and fifty-five hundredths percent
35 (28.55%) within this state and seventy-one and forty-five hundredths percent
36 (71.45%) outside this state;

1 (6) For the tax year beginning on January 1,
2 2029, sales shall be sourced fourteen and twenty-six hundredths percent
3 (14.26%) within this state and eighty-five and seventy-four hundredths
4 percent (85.74%) outside this state; and

5 (7) For tax years beginning on or after
6 January 1, 2030, sales shall be sourced one hundred percent (100%) outside
7 this state.

8
9 SECTION 3. Arkansas Code § 26-51-716 is amended to read as follows:
10 26-51-716. Sales of tangible personal property.

11 Sales of tangible personal property are in this state if:

12 (a) the property is delivered or shipped to a purchaser, ~~other~~
13 ~~than the United States government,~~ within this state regardless of the f.o.b.
14 point or other conditions of the sale; or

15 (b) the property is shipped from an office, store, warehouse,
16 factory, or other place of storage in this state and ~~(1) the purchaser is the~~
17 ~~United States government or (2) the taxpayer is not taxable in the state of~~
18 ~~the purchaser, in which case the sales shall be sourced as follows:~~

19 (1) For the tax year beginning on January 1,
20 2024, sales shall be sourced eighty-five and seventy-one hundredths percent
21 (85.71%) within this state and fourteen and twenty-nine hundredths percent
22 (14.29%) outside this state;

23 (2) For the tax year beginning on January 1, 2025, sales
24 shall be sourced seventy-one and forty-two hundredths percent (71.42%) within
25 this state and twenty-eight and fifty-eight hundredths percent (28.58%)
26 outside this state;

27 (3) For the tax year beginning on January 1, 2026, sales
28 shall be sourced fifty-seven and thirteen hundredths percent (57.13%) within
29 this state and forty-two and eighty-seven hundredths percent (42.87%) outside
30 this state;

31 (4) For the tax year beginning on January 1, 2027, sales
32 shall be sourced forty-two and eighty-four hundredths percent (42.84%) within
33 this state and fifty-seven and sixteen hundredths percent (57.16%) outside
34 this state;

35 (5) For the tax year beginning on January 1, 2028, sales
36 shall be sourced twenty-eight and fifty-five hundredths percent (28.55%)

1 within this state and seventy-one and forty-five hundredths percent (71.45%)
2 outside this state;

3 (6) For the tax year beginning on January 1, 2029, sales
4 shall be sourced fourteen and twenty-six hundredths percent (14.26%) within
5 this state and eighty-five and seventy-four hundredths percent (85.74%)
6 outside this state; and

7 (7) For tax years beginning on or after January 1, 2030,
8 sales shall be sourced one hundred percent (100%) outside this state.

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10 SECTION 4. EFFECTIVE DATE. Sections 2 and 3 of this act are effective
11 for tax years beginning on or after January 1, 2024.

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13 /s/Beaty Jr.
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