

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

Call Item 1

A Bill

HOUSE BILL 1001

5 By: Representatives Eaves, M. Shepherd, Andrews, Beaty Jr., Beck, M. Berry, Brooks, K. Brown,
6 Burkes, Cavenaugh, C. Cooper, Crawford, Fortner, Furman, Gazaway, Haak, Hawk, Hollowell,
7 Ladyman, Long, Lundstrum, Lynch, Maddox, McAlindon, McClure, B. McKenzie, Ray, Rose, Rye,
8 Tosh, Underwood, Unger, Vaught, Wardlaw, Warren, Watson, Wing, Wooten
9 By: Senators J. Dismang, Hickey, J. Boyd, J. Bryant, Caldwell, A. Clark, Crowell, B. Davis, Dees, J.
10 Dotson, J. English, Flippo, Gilmore, K. Hammer, Hester, Hill, Irvin, B. Johnson, M. McKee, J. Payton, C.
11 Penzo, J. Petty, Rice, Stone, D. Sullivan, D. Wallace

For An Act To Be Entitled

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14 AN ACT TO AMEND THE INCOME TAX LAWS; TO REDUCE THE
15 INCOME TAX RATES APPLICABLE TO INDIVIDUALS, TRUSTS,
16 ESTATES, AND CORPORATIONS; TO CREATE AN INFLATIONARY
17 RELIEF INCOME TAX CREDIT FOR CERTAIN TAXPAYERS; TO
18 DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

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22 TO REDUCE THE INCOME TAX RATES APPLICABLE
23 TO INDIVIDUALS, TRUSTS, ESTATES, AND
24 CORPORATIONS; TO CREATE AN INFLATIONARY
25 RELIEF INCOME TAX CREDIT FOR CERTAIN
26 TAXPAYERS; AND TO DECLARE AN EMERGENCY.

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28
29 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

30
31 SECTION 1. Arkansas Code § 26-51-201(a)(3), concerning the income tax
32 imposed on individuals, trusts, and estates, is amended to read as follows:

33 (3) For tax years beginning on or after January 1, 2024:

34 (A) Every resident, individual, trust, or estate having
35 net income less than or equal to eighty-seven thousand dollars (\$87,000)
36 shall determine the amount of income tax due under this subsection in



1 accordance with the table set forth below:

2	<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
3	<u>\$0</u>	<u>\$5,099</u>	<u>0%</u>
4	<u>\$5,100</u>	<u>\$10,299</u>	<u>2%</u>
5	<u>\$10,300</u>	<u>\$14,699</u>	<u>3%</u>
6	<u>\$14,700</u>	<u>\$24,299</u>	<u>3.4%</u>
7	<u>\$24,300</u>	<u>\$87,000</u>	<u>4.4%</u>

8 (B) Every resident, individual, trust, or estate having
 9 net income greater than eighty-seven thousand dollars (\$87,000) shall
 10 determine the amount of income tax due under this subsection in accordance
 11 with the table set forth below:

12	<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
13	<u>\$0</u>	<u>\$4,400</u>	<u>2%</u>
14	<u>\$4,401 and above</u>		<u>4.4%</u>

15 (C) Every resident, individual, trust, or estate having
 16 net income greater than or equal to eighty-seven thousand one dollars
 17 (\$87,001) but not greater than ninety thousand eight hundred dollars
 18 (\$90,800) shall reduce the amount of income tax due as determined under
 19 subdivision (a)(3)(B) of this section by deducting a bracket adjustment
 20 amount in accordance with the table set forth below:

21	<u>From</u>	<u>Less Than or Equal To</u>	<u>Bracket Adjustment Amount</u>
22	<u>\$87,001</u>	<u>\$87,100</u>	<u>\$380</u>
23	<u>\$87,101</u>	<u>\$87,200</u>	<u>\$370</u>
24	<u>\$87,201</u>	<u>\$87,300</u>	<u>\$360</u>
25	<u>\$87,301</u>	<u>\$87,400</u>	<u>\$350</u>
26	<u>\$87,401</u>	<u>\$87,500</u>	<u>\$340</u>
27	<u>\$87,501</u>	<u>\$87,600</u>	<u>\$330</u>
28	<u>\$87,601</u>	<u>\$87,700</u>	<u>\$320</u>
29	<u>\$87,701</u>	<u>\$87,800</u>	<u>\$310</u>
30	<u>\$87,801</u>	<u>\$87,900</u>	<u>\$300</u>
31	<u>\$87,901</u>	<u>\$88,000</u>	<u>\$290</u>
32	<u>\$88,001</u>	<u>\$88,100</u>	<u>\$280</u>
33	<u>\$88,101</u>	<u>\$88,200</u>	<u>\$270</u>
34	<u>\$88,201</u>	<u>\$88,300</u>	<u>\$260</u>
35	<u>\$88,301</u>	<u>\$88,400</u>	<u>\$250</u>
36	<u>\$88,401</u>	<u>\$88,500</u>	<u>\$240</u>

1	<u>\$88,501</u>	<u>\$88,600</u>	<u>\$230</u>
2	<u>\$88,601</u>	<u>\$88,700</u>	<u>\$220</u>
3	<u>\$88,701</u>	<u>\$88,800</u>	<u>\$210</u>
4	<u>\$88,801</u>	<u>\$88,900</u>	<u>\$200</u>
5	<u>\$88,901</u>	<u>\$89,000</u>	<u>\$190</u>
6	<u>\$89,001</u>	<u>\$89,100</u>	<u>\$180</u>
7	<u>\$89,101</u>	<u>\$89,200</u>	<u>\$170</u>
8	<u>\$89,201</u>	<u>\$89,300</u>	<u>\$160</u>
9	<u>\$89,301</u>	<u>\$89,400</u>	<u>\$150</u>
10	<u>\$89,401</u>	<u>\$89,500</u>	<u>\$140</u>
11	<u>\$89,501</u>	<u>\$89,600</u>	<u>\$130</u>
12	<u>\$89,601</u>	<u>\$89,700</u>	<u>\$120</u>
13	<u>\$89,701</u>	<u>\$89,800</u>	<u>\$110</u>
14	<u>\$89,801</u>	<u>\$89,900</u>	<u>\$100</u>
15	<u>\$89,901</u>	<u>\$90,000</u>	<u>\$90</u>
16	<u>\$90,001</u>	<u>\$90,100</u>	<u>\$80</u>
17	<u>\$90,101</u>	<u>\$90,200</u>	<u>\$70</u>
18	<u>\$90,201</u>	<u>\$90,300</u>	<u>\$60</u>
19	<u>\$90,301</u>	<u>\$90,400</u>	<u>\$50</u>
20	<u>\$90,401</u>	<u>\$90,500</u>	<u>\$40</u>
21	<u>\$90,501</u>	<u>\$90,600</u>	<u>\$30</u>
22	<u>\$90,601</u>	<u>\$90,700</u>	<u>\$20</u>
23	<u>\$90,701</u>	<u>\$90,800</u>	<u>\$10</u>
24	<u>\$90,801 and up</u>		<u>\$0</u>

25 (4) The tables set forth in subdivisions ~~(a)(1) and (2)~~ (a)(1)-
 26 (3) of this section shall be adjusted annually in accordance with the method
 27 set forth in subsection (d) of this section.

28
 29 SECTION 2. Arkansas Code § 26-51-205(a), concerning the income tax
 30 imposed on domestic corporations, is amended to add an additional subdivision
 31 to read as follows:

32 (5) For tax years beginning on or after January 1, 2024, every
 33 corporation organized under the laws of this state shall pay annually an
 34 income tax with respect to carrying on or doing business on the entire net
 35 income of the corporation, as now defined by the laws of this state, received
 36 by the corporation during the income year, on the following basis:

1 (A) On the first three thousand dollars (\$3,000) of net
 2 income or any part thereof, one percent (1%);

3 (B) On the next three thousand dollars (\$3,000) of net
 4 income or any part thereof, two percent (2%);

5 (C) On the next five thousand dollars (\$5,000) of net
 6 income or any part thereof, three percent (3%); and

7 (D) On net income exceeding eleven thousand dollars
 8 (\$11,000), four and eight-tenths percent (4.8%).

9
 10 SECTION 3. Arkansas Code § 26-51-205(b), concerning the income tax
 11 imposed on foreign corporations, is amended to add an additional subdivision
 12 to read as follows:

13 (5) For tax years beginning on or after January 1, 2024, every
 14 foreign corporation doing business within the jurisdiction of this state
 15 shall pay annually an income tax on the proportion of its entire net income
 16 as now defined by the income tax laws of this state, on the following basis:

17 (A) On the first three thousand dollars (\$3,000) of net
 18 income or any part thereof, one percent (1%);

19 (B) On the next three thousand dollars (\$3,000) of net
 20 income or any part thereof, two percent (2%);

21 (C) On the next five thousand dollars (\$5,000) of net
 22 income or any part thereof, three percent (3%); and

23 (D) On net income exceeding eleven thousand dollars
 24 (\$11,000), four and eight-tenths percent (4.8%).

25
 26 SECTION 4. DO NOT CODIFY. TEMPORARY LANGUAGE. Inflationary relief
 27 income tax credit.

28 (a) As used in this section, “resident” means natural persons and
 29 includes, for the purpose of determining liability for the tax imposed by the
 30 Income Tax Act of 1929, § 26-51-101 et seq., upon or with reference to the
 31 income of any taxable year, any person domiciled in the State of Arkansas and
 32 any other person who maintains a permanent place of abode within this state
 33 and spends in the aggregate more than six (6) months of the taxable year
 34 within this state.

35 (b)(1)(A) For the tax year beginning January 1, 2023, a resident
 36 individual taxpayer who files an Arkansas full-year resident income tax

1 return, other than a joint return, having net income up to one hundred three
 2 thousand six hundred dollars (\$103,600) is allowed an income tax credit
 3 against the individual income tax imposed by the Income Tax Act of 1929, §
 4 26-51-101 et seq., in accordance with the following table:

<u>From</u>	<u>Less Than or Equal to</u>	<u>Credit Amount</u>
5 <u>\$1</u>	<u>\$89,600</u>	<u>\$150</u>
6 <u>\$89,601</u>	<u>\$90,600</u>	<u>\$140</u>
7 <u>\$90,601</u>	<u>\$91,600</u>	<u>\$130</u>
8 <u>\$91,601</u>	<u>\$92,600</u>	<u>\$120</u>
9 <u>\$92,601</u>	<u>\$93,600</u>	<u>\$110</u>
10 <u>\$93,601</u>	<u>\$94,600</u>	<u>\$100</u>
11 <u>\$94,601</u>	<u>\$95,600</u>	<u>\$90</u>
12 <u>\$95,601</u>	<u>\$96,600</u>	<u>\$80</u>
13 <u>\$96,601</u>	<u>\$97,600</u>	<u>\$70</u>
14 <u>\$97,601</u>	<u>\$98,600</u>	<u>\$60</u>
15 <u>\$98,601</u>	<u>\$99,600</u>	<u>\$50</u>
16 <u>\$99,601</u>	<u>\$100,600</u>	<u>\$40</u>
17 <u>\$100,601</u>	<u>\$101,600</u>	<u>\$30</u>
18 <u>\$101,601</u>	<u>\$102,600</u>	<u>\$20</u>
19 <u>\$102,601</u>	<u>\$103,600</u>	<u>\$10</u>
20 <u>\$103,601 and up</u>		<u>\$0</u>

21
 22 (B) Spouses filing separately on the same income tax
 23 return may each claim one (1) credit under subdivision (b)(1)(A) of this
 24 section against the tax on the return of each spouse.

25 (2)(A) For the tax year beginning January 1, 2023, resident
 26 individual taxpayers who file a joint Arkansas full year resident income tax
 27 return having net income up to two hundred seven thousand two hundred dollars
 28 (\$207,200) are allowed an income tax credit against the individual income tax
 29 imposed by the Income Tax Act of 1929, § 26-51-101 et seq., in accordance
 30 with the following table:

<u>From</u>	<u>Less Than or Equal to</u>	<u>Credit Amount</u>
31 <u>\$1</u>	<u>\$179,200</u>	<u>\$300</u>
32 <u>\$179,201</u>	<u>\$181,200</u>	<u>\$280</u>
33 <u>\$181,201</u>	<u>\$183,200</u>	<u>\$260</u>
34 <u>\$183,201</u>	<u>\$185,200</u>	<u>\$240</u>
35 <u>\$185,201</u>	<u>\$187,200</u>	<u>\$220</u>

1	<u>\$187,201</u>	<u>\$189,200</u>	<u>\$200</u>
2	<u>\$189,201</u>	<u>\$191,200</u>	<u>\$180</u>
3	<u>\$191,201</u>	<u>\$193,200</u>	<u>\$160</u>
4	<u>\$193,201</u>	<u>\$195,200</u>	<u>\$140</u>
5	<u>\$195,201</u>	<u>\$197,200</u>	<u>\$120</u>
6	<u>\$197,201</u>	<u>\$199,200</u>	<u>\$100</u>
7	<u>\$199,201</u>	<u>\$201,200</u>	<u>\$80</u>
8	<u>\$201,201</u>	<u>\$203,200</u>	<u>\$60</u>
9	<u>\$203,201</u>	<u>\$205,200</u>	<u>\$40</u>
10	<u>\$205,201</u>	<u>\$207,200</u>	<u>\$20</u>
11	<u>\$207,201 and up</u>		<u>\$0</u>

12 (B) Spouses filing jointly on the same income tax return
 13 shall receive only one (1) credit under subdivision (b)(2)(A) of this section
 14 against their aggregate tax.

15 (c) The income tax credits allowed under subdivisions (b)(1) and (2)
 16 of this section shall not be claimed by a taxpayer:

17 (1) For any tax year other than the tax year beginning on
 18 January 1, 2023; or

19 (2) Who files a nonresident return or a part-year resident
 20 return.

21 (d) The amount of the income tax credit under this section that may be
 22 claimed by a taxpayer in a tax year shall not exceed the amount of income tax
 23 due by the taxpayer.

24

25 SECTION 5. EMERGENCY CLAUSE. It is found and determined by the
 26 General Assembly of the State of Arkansas that this act would create
 27 significant changes to the state’s income tax laws; that taxpayers and
 28 employers plan to meet their obligations on a calendar-year basis; and that
 29 this act is immediately necessary to ensure the financial stability of the
 30 state, to allow taxpayers and employers time both to plan for and to
 31 implement the changes in law created by this act, and to ensure that the
 32 Department of Finance and Administration has sufficient time to update its
 33 forms and software and train its personnel in accordance with this act.
 34 Therefore, an emergency is declared to exist, and this act being immediately
 35 necessary for the preservation of the public peace, health, and safety shall
 36 become effective on:

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(1) The date of its approval by the Governor;

(2) If the bill is neither approved nor vetoed by the Governor, the expiration of the period of time during which the Governor may veto the bill; or

(3) If the bill is vetoed by the Governor and the veto is overridden, the date the last house overrides the veto.