

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

State of Arkansas  
84th General Assembly  
Regular Session, 2003

# A Bill

Act 1724 of 2003  
SENATE BILL 776

By: Revenue & Tax - Senate

## For An Act To Be Entitled

AN ACT TO REPEAL THE FEDERAL SOCIAL SECURITY  
(OASDI) TAX CREDIT, ALSO KNOWN AS THE WORKING  
TAXPAYER CREDIT, AGAINST INDIVIDUAL INCOME TAX;  
AND FOR OTHER PURPOSES.

## Subtitle

REPEALS THE FEDERAL SOCIAL SECURITY  
(OASDI) TAX CREDIT, ALSO KNOWN AS THE  
WORKING TAXPAYER CREDIT.

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

SECTION 1. Arkansas Code § 26-51-510 is repealed.

~~26-51-510. Federal Social Security (OASDI) tax credit.~~

~~(a) A credit shall be allowed against the individual income tax imposed by the Arkansas Income Tax Act, as amended, § 26-51-101, et seq. to be calculated in accordance with subsection (b) of this section.~~

~~(b)(1) The credit shall be equal to a percentage of the total amount of OASDI tax paid by each taxpayer for the taxable year on taxable income up to forty thousand dollars (\$40,000). The percentage is dependent upon the taxpayer's filing status and gross income as set forth in the table below. With respect to married taxpayers, the combined gross income of both spouses is to be considered in determining the applicable percentage.~~

FILING	CROSS	
STATUS	INCOME	CREDIT
Single	\$0 — 11,400	4% of OASDI tax



1	Single	Greater than \$11,400	2% of OASDI tax on first
2			\$40,000 of taxable income
3	Married	\$0 — 16,200	4% of OASDI tax
4	Married	Greater than \$16,200	2% of OASDI tax on first
5			\$40,000 of taxable income
6	Head of household	\$0 — 16,200	4% of OASDI tax
7	Head of household	Greater than \$16,200	2% of OASDI tax on first
8			\$40,000 of taxable income

9  
10       In no event shall the credit exceed the amount of credit that would  
11 have been available if the total income of the taxpayer had been subject to  
12 OASDI tax pursuant to 26 U.S.C. §§ 3101(a), 3201(a) or 3211(a).

13       (2) An equivalent income tax credit is allowed to taxpayers who  
14 do not pay OASDI tax but who, in lieu of OASDI tax, pay a similar tax imposed  
15 under federal law into a retirement plan which is not included in subsection  
16 (e) of this section. The credit shall be equal to a percentage of the total  
17 amount of tax in lieu of OASDI tax paid by each taxpayer for the taxable year  
18 on taxable income up to \$40,000. The percentage is dependent upon the  
19 taxpayer's filing status and gross income as set forth in the table in  
20 subsection (b)(1) above. With respect to married taxpayers, the combined  
21 gross income of both spouses is to be considered in determining the  
22 applicable percentage. In no event shall the tax credit allowed under this  
23 subsection exceed the amount of tax credit that would have been available  
24 under this subsection if the taxpayer's income subject to the tax in lieu of  
25 OASDI tax had been subject to OASDI tax. The director shall determine whether  
26 a tax payment is made in lieu of OASDI tax.

27       (3) With respect to taxpayers who pay both the employer and  
28 employee portions of OASDI tax on taxable income, the amount of the credit  
29 shall be limited to one half (1/2) of the OASDI tax paid on such income.

30       (e) The credit provided in subsection (b) of this section may not be  
31 taken if the taxpayer claims the exemptions provided by §§ 26 51 306, 26 51-  
32 307(a), (b), or (c), or § 26 52 601 et seq. This credit may be taken if the  
33 taxpayer chooses to itemize his or her deductions. This credit is included in  
34 the reduced income tax rates provided by § 26 51 302 so that taxpayers  
35 qualifying for the reduced rates will not calculate a separate credit under  
36 this section.

1       ~~(d) The director may require such proof of payment of OASDI tax as he~~  
2 ~~deems necessary.~~

3       ~~(e) As used in this section, "OASDI tax" means the federal old age,~~  
4 ~~survivors and disability insurance tax imposed.~~

5             ~~(1) Upon an employee's wages or other income pursuant to 26~~  
6 ~~U.S.C. § 3101(a);~~

7             ~~(2) Upon the self-employment income of an individual pursuant to~~  
8 ~~26 U.S.C. § 1401(a); or~~

9             ~~(3) Upon the income of an employee or employee representative~~  
10 ~~pursuant to 26 U.S.C. §§ 3201(a) or 3211(a) (Railroad Retirement Tax Act).~~

11 ~~(f) As used in this section, the term "taxable income" means wages,~~  
12 ~~salaries, tips, net earnings or other earned income upon which OASDI tax or a~~  
13 ~~tax in lieu of OASDI tax is imposed.~~

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15       SECTION 2. EFFECTIVE DATE. This act shall apply to tax years  
16 beginning on or after January 1, 2003.

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19                   APPROVED: 4/22/2003  
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