

1 State of Arkansas *As Engrossed: S1/15/15 S1/22/15 H1/28/15*

2 90th General Assembly

# A Bill

3 Regular Session, 2015

SENATE BILL 6

4

5 By: Senators J. Dismang, Bledsoe, Burnett, Caldwell, E. Cheatham, L. Chesterfield, A. Clark, Collins-  
6 Smith, J. Cooper, J. English, Files, Flippo, S. Flowers, J. Hendren, Hester, Hickey, J. Hutchinson, Irvin,  
7 B. Johnson, U. Lindsey, Maloch, B. Pierce, Rapert, Rice, B. Sample, D. Sanders, G. Stubblefield, Teague,  
8 E. Williams, J. Woods

9 By: Representatives Gillam, Jean, Jett, Collins, Bragg, Branscum, Cozart, D. Douglas, Eaves, L. Fite,  
10 Henderson

11

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## For An Act To Be Entitled

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*AN ACT TO CREATE THE MIDDLE CLASS TAX RELIEF ACT OF  
14 2015; TO AMEND THE INCOME TAX RATES FOR INDIVIDUALS,  
15 TRUSTS, AND ESTATES; TO ADJUST THE MINIMUM AND  
16 MAXIMUM DOLLAR AMOUNTS IN CERTAIN INCOME BRACKETS FOR  
17 INDIVIDUALS, TRUSTS, AND ESTATES; TO AMEND THE INCOME  
18 TAX APPLICABLE TO CAPITAL GAINS; TO DECLARE AN  
19 EMERGENCY; AND FOR OTHER PURPOSES.*

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### *Subtitle*

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*TO CREATE THE MIDDLE CLASS TAX RELIEF ACT  
24 OF 2015; TO AMEND THE INCOME TAX RATES  
25 AND BRACKETS FOR INDIVIDUALS, TRUSTS, AND  
26 ESTATES; TO AMEND THE INCOME TAX ON  
27 CAPITAL GAINS; AND TO DECLARE AN  
28 EMERGENCY.*

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

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33 *SECTION 1. DO NOT CODIFY. This act shall be known as the "Middle*  
34 *Class Tax Relief Act of 2015".*

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36 *SECTION 2. Arkansas Code § 26-51-201(a), concerning the income tax on*



1 individuals, trusts, and estates, is amended to read as follows:

2 (a) For tax years beginning on and after January 1, 2012  
3 2014, a tax is imposed upon, and with respect to, the entire income of every  
4 resident, individual, trust, or estate. The tax shall be levied, collected,  
5 and paid annually upon the entire net income as defined and computed in this  
6 chapter at the following rates, giving effect to the tax credits provided  
7 hereafter, in the manner set forth:

8 (1)(A) On the first ~~four thousand ninety-nine dollars (\$4,099)~~  
9 four thousand two hundred ninety-nine dollars (\$4,299) of net income or any  
10 part thereof, ~~one percent (1%)~~, nine-tenths percent (0.9%);

11 ~~(B) For tax years beginning on and after January 1, 2014,~~  
12 ~~on the first four thousand ninety-nine dollars (\$4,099) of net income or any~~  
13 ~~part thereof, nine-tenths percent (0.9%);~~

14 (2)(A) On the next four thousand one hundred dollars (\$4,100) of  
15 net income or any part thereof, two and five-tenths percent (2.5%);

16 ~~(B) For tax years beginning on and after January 1, 2015,~~  
17 ~~on the next four thousand one hundred dollars (\$4,100) of net income or any~~  
18 ~~part thereof, two and four-tenths percent (2.4%);~~

19 (3)(A) On the next ~~four thousand dollars (\$4,000)~~ four thousand  
20 two hundred dollars (\$4,200) of net income or any part thereof, three and  
21 five-tenths percent (3.5%);

22 ~~(B) For tax years beginning on and after January 1, 2015,~~  
23 ~~on the next four thousand dollars (\$4,000) of net income or any part thereof,~~  
24 ~~three and four-tenths percent (3.4%);~~

25 (4)(A) On the next ~~eight thousand two hundred dollars (\$8,200)~~  
26 eight thousand four hundred dollars (\$8,400) of net income or any part  
27 thereof, four and five-tenths percent (4.5%);

28 ~~(B) For tax years beginning on and after January 1, 2015,~~  
29 ~~on the next eight thousand two hundred dollars (\$8,200) of net income or any~~  
30 ~~part thereof, four and four-tenths percent (4.4%);~~

31 (5)(A) On the next ~~thirteen thousand six hundred dollars~~  
32 ~~(\$13,600)~~ fourteen thousand one hundred dollars (\$14,100) of net income or  
33 any part thereof, six percent (6%);

34 ~~(B) For tax years beginning on and after January 1, 2015,~~  
35 ~~on the next thirteen thousand six hundred dollars (\$13,600) of net income or~~  
36 ~~any part thereof, five and nine-tenths percent (5.9%); and~~

1 ~~(6)(A) On net income of thirty-four thousand dollars (\$34,000)~~  
 2 ~~thirty-five thousand one hundred dollars (\$35,100) and above, seven percent~~  
 3 ~~(7%);~~

4 ~~(B) For tax years beginning on and after January 1, 2015,~~  
 5 ~~on net income of thirty-four thousand dollars (\$34,000) and above, six and~~  
 6 ~~nine tenths percent (6.9%).~~

7 (7) For tax years beginning on and after January 1, 2016, every  
 8 resident, individual, trust, or estate having net income greater than or  
 9 equal to twenty-one thousand dollars (\$21,000), but less than or equal to  
 10 seventy-five thousand dollars (\$75,000), shall determine the amount of income  
 11 tax due under this subsection in accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
<u>\$0</u>	<u>\$4,299</u>	<u>0.9%</u>
<u>\$4,300</u>	<u>\$8,399</u>	<u>2.5%</u>
<u>\$8,400</u>	<u>\$12,599</u>	<u>3.5%</u>
<u>\$12,600</u>	<u>\$20,999</u>	<u>4.5%</u>
<u>\$21,000</u>	<u>\$35,099</u>	<u>5%</u>
<u>\$35,100</u>	<u>\$75,000</u>	<u>6%</u>

21 (8) For tax years beginning on and after January 1, 2015, every  
 22 resident, individual, trust, or estate having net income of less than twenty-  
 23 one thousand dollars (\$21,000) shall determine the amount of income tax due  
 24 under this subsection in accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
<u>\$0</u>	<u>\$4,299</u>	<u>0.9%</u>
<u>\$4,300</u>	<u>\$8,399</u>	<u>2.4%</u>
<u>\$8,400</u>	<u>\$12,599</u>	<u>3.4%</u>
<u>\$12,600</u>	<u>\$20,999</u>	<u>4.4%</u>

32 (9) For tax years beginning on and after January 1, 2016, every  
 33 resident, individual, trust, or estate having net income of more than  
 34 seventy-five thousand dollars (\$75,000) shall determine the amount of income  
 35 tax due under this subsection in accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
<u>\$0</u>	<u>\$4,299</u>	<u>0.9%</u>
<u>\$4,300</u>	<u>\$8,399</u>	<u>2.5%</u>
<u>\$8,400</u>	<u>\$12,599</u>	<u>3.5%</u>
<u>\$12,600</u>	<u>\$20,999</u>	<u>4.5%</u>
<u>\$21,000</u>	<u>\$35,099</u>	<u>6%</u>
<u>\$35,100 and above</u>		<u>6.9%</u>

(10) For tax years beginning on and after January 1, 2016, every resident, individual, trust, or estate having net income of more than seventy-five thousand dollars (\$75,000) but not more than eighty thousand dollars (\$80,000), shall reduce the amount of income tax due as determined under subdivision (a)(9) of this section by deducting a bracket adjustment amount in accordance with the table set forth below:

<u>From</u>	<u>Equal To</u>	<u>Bracket Adjustment Amount</u>
<u>\$75,001</u>	<u>\$76,000</u>	<u>\$440</u>
<u>\$76,001</u>	<u>\$77,000</u>	<u>\$340</u>
<u>\$77,001</u>	<u>\$78,000</u>	<u>\$240</u>
<u>\$78,001</u>	<u>\$79,000</u>	<u>\$140</u>
<u>\$79,001</u>	<u>\$80,000</u>	<u>\$40</u>
<u>\$80,001 and above</u>		<u>\$0</u>

(11) The tables set forth in subdivisions (a)(1)-(a)(10) of this section shall be adjusted annually in accordance with the method set forth in subsection (d) of this section.

SECTION 3. *Effective for tax years beginning on and after January 1, 2015, Arkansas Code § 26-51-815(b), concerning the computation of capital gains and losses, is amended to read as follows:*

(b)(1) *Except as otherwise provided in this subsection, if a taxpayer has a net capital gain for tax years beginning on and after January 1, 1999, thirty percent (30%) of the gain is exempt from state income tax.*

(2) *If a taxpayer has a net capital gain ~~for tax years beginning on and after January 1, 2015, fifty percent (50%),~~ the following portion of the gain is exempt from state income tax:*

1 (A) From January 1, 2015, through January 31, 2015, fifty  
2 percent (50%); and

3 (B) Beginning on and after February 1, 2015, forty percent  
4 (40%).

5 ~~(3) The amount of net capital gain in excess of ten million~~  
6 ~~dollars (\$10,000,000) from a gain realized on or after January 1, 2014, is~~  
7 ~~exempt from the state income tax.~~

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9 SECTION 4. EMERGENCY CLAUSE. It is found and determined by the  
10 General Assembly of the State of Arkansas that income tax rates for Arkansas  
11 residents are too high in comparison to the income tax rates in surrounding  
12 states; that these burdensome income tax rates prevent Arkansas from being  
13 competitive with surrounding states in the region; that amending the  
14 exclusion from tax for a portion of capital gains income will increase the  
15 state's ability to provide additional tax relief to middle class taxpayers  
16 without overburdening the state's resources; and that this act is immediately  
17 necessary because it is in the best interests of the state to increase  
18 Arkansas's ability to compete in the region by dedicating as much funding as  
19 is economically possible and prudent to relieve the income tax burden  
20 suffered by middle class taxpayers in the state. Therefore, an emergency is  
21 declared to exist, and this act being immediately necessary for the  
22 preservation of the public peace, health, and safety shall become effective  
23 on:

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

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

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

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31 /s/J. Dismang

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34 **APPROVED: 02/06/2015**