

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.

1 State of Arkansas  
2 88th General Assembly  
3 Regular Session, 2011  
4

As Engrossed: H2/14/11

# A Bill

HOUSE BILL 1002

5 By: Representatives Garner, Sanders, Allen, D. Altes, Baird, Barnett, Bell, Benedict, Biviano, Branscum,  
6 J. Burris, Carnine, Carter, Clemmer, Collins, Collins-Smith, Dale, Deffenbaugh, English, Eubanks,  
7 Gaskill, Gillam, Hammer, Harris, Hickerson, Hobbs, Hopper, Hubbard, D. Hutchinson, Hyde, Jean,  
8 Kerr, King, Lampkin, Lea, Linck, S. Malone, Mauch, Mayberry, McCrary, McLean, D. Meeks, S. Meeks,  
9 Murdock, Patterson, Pennartz, Post, Rice, J. Roebuck, Shepherd, Slinkard, G. Smith, T. Steele, Stewart,  
10 Stubblefield, Summers, T. Thompson, Wardlaw, Westerman, B. Wilkins, H. Wilkins, Williams, Woods,  
11 Word, Wren, Wright  
12 By: Senators J. Dismang, J. Key, Irvin, Bledsoe, Holland, J. Hutchinson, B. Pritchard, Rapert  
13

## For An Act To Be Entitled

14 AN ACT TO CREATE THE ARKANSAS CAPITAL GAINS REDUCTION  
15 ACT OF 2011; AND FOR OTHER PURPOSES.  
16

## Subtitle

17 TO CREATE THE ARKANSAS CAPITAL GAINS  
18 REDUCTION ACT OF 2011.  
19

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
21

22 SECTION 1. This act shall be known as the "Arkansas Capital Gains  
23 Reduction Act of 2011".  
24

25 SECTION 2. Arkansas Code § 26-51-815 is amended to add an additional  
26 subsection to read as follows:  
27

28 (e)(1) As used in subdivision (e)(2) of this section:

29 (A) "Arkansas property" means:

30 (i) Real property located entirely within this  
31 state;

32 (ii) Tangible property located entirely within this  
33 state for at least one (1) uninterrupted year before the date of the sale  
34



1 from which the net capital gain arose;

2 (iii) Intangible property in a corporation, limited  
3 liability company, partnership, or other legal entity that has its primary  
4 headquarters located in this state for at least one (1) uninterrupted year  
5 before the date of the sale from which the net capital gain arose; and

6 (iv) Stock or other ownership interest in a  
7 corporation, limited liability company, partnership, or other legal entity  
8 that has its primary headquarters located in this state for at least one (1)  
9 uninterrupted year before the date of the sale from which the net capital  
10 gain arose;

11 (B) "Directly" means the taxpayer has direct ownership of  
12 the asset;

13 (C) "Indirectly" means the taxpayer owns an interest in a  
14 pass-through entity or chain of pass-through entities that sells the asset  
15 that gives rise to the net capital gain; and

16 (D) "Net capital gain" includes net capital gains of all  
17 corporations, C corporations, limited liability companies, partnerships, or  
18 other legal entities.

19 (2) If a taxpayer has a net capital gain from the sale of  
20 Arkansas property, one hundred percent (100%) of the net capital gain is  
21 exempt from the Income Tax Act of 1929, § 26-51-101 et seq., if the Arkansas  
22 property from which the net capital gain arose was:

23 (A) Acquired by the taxpayer after July 1, 2011; and

24 (B) Owned directly or indirectly by the taxpayer for more  
25 than one (1) uninterrupted year before the sale.

26 (3) The Director of the Department of Finance and Administration  
27 shall promulgate rules to implement this subsection.

28  
29 SECTION 3. Effective date. This act is effective for tax years  
30 beginning on or after January 1, 2012.

31  
32 */s/Garner*