

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1227

Bill Subtitle: TO REDUCE INCOME TAX RATES IN CERTAIN CIRCUMSTANCES; AND TO REDUCE INCOME TAX RATES BASED ON THE GROWTH OF INCOME TAX COLLECTIONS.

Basic Change :

Sponsor: Representative Farrer

HB1227 provides for an automatic across the board tax rate decrease of 1/8th of 1% if the total income tax revenues collected for a fiscal year exceeds by at least 3% of the total income tax revenues for the most recent fiscal year in which income tax revenues increased. The reduced tax rate would be effective on January 1 of the following year.

Revenue Impact :

Estimated revenue loss of \$9 million for each drop of one-eighth of a percent for corporation income tax. Estimated revenue loss of \$71 million per year for each drop of one-eighth of a percent for individual income tax.

Taxpayer Impact :

If the income tax collections are sufficient to trigger the reductions of HB1227. All income tax taxpayers would benefit from this across the board tax rate decrease.

Resources Required :

Tax forms and instructions will need to be revised, along with programming of the processing system.

Time Required :

Adequate time is provided.

Procedural Changes :

None.

Other Comments :

None.

Legal Analysis :

This bill authorizes a reduction in both Arkansas individual and corporation income tax rates if a certain contingency is met. More specifically, total income tax collections must exceed by three percent (3%) of the previous fiscal year. It appears that the term "exceed" has been omitted from between the terms "year" and "by" on line 28, page 2 of the bill. Also, it is important to note that tax rates that apply only if a certain contingency is met may be confusing to a taxpayer.