

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1390**

**Bill Subtitle: TO ADOPT RECENT CHANGES TO THE INTERNAL REVENUE CODE; AND TO CLARIFY PROVISIONS CONCERNING CHILD SUPPORT PAYMENTS AND GAMBLING LOSSES.**

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### **Basic Change :**

**Sponsor: Representative Jett**

HB1390 readopts several provisions of the federal income tax law that have previously been incorporated into Arkansas income tax law but have been subsequently amended by the U.S. Congress. These changes will ensure that Arkansas taxpayers will have the same rules for both federal and state income tax purposes and eliminate the need for the taxpayer to maintain separate books and records for state and federal tax purposes. This bill also clarifies that child support is not included in income and that gambling losses are deductible up to the extent of gambling winnings and not subject to the 2% limitation on miscellaneous itemized deductions.

### **Revenue Impact :**

None.

### **Taxpayer Impact :**

These changes will ensure that Arkansas taxpayers will have the same rules for both federal and state income tax purposes and eliminate the need for the taxpayer to maintain separate books and records for state and federal tax purposes.

### **Resources Required :**

Tax forms and instructions, return processing, and training procedures will need to be updated to reflect new provisions in the Internal Revenue Code Sections that were previously adopted. Tax community will need to be informed of the changes.

### **Time Required :**

Adequate time is provided.

### **Procedural Changes :**

None.

### **Other Comments :**

None.

### **Legal Analysis :**

This bill readopts several sections of the federal Internal Revenue Code (IRC) as in effect on January 1, 2017. These IRC sections are readopted in order to make certain Arkansas individual and corporate income tax laws are consistent with current federal law. This consistency will improve Arkansas state income tax compliance and administration. The re-adoption of these IRC sections will apply retroactively to tax years beginning on or after January 1, 2015, for Arkansas income tax purposes. The bill has no emergency clause and will therefore become effective 90 days after adjournment of the legislative session.