

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1405

Bill Subtitle: TO AMEND LAWS RELEVANT TO UNEMPLOYMENT TAXES, UNEMPLOYMENT BENEFITS AND UNEMPLOYMENT ELIGIBILITY.

Basic Change :

Sponsor: Representative Lundstrum

HB1405 reduces the taxable wage base that Arkansas employers are required to pay unemployment insurance tax on from the current twelve thousand dollars (\$12,000) per employee, per calendar year, to ten thousand dollars (\$10,000) in § 11-10-215(a). Currently, § 11-10-502(a) provides that a claimant's unemployment weekly benefit amount is one-twenty-sixth (1/26) of the average wages paid to the worker in the base period. HB1405 reduces the percentage used to calculate the benefit amount to one-thirtieth (1/30) for initial claims. For purposes of establishing the maximum potential unemployment benefits in a benefit year, the bill changes the calculation to sixteen (16) times the weekly benefit amount. The current calculation in § 11-10-504(a)(1) is twenty (20) times the weekly benefit amount. In addition, under the bill an individual that receives severance pay from his or her employer is not eligible for benefits for the number of weeks equaling the number of weeks represented by the amount of severance pay. Also, the bill provides that an individual that has been employed by an education institution in a work study program or internship is not eligible for benefits following the completion of the program or internship.

Under current Arkansas law, unemployment benefits are not subject to income tax. However, pursuant to Act 141 of 2017, unemployment benefits received on or after January 1, 2018 will be subject to Arkansas individual income tax.

Revenue Impact :

FY2018 \$295,000 Reduction to General Revenue

FY2019 \$590,000 Reduction to General Revenue

[Revenue impact is based upon estimate of reduced unemployment benefits of \$32.5M paid per year to Arkansas residents.]

Taxpayer Impact :

Unemployment benefits paid to taxpayers will decrease.

Resources Required :

None.

Time Required :

None.

Procedural Changes :

None.

Other Comments :

None.

Legal Analysis :

None.