

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1845

Bill Subtitle: TO CREATE AN INCOME TAX EXEMPTION FOR TEACHERS EMPLOYED IN CRITICAL TEACHER SHORTAGE AREAS.

Basic Change :

Sponsor: Representative Richey

HB1845 provides for an exemption from income tax for income received as a teacher in a critical teacher shortage area as provided under § 6-15-403(a)(5) and would be effective for tax years beginning on and after January 1, 2017.

Revenue Impact :

Estimate revenue loss of undetermined amount beginning in FY2018. DFA is unable to quantify the impact as the number of teachers affected, salaries received, and total income is not available. The new exemption would result in a reduction to state general revenues.

Taxpayer Impact :

Taxpayers who are teachers in a critical shortage area would have their teacher salaries exempt from Arkansas income tax.

Resources Required :

Would need to obtain a listing of the affected teachers from the specific shortage areas to ensure that non-qualified teachers would not be able to take the exemption. Forms, instructions and system programming would need to be updated.

Time Required :

If the list of the affected teachers from the specific shortage areas is provided to Department of Finance and Administration (DFA), then adequate time is provided to implement this bill.

Procedural Changes :

Employees would need to be trained about the new exemption.

Other Comments :

The administration of this exemption to ensure compliance may be difficult unless employers are required to provide written certification regarding teachers that would be eligible for the exemption. The bill does not provide for the Department of Education to certify whether or not a teacher qualified for the exemption. Also, there is no provision for ending the exemption when the critical shortage has been met. From the Department of Education's website, it appears that critical areas are fields of study rather than geographical areas, but could possibly encompass both under the bill. The Department's website currently shows eight academic areas where there are critical shortages. The bill would benefit from clarification by amendment.

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Legal Analysis :

None.