

Department of Finance and Administration

Legislative Impact Statement

Bill: SB115

Bill Subtitle: TO CREATE THE TAX REFORM AND RELIEF ACT OF 2017; AND TO DECLARE AN EMERGENCY.

Basic Change :

Sponsor: Senator J. Hendren

SB115 creates the "Tax Reform and Relief Act of 2017" to reduce income tax rates for lower income Arkansas taxpayers. Income tax rates for Arkansas individuals, trusts, and estates with net taxable income of less than \$21,000 would be reduced beginning with tax years beginning on or after January 1, 2019 as follows: 0.9% to 0.0%, 2.4% to 2.0%, 3.4% to 3.0%, and 4.4% to 3.4%. The bill will also reduce the lowest rate in the middle income tax table (0.9% to 0.75%) in order to alleviate the "cliff" effect that occurs when an increase in a taxpayer's income causes a shift to the middle income table. The plan will provide tax reductions to 1,346,415 taxpayers. Approximately 120,000 taxpayers that are in the lowest bracket will be taken off the tax rolls. In addition, the largest tax cut a single taxpayer could receive is \$156 and a married couple could receive \$312.

The bill also creates the "Arkansas Tax Reform and Relief Legislative Task Force" to examine and identify areas of potential reform within the tax laws of Arkansas. The Task Force would consist of sixteen members of the General Assembly to include:

- The President Pro Tempore of the Senate, or his or her designee who is a member of the Senate;
- Five (5) members of the Senate appointed by the President Pro Tempore of the Senate;
- The Senate Majority Leader, or his or her designee who is a member of the Senate;
- The Senate Minority Leader, or his or her designee who is a member of the Senate;
- The Speaker of the House of Representatives, or his or her designee who is a member of the House of Representatives;
- Five (5) members of the House of Representatives appointed by the Speaker of the House of Representatives;
- The House Majority Leader, or his or her designee who is a member of the House of Representatives; and
- The House Minority Leader, or his or her designee who is a member of the House of Representatives.

The first meeting of the Task Force would occur within thirty (30) days of the sine die adjournment of the 2017 regular legislative session and would meet at least once every two (2) months thereafter. The Task Force will work toward recommending legislation to the General Assembly for consideration during the 2019 legislative session that would modernize and simplify the Arkansas Tax Code and make the Arkansas tax laws competitive with other states with the intent to attract businesses to the state, create jobs for Arkansans, and ensure fairness in the tax laws. A final report of the Task Force would be submitted before September 1, 2018.

Revenue Impact :

FY2019 - \$25.25M Reduction in State General Revenues

FY2020 - \$50.5M Reduction in State General Revenues

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Taxpayer Impact :

Taxpayers who have taxable income of \$75,000 or less will see a reduction in tax with 91% of the reduction will go to taxpayers with taxable incomes of less than \$21,000.

Resources Required :

Update computer programs, tax forms, and instructions.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Tax forms and instructions will need to be revised. Department employees and public will need to be educated.

Other Comments :

None.

Legal Analysis :

None.