

Department of Finance and Administration

Legislative Impact Statement

Bill: SB599

Bill Subtitle: TO ALLOW A WORK OPPORTUNITY TAX CREDIT AGAINST ARKANSAS INCOME TAX LIABILITY.

Basic Change :

Sponsor: Senator Bond

SB599 amends Arkansas Code Title 26, Chapter, 51, Subchapter 5 to add a new section to the Arkansas Code, § 26-51-515, to create the "Work opportunity tax credit". The bill allows an income tax credit against the income tax imposed equal to the federal credit allowed to the taxpayer as they existed on January 1, 2017 under §§ 26 U.S.C 51 and 52. The bill is effective for tax years beginning on and after January 1, 2017.

Revenue Impact :

FY2018 \$8.5M Reduction to General Revenue

Taxpayer Impact :

Taxpayers will be able to claim an income tax credit equal to the federal work opportunity credit.

Resources Required :

Forms and instructions along with system programming will need to be updated.

Time Required :

Adequate time is provided to implement this bill.

Procedural Changes :

None.

Other Comments :

The tax credit is the same amount as allowed on a federal return. Normally, federal credits are limited to a percentage on the state return. The bill does not limit the amount of credit to the income tax liability, so some taxpayers may receive a refund. The federal work opportunity credit is included in the General Business Credit and credits not used in the year established are allowed to be carried back one year and forward up to 20 years. Allowing a carryback of the credit would result in a substantially higher revenue impact in the first year of enactment and subsequent years as well. The bill gives DFA the authority to promulgate rules but the bill does not require any sort of certification process for the credit.

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Legal Analysis :

This bill creates a new Arkansas business income tax credit by adopting existing federal law. The credit is available to employers who employ certain special needs individuals, such as veterans and SSI recipients. The full list of eligible individuals can be found at IRC § 51(d)(1). The credit may be claimed on a one-time basis against the employer's income tax liability. The credit is generally equal to 40% of the first \$6,000 in wages paid to an eligible individual during that individual's first year of employment, although a larger credit may be claimed for wages paid to certain veterans. The bill does not appear to raise any legal issues.