

INTERIM STUDY PROPOSAL 2021-079

1
2 State of Arkansas
3 93rd General Assembly
4 Regular Session, 2021

A Bill

SENATE BILL 522

5
6 By: Senator T. Garner

7 Filed with: Arkansas Legislative Council
8 pursuant to A.C.A. §10-3-217.

For An Act To Be Entitled

9
10 AN ACT TO REDUCE THE INCOME TAX RATES FOR RESIDENTS,
11 INDIVIDUALS, TRUSTS, OR ESTATES TO ZERO PERCENT (0%);
12 AND FOR OTHER PURPOSES.

Subtitle

13
14
15 TO REDUCE ALL INDIVIDUAL INCOME TAX RATES
16 TO ZERO PERCENT (0%).
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20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

21
22 SECTION 1. Arkansas Code § 26-51-201 is amended to read as follows:
23 26-51-201. Individuals, trusts, and estates – Definition.

24 (a) For tax years beginning on and after January 1, 2014, a tax is
25 imposed upon, and with respect to, the entire income of every resident,
26 individual, trust, or estate. The tax shall be levied, collected, and paid
27 annually upon the entire net income as defined and computed in this chapter
28 at the following rates, giving effect to the tax credits provided hereafter,
29 in the manner set forth:

30 (1) On the first four thousand two hundred ninety-nine dollars
31 (\$4,299) of net income or any part thereof, ~~nine tenths percent (0.9%)~~ zero
32 percent (0%);

33 (2) On the next four thousand one hundred dollars (\$4,100) of
34 net income or any part thereof, ~~two and five tenths percent (2.5%)~~ zero
35 percent (0%);

1 (3) On the next four thousand two hundred dollars (\$4,200) of
 2 net income or any part thereof, ~~three and five tenths percent (3.5%)~~ zero
 3 percent (0%);

4 (4) On the next eight thousand four hundred dollars (\$8,400) of
 5 net income or any part thereof, ~~four and five tenths percent (4.5%)~~ zero
 6 percent (0%);

7 (5) On the next fourteen thousand one hundred dollars (\$14,100)
 8 of net income or any part thereof, ~~six percent (6%)~~ zero percent (0%);

9 (6) On net income of thirty-five thousand one hundred dollars
 10 (\$35,100) and above, ~~seven percent (7%)~~ zero percent (0%);

11 (7) Every resident, individual, trust, or estate having net
 12 income greater than or equal to twenty-two thousand two hundred dollars
 13 (\$22,200), but less than or equal to seventy-nine thousand three hundred
 14 dollars (\$79,300), shall determine the amount of income tax due under this
 15 subsection in accordance with the table set forth below:

16 From	Less Than or Equal To	Rate
17		
18 \$0	\$4,499	0.75% <u>0%</u>
19 \$4,500	\$8,899	2.5% <u>0%</u>
20 \$8,900	\$13,399	3.5% <u>0%</u>
21 \$13,400	\$22,199	4.5% <u>0%</u>
22 \$22,200	\$37,199	5% <u>0%</u>
23 \$37,200	\$79,300	5.9% <u>0%</u>

24 (8) Every resident, individual, trust, or estate having net
 25 income of less than twenty-two thousand two hundred dollars (\$22,200) shall
 26 determine the amount of income tax due under this subsection in accordance
 27 with the table set forth below:

28 From	Less Than or Equal To	Rate
29		
30 \$0	\$4,499	0%
31 \$4,500	\$8,899	2% <u>0%</u>
32 \$8,900	\$13,399	3% <u>0%</u>
33 \$13,400	\$22,199	3.4% <u>0%</u>

34 (9)(A) For the tax year beginning January 1, 2020, every
 35 resident, individual, trust, or estate having net income of more than
 36 seventy-nine thousand three hundred dollars (\$79,300) shall determine the

1 amount of income tax due under this subsection in accordance with the table
 2 set forth below:

3 From	Less Than or Equal To	Rate
4		
5 \$0	\$4,000	2% <u>0%</u>
6 \$4,001	\$8,000	4% <u>0%</u>
7 \$8,001	\$79,300	5.9% <u>0%</u>
8 \$79,301 and above		6.6% <u>0%</u>

9 (B) For tax years beginning on and after January 1, 2021,
 10 every resident, individual, trust, or estate having net income of more than
 11 seventy-nine thousand three hundred dollars (\$79,300) shall determine the
 12 amount of income tax due under this subsection in accordance with the table
 13 set forth below:

14 From	Less Than or Equal To	Rate
15		
16 \$0	\$4,000	2% <u>0%</u>
17 \$4,001	\$8,000	4% <u>0%</u>
18 \$8,001 and above		5.9% <u>0%</u>

19
 20 ~~(10) Every resident, individual, trust, or estate having net~~
 21 ~~income of more than seventy nine thousand three hundred dollars (\$79,300),~~
 22 ~~but not more than eighty four thousand six hundred dollars (\$84,600), shall~~
 23 ~~reduce the amount of income tax due as determined under subdivision (a)(9) of~~
 24 ~~this section by deducting a bracket adjustment amount in accordance with the~~
 25 ~~table set forth below:~~

26 From	Less Than or Equal To	Bracket Adjustment Amount
27		
28 \$79,301	\$80,300	\$440
29 \$80,301	\$81,300	\$340
30 \$81,301	\$82,500	\$240
31 \$82,501	\$83,600	\$140
32 \$83,601	\$84,600	\$40
33 \$84,601 and above		\$0

34 ~~(11) The tables set forth in subdivisions (a)(1) (10) of this~~
 35 ~~section shall be adjusted annually in accordance with the method set forth in~~
 36 ~~subsection (d) of this section.~~

1 (b) ~~However, no~~ No state income tax shall be due this state from a
2 trust or estate created by a nonresident donor, trustor, or settlor, or by a
3 nonresident testator even though administered by a resident trustee or
4 personal representative except on income derived from:

5 (1) Lands situated in this state, including gains from any sale
6 thereof;

7 (2) Any interest in lands situated in this state, including,
8 without limitation, chattels real, including gains from any sale thereof;

9 (3) Tangible personal property located in Arkansas, including
10 gains from any sale thereof; and

11 (4) Unincorporated businesses domiciled in Arkansas.

12 (c) No income tax shall be due the State of Arkansas from a
13 nonresident beneficiary on income received from a trust being administered by
14 a resident trustee except on income derived by the trust from:

15 (1) Lands situated in this state, including gains from any sale
16 thereof;

17 (2) Any interest in lands situated in this state, including,
18 without limitation, chattels real, including gains from any sale thereof;

19 (3) Tangible personal property located in Arkansas, including
20 gains from any sale thereof; and

21 (4) Unincorporated businesses domiciled in Arkansas.

22 ~~(d)(1) The Secretary of the Department of Finance and Administration~~
23 ~~shall prescribe annually a table which shall apply in lieu of the table~~
24 ~~contained in subsection (a) of this section with respect to each succeeding~~
25 ~~taxable year. The secretary shall increase the minimum and maximum dollar~~
26 ~~amounts for each rate bracket, rounding to the nearest one hundred dollars~~
27 ~~(\$100), for which a tax is imposed under the table by the cost of living~~
28 ~~adjustment for each calendar year and by not changing the rate applicable to~~
29 ~~any rate bracket as adjusted.~~

30 ~~(2) For purposes of subdivision (d)(1) of this section, the~~
31 ~~cost of living adjustment for a calendar year is the percentage, if any, by~~
32 ~~which the CPI for the current calendar year exceeds the CPI for the preceding~~
33 ~~calendar year, not to exceed three percent (3%). The CPI for any calendar~~
34 ~~year is the average of the Consumer Price Index as of the close of the~~
35 ~~twelve-month period ending on August 31 of such calendar year. "Consumer~~

1 ~~Price Index” means the last Consumer Price Index for All Urban Consumers~~
2 ~~published by the United States Department of Labor.~~

3 ~~(3) The new tables, as adjusted annually, shall be used by the~~
4 ~~secretary in preparing the income tax withholding tables pursuant to § 26-51-~~
5 ~~907.~~

6 ~~(e)(1)(d)(1)~~ Title 26 U.S.C. §§ 671 – 679, as in effect on January 1,
7 2019, are adopted for purposes of determining whether the grantor or another
8 person shall be treated as the owner of a portion of a trust for Arkansas
9 income tax purposes.

10 (2) A grantor or other person described in 26 U.S.C. §§ 671 –
11 679, as in effect on January 1, 2019, is subject to the filing and reporting
12 requirements of § 26-51-806.

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14 SECTION 2. DO NOT CODIFY. This act shall not have retroactive effect.

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16 SECTION 3. EFFECTIVE DATE. Section 1 of this act is effective for tax
17 years beginning on or after January 1, 2022.

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20 Referred requested by the Arkansas Senate

21 Prepared by: MBM/KFW
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