

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1926

Bill Subtitle: TO ADD A TAX RATE FOR CERTAIN INCOME LEVELS; TO ADJUST THE INCOME LEVELS SUBJECT TO CERTAIN INCOME TAX RATES; AND TO INCREASE THE NUMBER OF PERSONS ENTITLED TO USE THE LOW-INCOME TAX TABLES.

Basic Change :

Representative Sabin

The bill establishes a new individual income tax bracket for taxable income of \$75,000 and above with a tax rate of 7.5%, increases the standard deduction from \$2,000 to \$5,000 and incorporates the new standard deduction in the calculation of the low income tax table. Effective for tax years beginning on or after January 1, 2013

Revenue Impact :

FY2014 - \$2.5 M gain

FY2015 - \$2.5 M gain

Taxpayer Impact :

Individual income taxpayers with taxable income of \$75,000 or greater would be subject to an additional .5% tax rate. Individual income taxpayers that claim the standard deduction or qualify to use the low income tax table would owe less tax liability.

Resources Required :

Tax tables and computer systems must be updated.

Time Required :

Adequate time is provided.

Procedural Changes :

Individual Income Tax brackets and tables will need to be updated. Withholding tables will need to be updated. Tax community will need to be informed.

Other Comments :

There is a typo on page 2, line 36 - 2014 should be 2013.

Legal Analysis :

The bill amends current Arkansas income tax law to increase the standard deductions, to adjust the rate applicable to income levels beginning with 1%, and to add a new top 7.5% income tax rate applicable to net income of \$75,000 and above. The bill amends the low-income tax credit beginning with tax year 2014 and adjusts the low income tax credit tables accordingly. The bill's is effective for tax years beginning on or after January 1, 2013.