

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1487

Bill Subtitle: TO EXEMPT FROM THE INCOME TAX EDUCATION SCHOLARSHIPS, AWARDS, AND GRANTS FROM NONPROFIT VOLUNTEER SERVICE ORGANIZATIONS.

Basic Change : Sponsor: Representative Leding

HB1487 provides an income tax exemption for an education award received by a resident and awarded by a nonprofit volunteer service organization to attend an institution of higher education, pay for educational training, or repay student loans. This act is effective for tax years beginning on or after January 1, 2015.

Revenue Impact :

\$40,000 or less per year.

Taxpayer Impact :

Beginning on or after January 1, 2015, education awards paid to a resident taxpayer and from a nonprofit service organization to attend an institution of higher learning, pay for educational training, or repay student loans will be exempt from income tax.

Resources Required :

Update tax forms and instructions.

Time Required :

Adequate time is provided.

Procedural Changes :

Tax forms and instruction booklets will need to be updated. Employees will need to be educated as well as the tax community.

Other Comments :

Consider removing words "scholarships" and "grants" from title and subtitle of bill. AR Code 26-51-404 does not tax scholarships or grants and the bill only addresses education "awards".

Suggest defining "resident" as an Arkansas resident.

Define "nonprofit volunteer service organization".

Legal Analysis :

HB1487 amends the Income Tax Act as set forth at § 26-51-101 et seq. by adding an additional section, § 26-51-314, titled Nonprofit volunteer service organization education award. This section creates an exemption from income tax for an education award received by a resident of this state awarded by a Nonprofit volunteer service organization. For this exemption to apply, the educational award must be awarded to attend an institution of higher education, pay for education training or repay student loans. This act would be effective for tax years beginning on or after January 1, 2015.