

Department of Finance and Administration

Legislative Impact Statement

Bill: SB341

Amendment Number: S1

Bill Subtitle: TO CREATE AN INCOME TAX EXEMPTION FOR PAYMENTS FROM AGRICULTURAL DISASTER PROGRAMS.

Basic Change : Sponsor: Sen. Irvin

SB341 provides an income tax exemption for payments from agricultural disaster programs; defines agricultural disaster program to mean a program that provides compensation to agricultural producers who have suffered a loss as the result of an emergency, disaster or declining market prices or value. Nine specific disaster relief programs are listed in the bill.

Amendment No. 1 changes the effective date from tax years beginning on or after January 1, 2014 to tax years beginning on or after January 1, 2015. It is further amended to limit payments to compensate for the loss of livestock by an agricultural producer.

Revenue Impact :

Amount of any revenue impact is impossible to determine. An impact occurs only in drought years. In years with no drought there will be no revenue loss. Based on information provided by the Arkansas Cattlemen's Association, 2 of the last 8 years have qualified for assistance from Agricultural Disaster Programs. Based on historical payments during these years, the cost to state general revenue would be \$140,000 in those drought years when disaster payments are paid.

Taxpayer Impact :

Taxpayers who receive payments from an agricultural disaster program will not be required to report those payments as taxable income.

Resources Required :

This bill will require booklet changes and possibly form and computer changes if the exempt income is required to be reported.

Time Required :

Adequate time is provided.

Procedural Changes :

This bill will require booklet changes and possibly form and computer changes if the exempt income is required to be reported. Educate income tax staff and tax community.

Other Comments :

Need to clarify whether expenses related to the receipt of the disaster payments are still deductible even though disaster payments are not included in income. Otherwise taxpayers could use these expenses to offset other income. The bill does not require that exempt payments be reported on income tax returns.

Legal Analysis :

Amendment No. 1 to SB341 amends the income tax exemption created by the new code section § 26-51-314(a)(3) to exempt payments from the agricultural disaster program entitled, "Emergency Assistance for Livestock, Honeybees, and Farm Raised Fish" if the payment is limited to compensation for the loss of livestock.

The amendment also changes the new effective date of the act to apply to tax years beginning on or after January 1, 2015.

Department of Finance and Administration

Legislative Impact Statement

Bill: SB341

Amendment Number: S1

**Bill Subtitle: TO CREATE AN INCOME TAX EXEMPTION FOR PAYMENTS FROM
AGRICULTURAL DISASTER PROGRAMS.**
