

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1789**

**Bill Subtitle: TO AMEND LAWS CONCERNING THE CORPORATE FRANCHISE TAX; TO REPEAL THE ARKANSAS CORPORATE FRANCHISE TAX ACT OF 1979; TO MAKE CONFORMING CHANGES.**

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### **Basic Change :**

**Sponsor: Representative Dotson**

The bill amends or laws to repeal the Arkansas corporate franchise tax; Repeals the AR corporate franchise tax of 1979; to make conforming changes; ACA 4-27-1622 is repealed; AR Code Title 26, Chapter 54 is repealed in its entirety; repeals ACA 19-6-201(3); amends ACA 4-36-401(a)(1), ACA 4-36-401(b) and ACA 19-5-1227(b).

### **Revenue Impact :**

First Full Effective Fiscal Year, \$8 Million Reduction in State General Revenues  
First Full Effective Fiscal Year, \$16.5 Million Reduction to Educational Adequacy Fund

### **Taxpayer Impact :**

Taxpayers will no longer be required to file annual franchise tax reports and pay franchise tax to the State of Arkansas.

### **Resources Required :**

None.

### **Time Required :**

None.

### **Procedural Changes :**

Auditors in corporate income tax will no longer be able to look at the Secretary of State's website to help determine if a company should be filing Arkansas corporation income tax returns.

### **Other Comments :**

The bill does not contain an effective date. Eliminating the requirement to register with the Secretary of State will eliminate a valuable source of information to Department of Finance & Administration (DFA) to determine possible non-filers, to identify officers of a corporation, addresses, and other valuable information necessary to administer numerous tax administered by DFA.

### **Legal Analysis :**

This bill amends laws concerning the corporate franchise tax and repeals the Arkansas Corporate Franchise Tax Act of 1979. The bill amends language regarding the date by which a benefit corporation must send a benefit report to each shareholder annually, the new date is before May 1. The bill repeals Arkansas Code §§ 4-27-1622, 19-6-201(3), and 26-54-101 *et seq.*  
DFA does not administer the Franchise Tax, which is administered by the Secretary of State.