Department of Finance and Administration

Legislative Impact Statement

Bill: HB1850
Bill Subtitle: TO CREATE THE STRONG FAMILIES ACT; AND TO CREATE AN INCOME TAX CREDIT FOR EMPLOYERS THAT PROVIDE PAID FAMILY AND MEDICAL LEAVE FOR CERTAIN EMPLOYEES.

Basic Change :

Sponsor: Representative Leding

HB1850 amends the Arkansas Code in Title 26, Chapter 51, to create the "Strong Families Act" that provides an income tax credit for employers that provide paid family and medical leave for certain employees. An employer is allowed a tax credit equal to 25% of the amount of wages paid to a qualified employee during the period in which the qualified employee is on family and medical leave. The tax credit shall not exceed $4,000 per qualified employee in a tax year, and part time employees are to receive prorated paid family medical leave benefits. Employers must provide at least four weeks of paid family medical leave per year to qualify for the credit. The maximum amount of time for which an employer may claim a tax credit for providing family and medical leave for an employee is 12 weeks in a 12-month period and the amount of the tax credit shall not exceed the amount of income tax due by the taxpayer. There is no carryforward of unused credits. The bill is effective for tax years beginning on and after January 1, 2017.

Revenue Impact :

FY2017 $14.3M Reduction to General Revenue
FY2018 $57M Reduction to General Revenue
FY2019 and after $76M Reduction to General Revenue

[Impact is based upon the average birth rate in Arkansas for 2010 to 2013 of 38,000. Since many other medical situations can qualify for the credit, this estimates above are conservative.]

Taxpayer Impact :

Employers/Taxpayers will be encouraged to provide this benefit to employees and may claim an income tax credit equal to 25% of the amount of wages paid to a qualified employee for paid family medical leave.

Resources Required :

Booklet changes, changes in forms, changes in computer programs and changes in return processing procedures.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

None.

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Other Comments :

The bill does not provide a carry forward period for any credit not used. Adding a carryforward provision would greatly increase the estimate of revenue loss.

Legal Analysis :

HB1850 creates the “Strong Families Act” and concerns family and medical leave which encompasses an employee's own health problems that prevent the employee from doing his or her job, the birth or adoption of a child, and the care of child, spouse, or parent.

An employee must have been with the employer for at least 12 consecutive months, and is either in a hospital, hospice, or receiving home care, or is receiving continuing treatment by a heath care provider. The bill allows an employer to take a tax credit of 25% (up to $4,000 per qualified employee) of the wages paid to the employee during the period the employee was on the leave. However, the amount claimed by an employer may not exceed to total amount of tax the employer owes. For employees who are not paid hourly, the wages shall be prorated to an hourly basis.

The bill provides that a qualified employer must provide a full-time employee at least four weeks of paid family leave, and provide a part-time employee a pro-rated equivalent of four weeks for a full-time employee.

The bill also mandates that a qualified employer may not in any way prevent an employee from exercising a right under the employer's leave policy or to fire or otherwise try to prevent an employee for opposing a practice prohibited by the policy.