Department of Finance and Administration

Legislative Impact Statement

Bill: SB653
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 :

Sponsors: Senators G. Leding; Representatives A. Collins, McCullough, Scott, D. Whitaker

SB653 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. The bill is effective for tax years beginning January 1, 2019.

Revenue Impact :

FY2020 and after $14.55 million Reduction in General Revenue

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.

Other Comments :

There is no certification process, and authority is not given to any agency to implement rules or regulations to administer the act. The bill does not provide a carry forward period for any credit not used.

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Legal Analysis :

SB 653 creates the "Strong Families Act" at § 26-51-2601, et seq. This subchapter grants qualified employers, as defined under the U.S. Department of Labor's Family and Medical Leave Act (FMLA), an income tax credit equal to twenty-five percent (25%) of the amount of wages paid to a qualified employee during the time that the qualified employee is on family and medical leave. Under the bill, "family and medical leave" means leave from work for a serious health condition, birth or adoption of a child, or care of a child, spouse, or parent who has a serious health condition. A “qualified employee" means an employee who has been employed by the employer for at least twelve months. "Serious health condition" means an illness, injury, impairment, or physical or mental condition that involves inpatient care or continuing treatment by a healthcare provider.

The income tax credit is not to exceed four thousand dollars ($4,000.00) or more that twelve (12) weeks of time per qualified employee in a tax year. This is a nonrefundable credit that cannot exceed the amount of income tax due by the taxpayer in the tax year. The qualified employee's wages shall be prorated to an hourly basis if the qualified employee is paid on any other basis. Family and medical leave may run concurrently with leave that is required under state or federal law.

An employer is eligible for the income tax credit if the employer:

- Provides at least four (4) weeks of paid family and medical leave over a twelve-month period to its qualified employees;
- Provides part-time qualified employees paid family and medical leave in the same proportion to four (4) weeks as time worked in a week as a full-time qualified employee is expected to work during a week;
- Provides family and medical leave on the smallest increment of time permitted under the employer's payroll system; and
- Adopts a policy that states that the employer will not interfere with the employee's right to use family and medical leave or discharge an employee for using family and medical leave.

This bill will be effective for the tax years beginning on or after 2019.