

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1011

Bill Subtitle: TO AMEND THE INCOME TAX IMPOSED ON INDIVIDUALS, TRUSTS, AND ESTATES; AND TO REDUCE THE INCOME TAX IMPOSED ON LOW-INCOME TAXPAYERS.

Basic Change :

Sponsor: Rep. Jett

HB1011 amends the lower income tax table in § 26-51-201(a)(8) for individuals, trusts, and estates. For tax years beginning on and after January 1, 2021, HB1011 would eliminate the current lower-income tax table contained in § 26-51-201(a)(8) altogether and exempt from income tax every resident, individual, trust, or estate having a net taxable income of less than \$22,200.

Revenue Impact :

FY2022 - \$86.5 Million Reduction in State General Revenue.

Taxpayer Impact :

Over 703,000 taxpayers would receive an income tax reduction. No taxpayer would receive a tax increase under HB1011.

Resources Required :

Computer programs tax forms, and instructions will need to be updated.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Computer programs, tax forms and instructions, and training manuals will need to be updated. DFA employees will need to be educated as well as the tax community.

Other Comments :

Due to Consumer Price Index ("CPI") adjustments required by Arkansas law, the low-income tax table applies to taxable incomes up to \$22,599 for tax year 2019. In the 2020 tax year, the range of fully exempt taxable income would be \$0 - \$22,899 due to the CPI adjustments.

Using the 2019 tax tables, a taxpayer with taxable income of \$22,599 would have a tax liability of \$0. A taxpayer having taxable income of \$22,600 would have a tax liability of \$711. A cliff adjustment may be recommended to smooth the transition from the lower income tax table to the middle income tax table. If the bill was amended to provide a cliff adjustment, the revenue impact of the bill could change substantially.

Legal Analysis :

None.