

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1703

Bill Subtitle: TO REQUIRE THAT CASINOS REPORT GAMBLING WINNINGS TO THE SECRETARY OF THE DEPARTMENT OF FINANCE AND ADMINISTRATION AND WITHHOLD ARKANSAS INCOME TAX ON GAMBLING WINNINGS.

Basic Change :

Sponsors: Rep. Fortner and Sen. Sample

HB1703 adopts, for state income tax purposes, the provisions of federal law requiring the reporting and withholding of gambling winnings for federal income tax purposes. These reporting and withholding requirements vary depending on the type of gambling activity and the amount of the winnings.

This bill adopts the relevant provisions of federal law as in effect on January 1, 2021:

- Federal law requires reporting for slot machine and bingo winnings of \$1,200 or more, winnings from keno of \$1,500 or more, winnings from a wagering pool of \$600 or more, and winnings from poker tournaments of \$5,000 or more.
- Federal law does not require reporting for winnings from table games such as roulette, blackjack, and craps.
- Federal law does not require income tax withholding for winnings from slot machines, bingo, keno, poker tournaments, or table games.
- Federal law requires withholding for winnings from a wagering pool of more than \$5,000.
- Federal law also requires withholding for all reportable gambling winnings if the winner fails to provide a correct taxpayer identification number.

HB1703 requires casinos to report payments of gambling winnings as required under 26 U.S.C. § 6041 to the Department of Finance and Administration (DFA) electronically on or before January 31 for the preceding calendar year. This bill also requires that for payments of gambling winnings that are subject to federal withholding would also be subject to withholding for Arkansas income taxes at 5.9% or the highest income tax rate imposed on individual taxpayers, whichever is less. The amounts withheld shall be remitted to DFA on or before the 15th day of the month following payment of the winnings by the casino.

Revenue Impact :

None.

Taxpayer Impact :

A casino operating within the State of Arkansas will be required to report, and where required, withhold income tax from a taxpayer's gambling winnings consistent with federal requirements.

Resources Required :

Computer systems will need to be updated.

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1703

Bill Subtitle: TO REQUIRE THAT CASINOS REPORT GAMBLING WINNINGS TO THE SECRETARY OF THE DEPARTMENT OF FINANCE AND ADMINISTRATION AND WITHHOLD ARKANSAS INCOME TAX ON GAMBLING WINNINGS.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

DFA staff, casino accounting staff, and tax community will need to be educated. Casino Gaming Rules will need to be updated.

Other Comments :

None.

Legal Analysis :

None.