

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1864

Bill Subtitle: TO CREATE THE AUTOMATIC TAXPAYER REFUND TRUST FUND AND PROVIDE FOR ITS FUNDING; AND TO SET THE CONDITIONS UNDER WHICH TAXPAYERS SHALL RECEIVE AUTOMATIC REFUNDS.

Basic Change :

Sponsors: Rep. Ray and Sen. T. Garner

HB1864 creates the Automatic Taxpayer Refund Trust Fund (Refund Trust Fund). Beginning on June 30, 2023, and on each fiscal year thereafter, the State Treasurer must transfer to the Refund Trust Fund any amount in excess of \$100,000,000 that would otherwise be transferred to the General Revenue Allotment Reserve Fund under § 19-5-406(a)(1).

Once the Refund Trust Fund's balance exceeds \$100,000,000, then the total amount in the Refund Trust Fund will be refunded to qualifying taxpayers on a pro rata basis. In order to qualify for a pro rata share of the refund, the taxpayer must:

- Have filed a resident individual income tax return for the most recent two tax years; and
- Have paid tax to the state during the previous tax year.

Revenue Impact :

FY2023 and after – Estimated \$40.4 million average annual transfer from General Revenue Allotment Reserve to Automatic Taxpayer Trust Fund.

[In the past eight years, the State of Arkansas has had surpluses totaling \$1.06 billion or an average of \$133 million per year ranging from \$0 to \$299.5 million. If HB1864 had been in effect, a total of \$323 million would have been deposited to the Automatic Taxpayer Refund Trust Fund in four of those years and refunds would have been issued twice in the amounts of \$124.6 million and \$198.4 million.]

Taxpayer Impact :

A taxpayer that filed a resident individual income tax return for the most recent two tax years and paid tax to the state during the previous tax year would qualify for a refund in an amount equal to each taxpayer's proportionate share of the total income tax liability paid by all qualifying taxpayers in the preceding year as determined by DFA.

Resources Required :

Computer programs will need to be updated.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Computer programs will require updating. DFA will be required to determine all qualified taxpayers

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each year and calculate each taxpayer's proportionate share of the total income tax liability paid to determine the amount of automatic refund.

Other Comments :

None.

Legal Analysis :

The bill would benefit from an amendment that clarified what type of tax a taxpayer must pay during the previous taxable year to become eligible for an automatic refund. As written, any person who paid any Arkansas tax during the previous taxable year would qualify for a refund if the taxpayer filed a resident individual income tax return for the previous two years.

Page 2, line 20 refers to "tax years," line 21 refers to "taxable year," and line 27 refers to "year." Using consistent language would improve the clarity of the bill.