

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1967**

**Bill Subtitle: TO REDUCE THE INCOME TAX LEVIED ON INDIVIDUALS, TRUSTS, AND ESTATES FROM FIVE AND NINE-TENTHS PERCENT (5.9%) TO FOUR AND NINE-TENTHS PERCENT (4.9%).**

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### Basic Change :

**Sponsors: Rep. Dotson and Sen. Hester**

HB1967 amends the income tax tables contained in § 26-51-201 for individuals, trusts, and estates. The bill amends the income tax tables over two years so that the top income tax rate in Arkansas would be reduced to 4.9% by tax years beginning on or after January 1, 2023.

For tax years beginning on or after January 1, 2022, the top income tax rate in the middle and upper income tables would be reduced to 5.4%. The top income tax rate in the middle and upper income tables would be further reduced to 4.9% for tax years beginning on or after January 1, 2023. The top income tax rate for the lower income table would remain at 3.4%.

The bill retains the bracket adjustments in § 26-51-201(10) for individuals with net taxable income of more than \$79,301 but less than \$84,600.

If enacted, the middle and upper income tax tables for the 2022 and 2023 and following tax years would be as follows:

### Tax Year 2022

#### Middle Income Table

\$0 to \$4,499	.75%
\$4,500 to \$8,899	2.5%
\$8,900 to \$13,399	3.5%
\$13,400 to \$22,199	4.5%
\$22,200 to \$37,199	5%
\$37,200 to \$79,300	5.4%

#### Upper Income Table

\$0 to \$4,000	2%
\$4,001 to \$8,000	4%
\$8,001 +	5.4%

### 2023 and Following Tax Years

#### Middle Income Table

\$0 to \$4,499	.75%
\$4,500 to \$8,899	2.5%
\$8,900 to \$13,399	3.5%
\$13,400 to \$22,199	4.5%
\$22,200 to \$37,199	5%
\$37,200 to \$79,300	4.9%

#### Upper Income Table

\$0 to \$4,000	2%
\$4,001 to \$8,000	4%
\$8,001 +	4.9%

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### **Revenue Impact :**

**FY2022** - \$68.5M Reduction in State General Revenue

**FY2023** - \$205.5M Reduction in State General Revenue

**FY2024** - \$274M Reduction in State General Revenue

[ It appears the draft of the bill contains an unintentional error on Line 6 of Page 3. For taxable incomes of \$22,200 through \$37,199 in the middle income table for 2023 and following tax years, it appears as though the intended tax rate for this income level should be 4.9% instead of 5%. The bill as drafted would provide that the tax rate would increase from 4.5% to 5% and then be reduced to 4.9%. If this correction was adopted, the revenue impact would be as follows:

**FY2022** - \$68.5M Reduction in State General Revenue

**FY2023** - \$206.3M Reduction in State General Revenue

**FY2024** - \$275.6M Reduction in State General Revenue ]

### **Taxpayer Impact :**

733,000 taxpayers would receive a reduction in income tax.

### **Resources Required :**

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

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Department employees will need to be educated as well as the tax community.

### **Other Comments :**

None.

### **Legal Analysis :**

None.