

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB304**

**Amendment Number: S3**

**Bill Subtitle: TO CREATE AN INCOME TAX CREDIT FOR CERTAIN FULL-TIME LAW ENFORCEMENT OFFICERS.**

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### Basic Change :

#### **Sponsors:**

**Sens. Rapert, K. Hammer, B. Johnson, and M. Johnson**

**Reps. Slape, M. Berry, Jett, Bentley, Jean, McClure, S. Smith, Christiansen, Hollowell, D. Garner, Fortner, M. McElroy, McNair, Milligan, Crawford, Watson, and C. Cooper**

**Senate Amendment No. 3** --- SB304-S3 (engrossed 3/11/2021) expressly lists an airport authority as an included law enforcement agency that employs law enforcement officers who may be entitled to claim the tax credit.

**Senate Amendment No. 1** --- SB304-S1 (engrossed 2/23/2021) clarifies that the tax credit provided is a non-refundable tax credit.

**Original Bill** --- SB304 provides a \$3,000 income tax credit for a "full-time law enforcement officer." SB304 defines a full-time law enforcement officer as a law enforcement officer who:

- Is employed by and receives a salary authorized by a law enforcement agency;
- Has the statutory authority to enforce the criminal, traffic, or highway laws of the state or of the federal government; and
- Has worked for a law enforcement agency for at least 25 hours per week for at least eleven months of the calendar year.

SB304 defines a "law enforcement agency" as a municipal police department, a county sheriff's office, a law enforcement entity of the State of Arkansas, including without limitation the Division of Arkansas State Police, or a federal law enforcement entity. A full-time law enforcement officer must verify their eligibility for the credit by obtaining written verification of their employment status from the law enforcement agency wherein the officer is employed. SB304 requires the Department of Finance and Administration (DFA) to approve the form to be used to verify eligibility for the credit.

SB304 is effective for tax years beginning on and after January 1, 2021.

### Revenue Impact :

**FY2022** - \$15.3 million reduction in General Revenue

### Taxpayer Impact :

An eligible full-time law enforcement officer would be allowed an income tax credit to reduce state income tax liability.

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### **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 :**

**Senate Amendment No. 3** --- SB304-S3 includes an airport authority as an eligible law enforcement agency.

**Senate Amendment No. 1** --- SB304-S1 clarifies that the tax credit provided is a non-refundable tax credit.

**Original Bill** --- SB304 appears to meet the requirements of the doctrine of intergovernmental immunity by providing the same tax treatment to both state and federal law enforcement officers. The doctrine of intergovernmental immunity prevents discrimination against federal law enforcement officers based on the source of their income when there are no significant differences in the respective job duties. *See Pledger v. Bosnick*, 306 Ark. 45 (1991).

SB304 is unclear whether the tax credit is intended to be a refundable credit or a non-refundable credit. The bill would benefit from an amendment clarifying this issue.