

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1116**

**Bill Subtitle: TO CREATE AN INCOME TAX CREDIT FOR TAXPAYERS SIXTY-FIVE (65) AND OLDER IN AN AMOUNT EQUAL TO THE TAXPAYER'S PROPERTY TAX PAYMENT ON A HOMESTEAD.**

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### **Basic Change :**

**Sponsors: Reps. Cavanaugh and Vaught**

HB1116 creates a refundable individual income tax credit equal to the real property tax paid in the prior calendar year on the individual's homestead. An individual qualifies for the credit if they are at least age 65 in the calendar year they apply for the credit. The taxpayer may not claim past due property taxes or penalties paid in the prior calendar year as part of the income tax credit. The tax credit is available for tax years beginning on or after January 1, 2023.

### **Revenue Impact :**

**FY2024 - \$202,686,000 General Revenue Reduction**

[ Revenue impact is based on Arkansas Assessment Coordination Division Report of Tax Assessed on the Homestead of Arkansans Sixty-Five (65) and Over as of January 2022 and projected by U.S. Census Bureau Estimated Population Percentage Change. ]

### **Taxpayer Impact :**

A taxpayer aged 65 years or over who paid property tax on a homestead would be eligible for a refundable income tax credit equal to the amount paid.

### **Resources Required :**

Computer programs, tax forms and instructions will require update. Department of Finance and Administration (DFA) personnel will need to be trained to administer the tax credit. The Tax Credits and Special Refunds Section of the DFA will require one Auditor and three Fiscal Support Analysts for an additional personnel cost of \$169,600 annually. Estimated programming costs for the Arkansas Integrated Revenue System (AIRS) is \$360,000 and yearly maintenance of \$45,000.

### **Time Required :**

AIRS personnel would need approximately nine months to implement the form changes and verification. Time would also be necessary for county personnel to provide information to DFA for verification of payment of real estate taxes.

### **Procedural Changes :**

Individual Income Tax forms and instructions will need to be updated. County employees will need to be educated as well as the tax community.

### **Other Comments :**

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None.

**Legal Analysis :**

None.