

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1148

Bill Subtitle: TO PROVIDE AN INCOME TAX CREDIT FOR CERTAIN EXPENSES FOR BABY SUPPLIES.

Basic Change :

Sponsors: Reps. Vaught, Cavanaugh and Sen. K. Hammer

HB1116 creates a new section of the Arkansas Code, § 26-51-517, to create a refundable income tax credit of up to \$1,000.00 for expenses an individual taxpayer incurs for baby supplies in the tax year for which the individual taxpayer claims the credit. "Baby supplies" are defined as diapers, baby formula, baby wipes, and prepackaged baby food.

The bill is effective for tax years beginning on or after January 1, 2023.

Revenue Impact :

FY2024 - \$108.8M General Revenue Reduction

[Revenue impact is based on Centers for Disease Control and Prevention Natality Report of Arkansas Children born in 2020 and 2021 and who are living in 2023.]

Taxpayer Impact :

A taxpayer would be eligible to claim a refundable tax credit up to \$1,000 for purchases of baby supplies. A taxpayer must maintain records and evidence to support their entitlement to the credit.

Resources Required :

Estimated programming cost for the Arkansas Integrated Revenue System (AIRS) is \$8,000. Two additional Auditors will be required to verify and review the eligibility of credits claimed with an estimated additional cost of \$100,578 for those positions.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Income Tax rules will require update and instructions published. Department employees will need to be educated as well as the tax community.

Other Comments :

None.

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Legal Analysis :

Under HB1148, an “individual taxpayer” may claim a \$1,000.00 refundable credit for the purchase of “baby supplies.” It is unclear if joint filers would each be able to claim a \$1,000.00 credit. HB1148 may benefit from an amendment to clarify whether a joint filer is eligible to claim two \$1,000.00 credits or is limited to one \$1,000.00 credit on the joint return.