

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1382**

**Bill Subtitle: TO CREATE THE REBOOT PILOT PROGRAM; AND TO CREATE AN INCOME TAX CREDIT FOR BUSINESSES THAT HIRE CERTAIN FORMER OFFENDERS.**

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### Basic Change :

**Sponsors: Reps. Lundstrum, Clowney, C. Cooper, Crawford, V. Flowers, G. Hodges, Pilkington, Scott, and Unger; Sens. Davis, Bryant, Penzo, Irvin, Tucker, and Leding**

HB1382 creates "The Reboot Pilot Program" which provides a refundable income tax credit for an employer who hires a qualifying former offender. The bill defines a "qualifying former offender" as an individual who was:

- Convicted of a state or federal felony offense;
- Incarcerated for the felony offense; and
- Released from his or her first term of incarceration for the felony offense within 12 months before the date on which he or she was hired as an employee.

A qualifying former offender includes an individual who has been incarcerated for a violation of his or her conditions of supervision. To qualify for the tax credit, the qualifying former offender must be employed at least 40 hours per week with pay at or above the state minimum wage. No more than 1,000 former offenders may be enrolled in the program at one time.

The income tax credit provided by HB1382 for the employment of each qualifying former offender is as follows:

- \$3,000 tax credit upon the offender's completion of 12 consecutive months of employment;
- \$2,000 tax credit upon the offender's completion of 24 consecutive months of employment; and
- \$1,000 tax credit upon the offender's completion of 36 consecutive months of employment.

If the amount of the allowed income tax credit exceeds the taxpayer's income tax liability, the excess shall be refunded to the taxpayer.

A taxpayer must register with the Division of Workforce Services (DWS) as a participant in the Reboot Pilot Program for the taxpayer to be eligible for the income tax credit. The bill imposes additional requirements on the taxpayer including health insurance and drug testing.

HB1382 is effective for tax years beginning on or after January 1, 2024.

### Revenue Impact :

**FY2025** - \$3 million General Revenue Reduction

**FY2026** - \$2.3 million General Revenue Reduction

**FY2027** - \$1.8 million General Revenue Reduction

**FY2028 and after** - \$2.3 million General Revenue Reduction

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### **Taxpayer Impact :**

An employer would be able to claim a refundable income tax credit when they employ a qualifying former offender for at least 40 hours per week at pay that is at or above the state minimum wage. A taxpayer will need to register with DWS as a participant in the program and retain records for six years. The taxpayer is required to enroll the former offender in the health insurance plan available to other employees after 24 months of employment and ensure they are randomly drug tested. An employer will need to certify the number of hours worked and wages paid to DFA for the year in which the credit is claimed.

### **Resources Required :**

Computer programs, tax forms, and instructions would need to be created. Arkansas Integrated Revenue System (AIRS) programming cost to program a new income tax credit is estimated at \$16,000. The Tax Credits Section of DFA would require additional staff to review employer reports of hours worked and wages paid to qualified former offenders in a taxable year and to award tax credits. The anticipated additional personnel cost is estimated to total \$50,000 per year for one Fiscal Support Analyst.

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

DFA employees and tax practitioners will need to be trained to administer the new credit. DFA may promulgate rules to administer the program.

### **Other Comments :**

None.

### **Legal Analysis :**

HB1382 would benefit from an amendment to clarify that, although DFA has discretion to promulgate rules under Section 2 of the bill, Section 3 appears to require rules to be promulgated.