

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1397

Bill Subtitle: TO EXEMPT PAYMENTS RECEIVED FROM THE RESTAURANT REVITALIZATION FUND FROM GROSS INCOME FOR PURPOSES OF COMPUTING INCOME TAX.

Basic Change :

Sponsors: Reps. Eaves and Springer

Under HB1397, a taxpayer would no longer pay income tax on payments received from the Restaurant Revitalization Fund. The Restaurant Revitalization Fund is a federal government program that provided grants to certain restaurants that lost revenue during the Covid-19 pandemic. The grants were for up to \$5,000,000 per physical location and were not treated as taxable income by the federal government. Under current law, the grant payments are taxable income in Arkansas because they fall within the definition of "gross income."

HB1397 amends § 26-51-404 to exclude from the definition of "gross income" payments received from the Restaurant Revitalization Fund. A taxpayer would still be required to include payments from the Restaurant Revitalization Fund to reduce its net operating loss, as is generally required for nontaxable income under § 26-51-427(2).

HB1397 is effective for tax years beginning on or after January 1, 2022.

Revenue Impact :

FY2023 – up to \$4.6 million General Revenue Reduction

Taxpayer Impact :

Payments received from the Restaurant Revitalization Fund would be excluded from a taxpayer's gross income.

Resources Required :

Computer programs, instruction booklets, and training manuals 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.

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Legal Analysis :

None.