

Department of Finance and Administration

Legislative Impact Statement

Bill: SB549

Bill Subtitle: TO REDUCE THE INCOME TAX RATES APPLICABLE TO INDIVIDUALS, TRUSTS, ESTATES, AND CORPORATIONS.

Basic Change :

Sponsors: Sen. Dismang and Rep. Eaves

Individual Income Tax --- Top Rate Reduction to 4.7% in 2023 --- SB549 amends the income tax tables contained in § 26-51-201 for individuals, trusts, and estates. The bill amends the income tax tables so that Arkansas' top income tax rate would be reduced to 4.7% for tax years beginning on or after January 1, 2023.

SB549 also recalculates the bracket adjustments based on the reduced tax rates to maintain a smooth transition between the standard income table and the upper income table. For tax year 2023, individuals with net taxable income of greater than or equal to \$87,001 but less than \$91,301 will reduce their income tax due by the appropriate bracket adjustment amount.

The individual income tax tables will be as follows effective for the 2023 and following tax years:

2023 and Following Tax Years

Standard Income Table		Upper Income Table	
\$0 to \$5,099	0%	\$0 to \$4,400	2%
\$5,100 to \$10,299	2%	\$4,401 to \$8,800	4%
\$10,300 to \$14,699	3%	\$8,801 +	4.7%
\$14,700 to \$24,299	3.4%		
\$24,300 to \$87,000	4.7%		

Corporation Income Tax --- Top Rate Reduction to 5.1% in 2023 --- SB549 reduces the top corporation income tax rate imposed on both domestic and foreign corporations to 5.1% for the 2023 and following tax years. The corporation income tax table will be as follows effective for the 2023 and following tax years:

2023 and Following Tax Years

\$0 to \$3,000	1%
\$3,001 to \$6,000	2%
\$6,001 to \$11,000	3%
\$11,001 to \$25,000	5%
\$25,001+	5.1%

Revenue Impact :

FY2024 - \$186 million General Revenue Reduction

FY2025 - \$124 million General Revenue Reduction

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[The revenue impact assumes that employee withholding would be adjusted by employers on or after June 1, 2023, with payments being received by the state on withholding payments starting after July 1, 2023, corresponding to the start of the 2024 fiscal year. The revenue impact also assumes that taxpayers making estimated payments would not adjust payments in 2023 since the estimated amounts are generally based on the prior years' tax liability. Therefore, estimated payments would not change until after the start of the 2024 fiscal year. No revenue impact is anticipated for FY2023.]

Taxpayer Impact :

Individual and corporation income taxpayers will receive a reduction in their tax liability. Approximately 1.1 million individual taxpayers with taxable income greater than \$24,300 would receive a tax reduction.

Resources Required :

Computer programs, tax forms, and instructions will need to be updated. Withholding tax tables 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 :

None.