

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1007

Bill Subtitle: TO REDUCE THE INCOME TAX RATES APPLICABLE TO INDIVIDUALS, TRUSTS, ESTATES, AND CORPORATIONS; TO CREATE AN INFLATIONARY RELIEF INCOME TAX CREDIT FOR CERTAIN TAXPAYERS; AND TO DECLARE AN EMERGENCY.

Sponsors:

Reps. Eaves, Shepherd, Andrews, Beaty Jr., Beck, M. Berry, Brooks, K. Brown, Burkes, Cavanaugh, Cooper, Crawford, Fortner, Furman, Gazaway, Haak, Hawk, Hollowell, Ladyman, Long, Lundstrum, Lynch, Maddox, McAlindon, McClure, McKenzie, Ray, Rose, Rye, Tosh, Underwood, Unger, Vaught, Wardlaw, Warren, Watson, Wing, and Wooten

Sens. Dismang, Hickey, Boyd, Bryant, Caldwell, Clark, Crowell, Davis, Dees, Dotson, English, Flippo, Gilmore, Hammer, Hester, Hill, Irvin, B. Johnson, McKee, Payton, Penzo, Petty, Rice, Stone, Sullivan, and Wallace

Basic Change :

Individual Income Tax --- Top Rate Reduction to 4.4% in 2024 --- HB1007 amends the income tax tables contained in § 26-51-201 to reduce the top individual income tax rate in Arkansas to 4.4% effective for the 2024 and following tax years. HB1007 also recalculates the bracket adjustments based on the reduced tax rate to maintain a smooth transition between the standard income table and the upper income table. For tax year 2024, individuals with net taxable income of more than \$87,000 but less than \$90,801 will reduce their income tax due by the appropriate bracket adjustment amount.

The individual income tax tables will be as follows effective for the 2024 and following tax years:

2024 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 +	4.4%
\$14,700 to \$24,299	3.4%		
\$24,300 to \$87,000	4.4%		

Corporation Income Tax --- Top Rate Reduction to 4.8% in 2024 --- HB1007 reduces the top corporation income tax rate imposed on both domestic and foreign corporations to 4.8% for the 2024 and following tax years. The corporation income tax table will be as follows effective for the 2024 and following tax years:

2024 and Following Tax Years

\$0 to \$3,000	1%
\$3,001 to \$6,000	2%
\$6,001 to \$11,000	3%
\$11,001 +	4.8%

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Inflationary Relief \$150 Income Tax Credit for Full-Year Arkansas Residents --- HB1007 provides a \$150 nonrefundable income tax credit for individual taxpayers with net income up to \$89,600 that file a full-year Arkansas resident return. The credit phases out for individual taxpayers with net income up to \$103,600. Married taxpayers that meet the income thresholds for the credit that file separately or separately on the same return may each claim a \$150 credit against the tax due on the return of each spouse. Married taxpayers filing jointly with net income up to \$179,200 will receive a \$300 nonrefundable income tax credit against their income tax due provided that a full-year Arkansas resident return is filed. The credit for married taxpayers filing jointly phases out for filers having income up to \$207,200. Part-year resident and nonresident filers are not eligible for the credit. The credit is created through temporary language and will be effective only for tax year 2023.

Revenue Impact :

FY2024 - \$248,500,000 General Revenue Reduction

FY2025 and after - \$184,500,000 General Revenue Reduction

Revenue Impact of Each Tax Change		
	FY2024	FY2025
Individual Income Tax Reduction to 4.4% (2024)	\$75,000,000	\$150,000,000
Corporation Income Tax Reduction to 4.8% (2024)	\$17,200,000	\$34,500,000
Inflationary Relief \$150 Income Tax Credit (2023)	\$156,300,000	\$0
Total	\$248,500,000	\$184,500,000

Taxpayer Impact :

Individual and corporation income taxpayers will receive a reduction in their tax liability. Approximately 1.1 million individual income taxpayers would receive a tax reduction. Approximately 7,500 corporations with net taxable income greater than \$11,000 would receive a tax reduction.

Resources Required :

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

Time Required :

Adequate time is provided for implementation.

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Procedural Changes :

Department employees will need to be educated as well as the tax community.

Other Comments :

None.

Legal Analysis :

None.