State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement

Bill: HB1018
Bill Subtitle: TO CREATE THE STRONG FAMILIES ACT; AND TO CREATE AN INCOME TAX CREDIT FOR EMPLOYERS THAT PROVIDE PAID FAMILY AND MEDICAL LEAVE FOR CERTAIN EMPLOYEES.

Sponsors:

Rep. Collins

Basic Change:

HB1018 creates the "Strong Families Act" that would provide an income tax credit for an employer who provides paid family and medical leave to a qualified employee who has been employed for at least twelve consecutive months.

"Family and medical leave" is defined as leave from work for:

- A serious health condition of the employee that prevents the employee from performing his or her essential job duties;
- The birth or adoption of a child of the employee; or
- The care of a child, spouse, or parent of the employee who has a serious health condition.

"Family and medical leave" does not include:

- Earned sick leave;
- Earned annual leave; or
- Earned compensatory leave.

A "serious health condition" is defined as an illness, injury, impairment, or physical or mental condition that involves:

- Inpatient care in a hospital, hospice, or residential medical care facility; or
- Continuing treatment by a healthcare provider.

To be eligible for the tax credit, the employer must:

- Provide full-time qualified employees with at least four weeks of paid family and medical leave over a twelve-month period;
- Provide part-time qualified employees with a pro-rated amount of paid family and medical leave;
- Provide family and medical leave on the smallest increment of time under the employer's payroll system; and
- Adopt a policy regarding family and medical leave in accordance with the act.

The tax credit is equal to 25% of the wages paid to a qualified employee during the period the employee is on family and medical leave, but is limited to a maximum of twelve weeks of leave and $4,000 per qualified employee per year. The credit allowed may not exceed the employer's tax liability and any unused amounts may not be carried forward to subsequent tax years.

The tax credit is available for tax years beginning on or after January 1, 2025.

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Fiscal Impact:

FY2026 – $850,000 General Revenue reduction

[Fiscal Impact estimate for FY2026 is based on the taking the Federal Joint Committee on Taxation estimates of the cost of the federal paid FMLA credit of $300 million per year and scaling that estimate down for Arkansas purposes. This is accomplished by including a population factor, an economic factor and accounting for the relative difference between Arkansas and federal income tax rates and between the percentage of credit for the federal paid FMLA credit and the proposed Arkansas credit.]

Taxpayer Impact:

An employer may claim a non-refundable income tax credit equal to 25% of the amount of wages paid to a qualified employee for paid family medical leave. The income tax credit may not exceed $4,000 per qualified employee in a tax year.

Resources Required:

Computer programs, tax forms, and instructions will need to be updated. The Arkansas Integrated Revenue System (AIRS) will require programming estimated to cost $8,000.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Department employees and the tax community will need to be educated.

Other Comments:

None.

Legal Analysis:

None.