

State of Arkansas Department of Finance and Administration Fiscal Impact Statement

Bill: HB1638 Amendment Number: H1 Bill Subtitle: TO MODERNIZE REFERENCES TO THE UNITED STATES ARMED FORCES; AND TO AMEND ARMED FORCES AND UNIFORMED SERVICES LISTINGS TO INCLUDE THE UNITED STATES SPACE FORCE.

Sponsors:

Reps. Painter and Ray

Sen. Crowell Basic Change:

House Amendment No. 1 --- HB1638-H1 (engrossed 3/18/25) removes references in the bill to "branch" components of the United States Armed Forces and replaces them with "regular" components of the United States Armed Forces.

Original Bill --- HB1638 recognizes the United States Space Force as the sixth branch of the United States Armed Forces and the eighth uniformed service of the United States. HB1638 amends state law to include the United States Space Force in references to the United States Armed Forces, including:

- Income tax exemptions for compensation for and benefits from military service;
- Income tax exemptions for retirement and disability benefits;
- Income tax refund check-off and contribution programs;
- Exemptions from licensing requirements;
- Authority to operate a motor vehicle registered in a foreign state; and
- Inclusion in the Special License Plate Act.

Fiscal Impact:

None.

Taxpayer Impact:

Taxpayers face no direct changes to tax obligations, credits, or filing responsibilities. Space Force members and veterans gain eligibility for existing benefits, such as income tax exemptions for military compensation (§ 26-51-306) or retirement benefits (§ 26-51-307), potentially reducing their state tax liability. No additional filing requirements are imposed beyond current processes for proving military service.

Resources Required:

The Arkansas Integrated Revenue System (AIRS) Driver Services/Motor Vehicle (DSMV) will need to be modified at a cost of \$28,000. The Office of Motor Vehicle would need to design and obtain inventory for a new decal for the United States Space Force with an estimated cost of \$480.00. Computer programs, tax forms, and instructions will need to be updated.



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Time Required:

Adequate time is provided for the implementation.

Procedural Changes:

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

Other Comments:

None.

Legal Analysis:

None.
