



**State of Arkansas  
Department of Finance and Administration  
Fiscal Impact Statement**

**Bill: HB1904**

**Bill Subtitle: TO AMEND THE PENALTIES IMPOSED FOR FAILURE TO COMPLY WITH THE ARKANSAS TAX PROCEDURE ACT.**

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**Sponsors:**

**Rep. Lundstrum and Sen. Petty**

**Basic Change:**

HB1904 amends the penalties for failure to file or pay taxes by lowering the maximum aggregate penalty that can be imposed from 35% to 10%.

Under current law, a taxpayer who fails to file any return is subject to a penalty of 5% of the amount of tax due. The penalty increases by 5% each month until either the return is filed or a maximum penalty of 35% is reached. The penalty for failure to pay tax due is calculated in the same manner and subject to the same 35% maximum unless the failure to pay is for individual income tax. In that case, the penalty increases by only 1% per month until the amount is paid or the 35% maximum penalty is reached. HB1904 limits the maximum penalty to 10% instead of 35% in all of these cases.

**Fiscal Impact:**

**FY2026 – \$11.9 million General Revenue Reduction**

**Taxpayer Impact:**

A taxpayer who fails to file or pay taxes on time will benefit from a reduction in penalties with the maximum aggregate penalty decreasing from 35% to 10%.

**Resources Required:**

The Arkansas Integrated Revenue System (AIRS) will require programming estimated to cost \$22,000 with no ongoing annual maintenance. Tax forms and instructions will need to be updated.

**Time Required:**

Adequate time is provided for implementation.

**Procedural Changes:**

Tax processing software and internal procedures will need updates to apply the reduced penalty rate. Staff training on the changes will be necessary to ensure consistent application and taxpayer communication. Department employees will need to be educated as well as the tax community.

**Other Comments:**

None.



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**Legal Analysis:**

None.