

State of Arkansas

77th General Assembly

Regular Session, 1989

A Bill

SENATE BILL

41

By: Senator Howell

For An Act To Be Entitled

"AN ACT TO AMEND SECTION 26-51-801 OF THE ARKANSAS CODE OF 1987 ANNOTATED TO ELIMINATE THE INCOME TAX LIABILITY AND FILING REQUIREMENTS OF LOW INCOME INDIVIDUALS; TO AMEND SECTION 26-51-502 OF THE ARKANSAS CODE OF 1987 ANNOTATED TO INCREASE THE INCOME TAX CREDIT FOR DEPENDENT CARE; TO AMEND SECTION 26-51-607 OF THE ARKANSAS CODE OF 1987 ANNOTATED TO CHANGE THE HOUSEHOLD INCOME THRESHOLD AND CASH REBATE UNDER THE HOMESTEAD PROPERTY TAX RELIEF ACT; TO AMEND SECTION 26-51-205 OF THE ARKANSAS CODE OF 1987 ANNOTATED TO INCREASE THE CORPORATE INCOME TAX RATE TO A FLAT SEVEN PERCENT RATE FOR TAXABLE INCOMES IN EXCESS OF FIFTY THOUSAND DOLLARS; TO AMEND SECTION 26-51-201(a) OF THE ARKANSAS CODE OF 1987 ANNOTATED TO INCREASE THE INCOME TAX TO A FLAT SEVEN PERCENT RATE FOR INDIVIDUALS, TRUSTS, AND ESTATES WITH INCOMES IN EXCESS OF ONE HUNDRED THOUSAND DOLLARS; AND FOR OTHER PURPOSES."

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Section 26-51-801 of the Arkansas Code of 1987 Annotated is hereby amended to read as follows:

"26-51-801. Returns by Individuals.

(a) Every person owning property or doing business in the state of Arkansas shall file a return with the Commissioner of Revenues, Department of Finance and Administration, showing his gross income and the deductions or credits allowed by this act if he has a gross income of:

(1) Four thousand five hundred dollars (\$4,500) or over, if married and not filing jointly;

(2) Five thousand one hundred dollars (\$5,100) or over, if

married and blind or 65 or older, and not filing jointly;

(3) Five thousand seven hundred dollars (\$5,700) or over, if married, blind, and 65 or older and not filing jointly;

(4) Five thousand dollars (\$5,000) or over, if unmarried;

(5) Five thousand seven hundred fifty dollars (\$5,750) or over, if unmarried and blind or 65 or older;

(6) Six thousand five hundred dollars (\$6,500) or over, if unmarried, blind, and 65 or older;

(7) Six thousand four hundred dollars (\$6,400) or over, if head of household;

(8) Seven thousand one hundred fifty dollars (\$7,150) or over, if head of household and blind or 65 or older;

(9) Seven thousand nine hundred dollars (\$7,900) or over, if head of household, blind, and 65 or older;

(10) Nine thousand dollars (\$9,000) or over, if married and filing jointly;

(11) Nine thousand six hundred dollars (\$9,600) or over, if married, filing jointly and one (1) spouse 65 or older;

(12) Ten thousand two hundred dollars (\$10,200) or over, if married, filing jointly, one (1) spouse 65 or older, and one (1) spouse blind;

(13) Ten thousand eight hundred dollars (\$10,800) or over, if married, filing jointly, both spouses 65 or older, and one (1) spouse blind;

(14) Eleven thousand four hundred dollars (\$11,400) or over, if married, filing jointly, both spouses 65 or older and both spouses blind.

(b) If husband and wife are living together and have an aggregate gross income of nine thousand dollars (\$9,000) or over, each shall make a return unless the income of each is included in a single joint return.

(c) If a taxpayer is unable to make his own return, the return shall be made by an authorized agent or by the guardian or other person charged with the care of the person or estate of such taxpayer.

(d) As used in this act, the term 'Head of Household' shall have the same meaning as defined in section 2(b) of the Federal Internal Revenue Code of 1986, in effect on January 1, 1987.

(e) As used in this section, the term 'jointly' means filing a joint return, and separate on same return.

(f) Gross income categories below the amounts stated in paragraphs

(a) (1) through and including (a) (14) of this section shall be exempt from state income tax.

(g) If a person is not required to file a return, such person must complete and submit to his employer a statement to that effect on forms approved by the Commissioner of Revenues, in order to be exempt from the state withholding tax."

SECTION 2. Section 26-51-502 of the Arkansas Code of 1987 Annotated is hereby amended to read as follows:

"26-51-502. Household and Dependent Care Services.

(a) A credit shall be allowed to individuals against the income tax imposed by the Arkansas Income Tax Act, as amended, §26-51-101 et seq., for expenses for household and dependent care services necessary for gainful employment in the manner prescribed by subsection (b) of this section.

(b) (1) Section 21 of the Internal Revenue Code of 1986, as in effect on January 1, 1987, is adopted for purposes of determining the allowable credit under the Arkansas Income Tax Act, as amended, §26-51-101 et seq., for household and dependent care services necessary for gainful employment.

(2) The amount of credit shall be twenty percent (20%) of the federal credit allowable."

SECTION 3. Section 26-51-607 of the Arkansas Code of 1987 Annotated is hereby amended to read as follows:

"26-51-607. Allowable tax credit or cash rebate - Maximum.

(a) The amount of any cash rebate allowed or made pursuant to the provisions of this subchapter shall be determined as follows:

(1) If the household income of the claimant's household was seven thousand dollars (\$7,000) or less during the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant's homestead; however, the maximum rebate any claimant may receive under this subdivision shall be three hundred dollars (\$300);

(2) If the household income of the claimant's household is more than seven thousand dollars (\$7,000) but not more than eight thousand dollars (\$8,000) for the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant's homestead; however, the maximum rebate any claimant may receive under this subdivision

shall be two hundred fifty dollars (\$250);

(3) If the household income of the claimant's household is more than eight thousand dollars (\$8,000) but not more than nine thousand dollars (\$9,000) for the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant's homestead; however, the maximum rebate any claimant may receive under this subdivision shall be two hundred dollars (\$200);

(4) If the household income of the claimant's household is more than nine thousand dollars (\$9,000) but not more than ten thousand dollars (\$10,000) for the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant's homestead; however, the maximum rebate any claimant may receive under this subdivision shall be one hundred fifty dollars (\$150);

(5) If the household income of the claimant's household is more than ten thousand dollars (\$10,000) but not more than eleven thousand dollars (\$11,000) for the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant's homestead; however, the maximum rebate any claimant may receive under this subdivision shall be one hundred twenty-five dollars (\$125);

(6) If the household income of the claimant's household is more than eleven thousand dollars (\$11,000) but not more than twelve thousand dollars (\$12,000) for the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant's homestead; however, the maximum rebate any claimant may receive under this subdivision shall be one hundred dollars (\$100);

(7) If the household income of the claimant's household is more than twelve thousand dollars (\$12,000) but not more than fifteen thousand dollars (\$15,000) for the income year, the claimant shall be entitled to file a claim for an amount equal to the ad valorem taxes paid on the claimant's homestead; however, the maximum rebate any claimant may receive under this subdivision shall be seventy-five dollars (\$75).

(b) The rebate shall be paid to the claimant as a cash rebate. However, no interest shall be allowed on any payment made to a claimant under the provisions of this subchapter.

(c) If a claimant or another member of the household has any outstanding tax liability to the state of Arkansas, the amount of any claim

otherwise payable under this subchapter, or such portion thereof as is necessary, shall be applied to the payment of the outstanding tax liability."

SECTION 4. Section 26-51-205 of the Arkansas Code of 1987 Annotated is hereby amended to read as follows:

"26-51-205. Corporations.

(a) Every corporation organized under the laws of this state shall pay annually an income tax with respect to carrying on or doing business on the entire net income of the corporation, as now defined by the laws of the state of Arkansas, received by such corporation during the income year, on the following basis:

(1) On the first \$3,000 of net income or any part thereof - one percent (1%)

On the second \$3,000 net income or any part thereof - two percent (2%)

On the next \$5,000 of net income or any part thereof - three percent (3%)

On the next \$14,000 of net income or any part thereof - five percent (5%)

On the next \$25,000 of net income or any part thereof, but not exceeding \$50,000 - six percent (6%)

(2) On net income exceeding \$50,000, a flat rate of seven percent (7%) shall be applied to the entire net income.

(b) Every foreign corporation doing business within the jurisdiction of this state shall pay annually an income tax on the proportion of its entire net income as now determined by the income tax laws of Arkansas, on the following basis:

(1) On the first \$3,000 of net income or any part thereof - one percent (1%)

On the second \$3,000 of net income or any part thereof - two percent (2%)

On the next \$5,000 of net income or any part thereof - three percent (3%)

On the next \$14,000 of net income or any part thereof - five percent (5%)

On the next \$25,000 of net income or any part thereof, but not

exceeding \$50,000 - six percent (6%)

(2) On net income exceeding \$50,000, a flat rate of seven percent (7%) shall be applied to the entire net income.

(c) Every corporation doing business within the jurisdiction of this state shall first compute its Arkansas tax liability on the entire taxable income, subject to allocation and apportionment to this state, and then, if applicable, apportion the computed tax liability in accordance with § 26-51-701 et seq."

SECTION 5. Section 26-51-201(a) of the Arkansas Code of 1987 Annotated is hereby amended to read as follows:

"(a) A tax is imposed upon, and with respect to, the entire income of every resident, individual, trust, or estate. The tax shall be levied, collected, and paid annually upon the entire net income as defined and computed in this chapter at the following rates, giving effect to the tax credits provided hereafter, in the manner set forth:

(1) On the first two thousand nine hundred ninety-nine dollars (\$2,999) of net income or any part thereof, one percent (1%)

(2) On the next three thousand dollars (\$3,000) of net income or any part thereof, two and one-half percent (2½%);

(3) On the next three thousand dollars (\$3,000) of net income or any part thereof, three and one-half percent (3½%);

(4) On the next six thousand dollars (\$6,000) of net income or any part thereof, four and one-half percent (4½%);

(5) On the next ten thousand dollars (\$10,000) of net income or any part thereof, six percent (6%);

(6) On net income of twenty-five thousand dollars (\$25,000) and above, seven percent (7%);

(7) A rate of seven percent (7%) on the entire net income of an unmarried person, trust or estate, when such income exceeds one hundred thousand dollars (\$100,000) and on the entire combined net income of a married couple, when such combined net income exceeds one hundred thousand dollars (\$100,000). A couple shall be subject to this rate regardless of whether the couple files jointly or separately either on the same or separate returns. Every married spouse filing separately on a separate form shall state on his or her return the net income and social security number of the other spouse.

For the purposes of this subsection, 'combined net income' means the sum of the net income of both spouses."

SECTION 6. Sections 26-51-301 and 26-51-302 of the Arkansas Code of 1987 Annotated and all laws and parts of laws in conflict with this act are hereby repealed.

SECTION 7. The provisions contained in this act shall be effective for income years beginning on and after January 1, 1989.

SECTION 8. All provisions of this Act of a general and permanent nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code Revision Commission shall incorporate the same in the Code.

SECTION 9. EMERGENCY. It is hereby found and determined by the General Assembly that certain low income working taxpayers and senior citizens bear a disproportionate share of the state tax burden and that other high income corporate and individual taxpayers bear a proportionately smaller share of the state tax burden; that this act reduces these inequities; that unless this act becomes effective immediately upon passage irreparable harm will occur to low income taxpayers of this state and to the overall equity of the Arkansas tax system; and that this act should become effective immediately upon passage. Therefore, an emergency is hereby declared to exist and this Act being necessary for the preservation of the public peace, health and safety shall be in full force and effect from and after its passage and approval.