

Stricken language would be deleted from and underlined language would be added to law as it existed prior to the 82nd General Assembly.

1 State of Arkansas
2 82nd General Assembly
3 Regular Session, 1999

As Engrossed: H3/29/99

A Bill

HOUSE BILL 2090

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By: Representatives R. Smith, Hausam, Lancaster, Kidd, Files, Simmons, Glover, Courtway, *Teague*

For An Act To Be Entitled

"AN ACT TO PHASE IN A STATE SALES TAX EXEMPTION FOR
FOOD AND TO REPEAL THE WORKING TAXPAYER CREDIT; AND
FOR OTHER PURPOSES. "

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Subtitle

"TO PHASE IN A STATE SALES TAX EXEMPTION
FOR FOOD AND TO REPEAL THE WORKING
TAXPAYER CREDIT. "

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

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SECTION 1. Arkansas Code §26-52-401 is amended to add a new subsection to read as follows:

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"(36)(a) Gross receipts or gross proceeds derived from the sale of eligible food and beverage sold for human consumption, provided that the following tax rates shall apply:

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(i) From July 1, 2000 through June 30, 2001, the state sales tax rate applicable to eligible food and beverage shall be three and three-eighths percent (3 3/8%) ;

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(ii) From July 1, 2001 through June 30, 2002, the state sales tax rate applicable to eligible food and beverage shall be two and seven-eighths percent (2 7/8%);

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(iii) From July 1, 2002 through June 30, 2003, the state sales tax rate applicable to eligible food and beverage shall be one and seven-eighths percent (1 7/8%);

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(iv) From July 1, 2003 through June 30, 2004, the state sales tax rate applicable to eligible food and beverage shall be seven-eighths percent (7/8%);

1 (v) On and after July 1, 2004, eligible food and beverage shall be
 2 exempt from state sales tax and the one-eighth of one percent (1/8 of 1%) tax
 3 levy by Amendment 75 of the Arkansas Constitution. Until July 1, 2004 the
 4 one-eighth of one percent (1/8 of 1%) tax levy by Amendment 75 of the Arkansas
 5 Constitution shall apply to the sale of food and beverage.

6 (b) For purposes of this act, the phrase "eligible food and
 7 beverage" means any food which may be purchased with food stamps, as defined
 8 in Section 3 of the federal Food Stamp Act of 1977, as amended.

9 (c) This exemption shall not apply with respect to the collection of
 10 local sales and use taxes. Eligible food and beverage shall continue to be
 11 subject to local sales and use tax.

12 (d) For purposes of this section, the term 'state sales tax rate' does
 13 not include the one-eighth of one percent (0.125%) sales tax levied by
 14 Amendment 75 of the Arkansas Constitution which shall apply to gross receipts
 15 derived from the sale of food until July 1, 2004."

17 SECTION 2. Effective January 1, 2000, Arkansas Code § 26-51-510 is
 18 repealed.

19 ~~26-51-510. Federal Social Security (OASDI) tax credit. [Effective~~
 20 ~~November 15, 1998.]~~

21 ~~(a) A credit shall be allowed against the individual income tax imposed by~~
 22 ~~the Arkansas Income Tax Act, as amended, § 26-51-101, et seq. to be calculated~~
 23 ~~in accordance with subsection (b) of this section.~~

24 ~~(b)(1) The credit shall be equal to a percentage of the total amount of~~
 25 ~~OASDI tax paid by each taxpayer for the taxable year on taxable income up to~~
 26 ~~forty thousand dollars (\$40,000). The percentage is dependent upon the~~
 27 ~~taxpayer's filing status and gross income as set forth in the table below.~~
 28 ~~With respect to married taxpayers, the combined gross income of both spouses~~
 29 ~~is to be considered in determining the applicable percentage.~~

FILING STATUS	GROSS INCOME	CREDIT
Single	\$0 - 11,400	4% of OASDI tax
Single	Greater than \$11,400	2% of OASDI tax on

1 first

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3 ~~\$40,000 of taxable income~~

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5 Married _____ \$0 16,200 _____ 4% of OASDI tax

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7 Married _____ Greater than \$16,200 _____ 2% of OASDI tax on

8 first

9 _____

10 ~~\$40,000 of taxable income~~

11

12 Head of household _____ \$0 16,200 _____ 4% of OASDI tax

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14 Head of household _____ Greater than \$16,200 _____ 2% of OASDI tax on first

15 _____

16 ~~\$40,000 of taxable income~~

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18 ~~—In no event shall the credit exceed the amount of credit that would have~~
19 ~~been available if the total income of the taxpayer had been subject to OASDI~~
20 ~~tax pursuant to 26 U.S.C. §§ 3101 (a), 3201 (a) or 3211 (a).~~

21 ~~—(2) An equivalent income tax credit is allowed to taxpayers who do not pay~~
22 ~~OASDI tax but who, in lieu of OASDI tax, pay a similar tax imposed under~~
23 ~~federal law into a retirement plan which is not included in subsection (e) of~~
24 ~~this section. The credit shall be equal to a percentage of the total amount of~~
25 ~~tax in lieu of OASDI tax paid by each taxpayer for the taxable year on taxable~~
26 ~~income up to \$40,000. The percentage is dependent upon the taxpayer's filing~~
27 ~~status and gross income as set forth in the table in subsection (b)(1) above.~~
28 ~~With respect to married taxpayers, the combined gross income of both spouses~~
29 ~~is to be considered in determining the applicable percentage. In no event~~
30 ~~shall the tax credit allowed under this subsection exceed the amount of tax~~
31 ~~credit that would have been available under this subsection if the taxpayer's~~
32 ~~income subject to the tax in lieu of OASDI tax had been subject to OASDI tax.~~
33 ~~The director shall determine whether a tax payment is made in lieu of OASDI~~
34 ~~tax.~~

35 ~~—(3) With respect to taxpayers who pay both the employer and employee~~
36 ~~portions of OASDI tax on taxable income, the amount of the credit shall be~~

1 ~~limited to one-half (1/2) of the OASDI tax paid on such income.~~

2 ~~—(c) The credit provided in subsection (b) may not be taken if the taxpayer~~
 3 ~~claims the exemptions provided by §§ 26-51-306 or 26-51-307 (a), (b) or (c).~~

4 ~~This credit may be taken if the taxpayer chooses to itemize his or her~~
 5 ~~deductions. This credit is included in the reduced income tax rates provided~~
 6 ~~by § 26-51-302 so that taxpayers qualifying for the reduced rates will not~~
 7 ~~calculate a separate credit under this section.~~

8 ~~—(d) The director may require such proof of payment of OASDI tax as he deems~~
 9 ~~necessary.~~

10 ~~—(e) As used in this section, "OASDI tax" means the federal old age,~~
 11 ~~survivors and disability insurance tax imposed:~~

12 ~~—(1) Upon an employee's wages or other income pursuant to 26 U.S.C. § 3101~~
 13 ~~(a);~~

14 ~~—(2) Upon the self-employment income of an individual pursuant to 26 U.S.C. §~~
 15 ~~1401 (a); or~~

16 ~~—(3) Upon the income of an employee or employee representative pursuant to 26~~
 17 ~~U.S.C. §§ 3201 (a) or 3211 (a) (Railroad Retirement Tax Act).~~

18 ~~—(f) As used in this section, the term "taxable income" means wages,~~
 19 ~~salaries, tips, net earnings or other earned income upon which OASDI tax or a~~
 20 ~~tax in lieu of OASDI tax is imposed."~~

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 22 SECTION 3. The reduced income tax rates listed in § 26-51-302 were
 23 amended by Act 328 of 1997 to take into consideration the credit originally
 24 afforded by § 26-51-510. The Director is directed to adjust the reduced
 25 income tax rates to remove the credit which is repealed by Section 2 of this
 26 act and to promulgate a regulation noting the adjusted rates. This adjustment
 27 shall be effective for tax years beginning on and after January 1, 2000.

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 29 SECTION 4. All provisions of this act of a general and permanent nature
 30 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
 31 Revision Commission shall incorporate the same in the Code.

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 33 SECTION 5. If any provision of this act or the application thereof to
 34 any person or circumstance is held invalid, such invalidity shall not affect
 35 other provisions or applications of the act which can be given effect without
 36 the invalid provision or application, and to this end the provisions of this

1 act are declared to be severable.

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3 SECTION 6. All laws and parts of laws in conflict with this act are
4 hereby repealed.

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/s/ R. Smith, et al

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