

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
4

As Engrossed: S1/27/99 S2/2/99 H3/31/99

A Bill

SENATE BILL 6

5 By: Senator Canada
6
7

For An Act To Be Entitled

9 "AN ACT TO EXEMPT CERTAIN FOODS FROM STATE SALES AND
10 USE TAX; TO LEVY AN ADDITIONAL THREE-EIGHTHS CENT
11 SALES AND USE TAX; AND FOR OTHER PURPOSES."

Subtitle

14 "TO EXEMPT CERTAIN FOODS FROM STATE SALES
15 AND USE TAX."
16

17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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20 SECTION 1. (a) For purposes of this act, "eligible food and beverage"
21 means any food as defined in Section 3 of the federal Food Stamp Act of 1977
22 (P.L. 95-113), as amended, 7 U.S.C.S. 2012(g), as the Act existed on January
23 1, 1999.

24 (b) Beginning on the effective date of this act, eligible food and
25 beverage sold for human consumption shall be exempt from the sales and use
26 taxes levied by Chapters 52 and 53 of Title 26 of the Arkansas Code.

27 (c) The exemption provided in this act shall not affect local sales and
28 use taxes levied in this state and 'eligible food and beverage' shall continue
29 to be subject to local sales and use taxes.
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31 SECTION 2. *Arkansas Code 26-52-303(a), pertaining to the tax rate in*
32 *border cities and towns, is amended to read as follows:*

33 *"(a)(1) In instances where an Arkansas city or incorporated town is:*

34 *(A) Divided by a state line from an incorporated city or*
35 *town in an adjoining state;*

36 *(B) The city or town in the adjoining state is of greater*

1 population than the Arkansas city or town; and

2 (C) A tax imposed in such adjoining state is in the nature
3 of a selective sales tax or limited to specific items as a special excise tax;
4 then the rate of tax upon such articles on the Arkansas side shall be at the
5 same rate imposed in such adjoining state, not to exceed ~~five percent (5%)~~ the
6 state sales tax rate as levied by the Arkansas General Assembly, initiatives
7 enacted by the people of the State of Arkansas, and amendments to the Arkansas
8 Constitution. "

9 (2) Provided that, if such border city has voted to levy an
10 additional one percent (1%) gross receipts tax in such city in lieu of paying
11 state income taxes by individuals who are residents of said city, as
12 authorized by § 26-52-601 et seq., in such event the rate of tax shall be one
13 percent (1%) above ~~said five percent (5%)~~ the state sales tax rate as levied
14 by the Arkansas General Assembly, initiatives enacted by the people of the
15 State of Arkansas, and amendments to the Arkansas Constitution. "

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17 SECTION 3. Arkansas Code 26-52-302 is amended to add a new subsection as
18 follows:

19 "(c) There is hereby levied an additional excise tax of three-eighths of
20 one percent (0.375%) upon all taxable sales of property and services subject
21 to the tax levied by the Arkansas Gross Receipts Act (Arkansas Code §§26-52-
22 101 through 26-52-1507). The tax shall be collected, reported, and paid in
23 the same manner and at the same time as is prescribed by the Arkansas Gross
24 Receipts Act for the collection, reporting, and payment of the Arkansas gross
25 receipts taxes."

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27 SECTION 4. Arkansas Code 26-53-107 is amended to add a new subsection as
28 follows:

29 "(c) There is hereby levied an additional excise tax of three-eighths
30 of one percent (0.375%) upon all tangible personal property subject to the tax
31 levied by the Arkansas Compensating Tax Act (Arkansas Code §§ 26-53-101
32 through 26-53-303). The tax shall be collected, reported, and paid in the
33 same manner and at the same time as is prescribed by the Arkansas Compensating
34 Act for the collection, reporting, and payment of Arkansas compensating
35 taxes."

SECTION 5. Arkansas Code 26-51-510 is hereby repealed.

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

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

~~(b)(1) The credit shall be equal to a percentage of the total amount of OASDI tax paid by each taxpayer for the taxable year on taxable income up to forty thousand dollars (\$40,000). The percentage is dependent upon the taxpayer's filing status and gross income as set forth in the table below. With respect to married taxpayers, the combined gross income of both spouses 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 first \$40,000 of taxable income
Married	\$0 - 16,200	4% of OASDI tax
Married	Greater than \$16,200	2% of OASDI tax on first \$40,000 of taxable income
Head of household	\$0 - 16,200	4% of OASDI tax
Head of household	Greater than \$16,200	2% of OASDI tax on first \$40,000 of taxable income

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

~~(2) An equivalent income tax credit is allowed to taxpayers who do not pay OASDI tax but who, in lieu of OASDI tax, pay a similar tax imposed under federal law into a retirement plan which is not included in subsection (e) of this section. The credit shall be equal to a percentage of the total amount of tax in lieu of OASDI tax paid by each taxpayer for the taxable~~

1 ~~year on taxable income up to \$40,000. The percentage is dependent upon the~~
 2 ~~taxpayer's filing status and gross income as set forth in the table in~~
 3 ~~subsection (b)(1) above. With respect to married taxpayers, the combined gross~~
 4 ~~income of both spouses is to be considered in determining the applicable~~
 5 ~~percentage. In no event shall the tax credit allowed under this subsection~~
 6 ~~exceed the amount of tax credit that would have been available under this~~
 7 ~~subsection if the taxpayer's income subject to the tax in lieu of OASDI tax~~
 8 ~~had been subject to OASDI tax. The director shall determine whether a tax~~
 9 ~~payment is made in lieu of OASDI tax.~~

10 ~~(3) With respect to taxpayers who pay both the employer and~~
 11 ~~employee portions of OASDI tax on taxable income, the amount of the credit~~
 12 ~~shall be limited to one-half (1/2) of the OASDI tax paid on such income.~~

13 ~~(c) The credit provided in subsection (b) may not be taken if the~~
 14 ~~taxpayer claims the exemptions provided by §§ 26-51-306 or 26-51-307 (a), (b)~~
 15 ~~or (c). This credit may be taken if the taxpayer chooses to itemize his or her~~
 16 ~~deductions. This credit is included in the reduced income tax rates provided~~
 17 ~~by § 26-51-302 so that taxpayers qualifying for the reduced rates will not~~
 18 ~~calculate a separate credit under this section.~~

19 ~~(d) The director may require such proof of payment of OASDI tax as he~~
 20 ~~deems necessary.~~

21 ~~(e) As used in this section, 'OASDI tax' means the federal old age,~~
 22 ~~survivors and disability insurance tax imposed:~~

23 ~~(1) Upon an employee's wages or other income pursuant to 26 U.S.C.~~
 24 ~~§ 3101 (a);~~

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

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

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

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 33 SECTION 6. The reduced income tax rates listed in § 26-51-302 were
 34 amended by Act 328 of 1997 to take into consideration the credit originally
 35 afforded by § 26-51-510. The Director is directed to adjust the reduced
 36 income tax rates to remove the credit which is repealed by Section 5 of this

1 act and to promulgate a regulation noting the adjusted rates. This adjustment
2 shall be effective for tax years beginning on and after January 1, 2000.

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4 SECTION 7. Section 2 shall be effective 90 days after adjournment.
5 Sections 1, 3, and 4 of this act shall be effective beginning July 1, 2000.
6 Sections 5 and 6 shall be effective for tax years beginning on and after
7 January 1, 2000.

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

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13 SECTION 9. If any provision of this Act or the application thereof to
14 any person or circumstance is held invalid, such invalidity shall not affect
15 other provisions or applications of the Act which can be given effect without
16 the invalid provision or application, and to this end the provisions of this
17 Act are declared to be severable.

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19 SECTION 10. All laws and parts of laws in conflict with this Act are
20 hereby repealed.

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22 /s/ Canada
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