

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 83rd General Assembly  
3 Regular Session, 2001  
4

As Engrossed: H3/26/01 S4/9/01

## A Bill

HOUSE BILL 2366

5 By: Representative R. Smith  
6  
7

### For An Act To Be Entitled

9 AN ACT TO ADJUST THE PERSONAL INCOME TAX CREDIT  
10 BASED UPON THE INFLATION RATE; AND FOR OTHER  
11 PURPOSES.  
12

### Subtitle

14 AN ACT TO ADJUST THE PERSONAL INCOME TAX  
15 CREDIT BASED UPON THE INFLATION RATE.  
16  
17

18 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
19

20 SECTION 1. Arkansas Code 26-51-501 is amended to read as follows:

21 26-51-501. Personal tax credits.

22 (a) There shall be deducted from the tax after the tax shall have been  
23 computed as set forth in this act a personal tax credit as follows:

24 (1) For a single individual, ~~twenty dollars (\$20.00)~~ the  
25 adjusted individual credit. However, a taxpayer who was blind or deaf at any  
26 time during the income year shall be entitled to an additional tax credit of  
27 twenty dollars (\$20.00). A single individual who is deaf-blind shall be  
28 entitled to an additional tax credit of forty dollars (\$40.00). A single  
29 individual of sixty-five (65) years of age or older shall be entitled to an  
30 additional tax credit of twenty dollars (\$20.00);

31 (2)(A)(i) For the head of household, surviving spouse, or a  
32 married individual living with husband or wife, ~~forty dollars (\$40.00)~~ the  
33 adjusted joint credit. A husband and wife living together and filing either  
34 jointly or separately on the same income tax form shall receive but one (1)  
35 ~~personal tax credit of forty dollars (\$40.00)~~ adjusted joint credit against  
36 their aggregate tax.

1                                   (ii) Subdivision (2)(A)(i) shall apply if the  
2 Director of the Department of Finance and Administration continues to provide  
3 a tax return on which a husband and wife can elect to file jointly or  
4 separately on the same return.

5                                   (B) However, in the event the husband or wife shall be  
6 sixty-five (65) years of age or older, each of them who is sixty-five (65)  
7 years of age or older shall be entitled to an additional tax credit of twenty  
8 dollars (\$20.00).

9                                   (C) However, any husband or wife filing a separate return  
10 on a separate tax form shall receive ~~a tax credit of twenty dollars (\$20.00)~~  
11 the adjusted individual credit on each return so filed, but if the husband or  
12 wife is sixty-five (65) years of age or older, each of them who is sixty-five  
13 (65) years of age or older shall be entitled to an additional tax credit of  
14 twenty dollars (\$20.00). ~~The preceding sentence shall apply only so long as~~  
15 ~~the Director of the Department of Finance and Administration continues to~~  
16 ~~provide a tax return on which a husband and wife can elect to file jointly or~~  
17 ~~separately on the same return;~~

18                                   (D) The term "head of household" shall have the same  
19 meaning as defined in section 2(b) of the Internal Revenue Code of 1986, as  
20 in effect on January 1, ~~1993~~ 2001.

21                                   (E) The term "surviving spouse" shall have the same  
22 meaning as defined in section 2(a) of the Internal Revenue Code of 1986, as  
23 in effect on January 1, ~~1993~~ 2001.

24                                   (3)(A) For each individual, other than husband or wife, who has  
25 a gross income for the tax year of less than three thousand dollars (\$3,000),  
26 who has not filed a joint return with his or her spouse for the taxable year  
27 and who is dependent upon and receives his or her chief support from the  
28 taxpayer, ~~twenty dollars (\$20.00)~~ the adjusted individual credit.

29                                   (B) For the purposes of subdivision (a)(3) of this  
30 section, the term "dependent" means any of the following persons over half of  
31 whose support for the income year was received from the taxpayer:

- 32                                   (i) A son or daughter or descendant of either;
- 33                                   (ii) A stepson or stepdaughter;
- 34                                   (iii) A brother, sister, stepbrother, or stepsister;
- 35                                   (iv) Father or mother or an ancestor of either;
- 36                                   (v) A stepfather or stepmother;

- 1 (vi) A son or daughter of a brother or sister;
- 2 (vii) A brother or sister of the father or mother;
- 3 (viii) A son-in-law, daughter-in-law, father-in-law,
- 4 mother-in-law, brother-in-law, or sister-in-law of the taxpayer.

5 (C) As used in subdivision (a)(3) of this section, the  
6 terms "brother" and "sister" include a brother or sister by half blood. For  
7 the purpose of determining whether any of the foregoing relationships exist,  
8 a legally adopted child or a person shall be considered a child of that  
9 person by blood.

10 (D) The term "dependent" does not include any individual  
11 who is a citizen or subject of a foreign country unless that individual is a  
12 resident of the United States or a country contiguous to the United States;

13 (4) In the case of a fiduciary:

14 (A) If taxable under § 26-51-203(a)(1), ~~twenty dollars~~  
15 ~~(\$20.00)~~ the adjusted individual credit;

16 (B) If taxable under § 26-51-203(a)(2), the same tax  
17 credit as would be allowed the deceased, if living;

18 (C) If taxable under § 26-51-203(a)(3), the tax credit to  
19 which the beneficiary would be entitled;

20 (5) In the case of a nonresident taxpayer, the taxpayer shall be  
21 entitled to that proportion of the tax credit granted by this act that the  
22 gross income within the state bears to the entire gross income wherever  
23 earned.

24 (b) The status of the last day of the income year shall determine the  
25 right to the tax credits provided in this section. However, a taxpayer shall  
26 be entitled to tax credits for husband or wife or dependent who has died  
27 during the income year.

28 (c)(1) For the purposes of this section, a blind person is any person:

29 (A) Who is totally blind, cannot tell light from darkness;  
30 or

31 (B) A person whose central visual acuity does not exceed  
32 20/200 in the better eye with correcting lenses; or

33 (C) Whose fields of vision are so limited that the widest  
34 diameter of the visual field subtends an angle no greater than twenty degrees  
35 (20°).

36 (2) For the purposes of subdivision (a)(1) of this section:

1 (A) An individual is deaf only if his average loss in the  
2 speech frequencies which are 500 to 2,000 Hertz in the better ear is 86  
3 decibels, I.S.O. or worse; and

4 (B) An individual is deaf-blind only if he is both deaf  
5 and blind.

6 (d) For the purposes of this section:

7 (1) "Adjusted individual credit" shall be twenty dollars  
8 (\$20.00); and

9 (2) "Adjusted joint credit" shall be forty dollars (\$40.00).

10 (e)(1)(A) Not later than July 15 of calendar year 2003, and of each  
11 subsequent calendar year, the director shall increase the adjusted individual  
12 credit and adjusted joint credit by the cost-of-living adjustment for that  
13 current calendar year rounding each amount to the nearest dollar.

14 (B) The annual cost-of-living adjustment shall apply to the adjusted  
15 credits as contained in § 26-51-501(d)(1) and (2).

16 (2)(A) For purposes of subdivision (e)(1) of this section, the  
17 cost-of-living adjustment for any calendar year is the percentage, if any, by  
18 which the Consumer Price Index for the calendar year preceding the taxable  
19 year exceeds the Consumer Price Index for the calendar year 2001.

20 (B) The Consumer Price Index for any calendar year is the  
21 average of the Consumer Price Index as of the close of the twelve-month  
22 period ending on August 31 of that calendar year.

23 (C) For purposes of the subsection, "Consumer Price Index"  
24 means the last Consumer Price Index for all urban consumers published by the  
25 Department of Labor.

26 (3) The adjusted credit amounts shall apply for tax years  
27 beginning on and after January 1, 2003.

28 (4) The Director shall not increase the adjusted credit for any  
29 calendar year unless the conditions of § 26-51-501(f) are met.

30 (f) The adjusted credit applicable for any calendar year beginning on  
31 and after January 1, 2003 shall not be increased unless:

32 (1) The net available general revenue forecast provided to the  
33 Joint Committee on Economic and Tax Policy pursuant to § 10-3-1404 in May of  
34 the calendar year for which a credit increase is contemplated indicates that  
35 net available general revenue growth for the fiscal year beginning in the  
36 calendar year for which a credit increase is contemplated will be 4.2% or

1 greater; and,

2 (2)(A) The net available general revenues for the fiscal year  
3 ending in the calendar year for which a credit increase is contemplated  
4 exceed official forecast by at least 0.5%; or

5 (B) The net available general revenues for the fiscal year  
6 ending in the calendar year for which a credit increase is contemplated  
7 exceed the total distributions for that fiscal year under the provisions of  
8 the Revenue Stabilization Law, beginning at § 19-5-101.

9 /s/ R. Smith

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