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	As Engrossed: S3/20/03	
2	84th General Assembly	A Bill	
3	3 Regular Session, 2003 SEI		LL 778
4			
5	By: Revenue & Tax - Sena	te	
6			
7			
8		For An Act To Be Entitled	
9	AN ACT	TO IMPOSE A $6\frac{1}{2}$ % (SIX AND ONE-HALF PERCENT)	
10	FLAT TA	AX ON CORPORATIONS WITH TOTAL NET INCOME	
11	EXCEED	ING \$100,000 (ONE HUNDRED THOUSAND	
12	DOLLARS	S); TO LEVY A 10% (TEN PERCENT) INCOME TAX	
13	SURCHAI	RGE; AND FOR OTHER PURPOSES.	
14			
15		Subtitle	
16	AN A	ACT TO IMPOSE A 6½% (SIX AND ONE-HALF	
17	PERO	CENT) FLAT TAX ON CORPORATIONS WITH	
18	TOTA	AL NET INCOME EXCEEDING \$100,000 (ONE	
19	HUNI	DRED THOUSAND DOLLARS); TO LEVY A 10%	
20	(TEI	N PERCENT) INCOME TAX SURCHARGE.	
21			
22			
23	BE IT ENACTED BY THE	GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:	
24			
25	SECTION 1. Ark	ansas Code § 26-51-205 is amended to read as follow	ws:
26	26-51-205. Cor	porations - Work Force 2000 Development Fund.	
27	(a) <del>Every</del> <u>Exce</u>	ept as provided in subdivision (a)(2) of this section	on,
28	<u>every</u> corporation org	anized under the laws of this state shall pay annu	ally
29	an income tax with re	espect to carrying on or doing business on the enti-	re net
30	income of the corpora	tion, as now defined by the laws of the State of	
31	Arkansas, received by	such corporation during the income year, on the	
32	following basis:		
33	(1) On t	the first \$3,000 of net income or any part thereof	1 %
34	On the second $\$$	3,000 net income or any part thereof	2 %
35	On the next \$5,	000 of net income or any part thereof	3 %
36	On the next \$14	,000 of net income or any part thereof	5 %



As Engrossed: S3/20/03

1	On the next \$75,000 of net income or any part thereof,
2	but not exceeding \$100,000 6 %
3	(2) On net income exceeding \$100,000, a flat rate of six and one-half
4	<del>(6 1/2 %) percent shall be applied to the entire net income.</del> If the total
5	net income of a corporation exceeds one hundred thousand dollars (\$100,000),
6	then instead of the tax imposed by § 26-51-205(a)(1), there is imposed a tax
7	of six and one-half percent (6.5%) on the entire net income of the
8	corporation.
9	(b) Every Except as provided in subdivision (b)(2) of this section,
10	every foreign corporation doing business within the jurisdiction of this
11	state shall pay annually an income tax on the proportion of its entire net
12	income as now determined by the income tax laws of Arkansas, on the following
13	basis:
14	(1) On the first \$3,000 of net income or any part thereof 1 $\%$
15	On the second \$3,000 of net income or any part thereof 2 %
16	On the next \$5,000 of net income or any part thereof 3 %
17	On the next \$14,000 of net income or any part thereof 5 %
18	On the next \$75,000 of net income or any part thereof,
19	but not exceeding \$100,000 6 %
20	(2) On net income exceeding \$100,000, a flat rate of six and
21	one-half percent (6 1/2%) shall be applied to the entire net income. If the
22	total net income of a corporation exceeds one hundred thousand dollars
23	(\$100,000), then instead of the tax imposed by § 26-51-205(b)(1), there is
24	imposed a tax of six and one-half percent (6.5%) on the entire net income of
25	the corporation.
26	(c)(1) There is hereby created on the books of the Treasurer of State,
27	the Auditor of State, and the Chief Fiscal Officer of the State a fund to be
28	known as the "Work Force 2000 Development Fund." This fund shall consist of
29	those special revenues as specified in § $26-51-205(c)(2)$ and all other
30	revenues as may be authorized by law.
31	(2)(A) The Revenue Services Division of the Department of
32	Finance and Administration shall deposit the funds collected under the
33	provisions of this section for corporate income tax into the State Treasury,
34	there to be credited to the Revenue Holding Fund Account of the State
35	Apportionment Fund.
36	(B)(i) For each of the state's fiscal years, the Chief

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1 Fiscal Officer of the State shall determine as an annual allocation available 2 under the provisions of this section an amount based on the total net revenues, as enumerated in § 26-51-205(a) and (b), which were collected in 3 the immediate past year, multiplied by a factor of six hundred seventy-eight 4 5 ten thousandths (.0678). On the last day of each month of the respective 6 fiscal year, the Chief Fiscal Officer of the State shall certify to the 7 Treasurer of State an amount based on one-twelfth (1/12) of the annual 8 allocation provided in this section for transfer as specified in § 26-51-9 <del>205(c)(2)(B)(ii).</del> 10 (ii) (B)(i) The On the last day of each month, the 11 Treasurer of State shall then transfer the amount so certified one million 12 dollars (\$1,000,000) to the Special Revenue Fund Account as part of the gross 13 special revenues. 14 (iii) After the deductions as set out in § 19-15 5-203 have been made, the remaining amount shall be credited to the "Work 16 Force 2000 Development Fund." 17 (iii) The remaining corporate income tax 18 collections remaining in the Revenue Holding Fund Account shall be credited 19 to the General Revenue Fund Account of the State Apportionment Fund, there to be distributed with the other gross general revenue collections for that 20 21 month in accordance with the provisions of Revenue Stabilization Law § 19-5-22 201 et seq. 23 (d)(1) All proceeds derived from the additional tax levied by this 24 section transferred to the Work Force 2000 Development Fund shall be used exclusively for the authorized educational activities of: 25 26 (A) Any postsecondary vocational-technical school, 27 technical institute, comprehensive lifelong learning center, technical 28 college, community college; or 29 (B) Any postsecondary vocational-technical school, 30 technical institute, comprehensive lifelong learning center, or technical 31 college that merges with a two-year branch of a four-year institution, a 32 four-year institution, a technical college, or a community college. 33 (2) The distribution of the proceeds shall be supervised by the 34 State Board of Workforce Education and Career Opportunities for the postsecondary vocational-technical schools, technical institutes, and 35 36 comprehensive lifelong learning centers. The distribution of the proceeds for

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## As Engrossed: S3/20/03

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1 technical colleges, community colleges, or any postsecondary vocational-2 technical school, technical institute, comprehensive lifelong learning 3 center, or technical college that merges with a two-year branch of a four-4 year institution, a four-year institution, a technical college, or a 5 community college shall continue at the same proportion as those 6 distributions made in fiscal year 1996-97, excluding one-time capital 7 disbursements and professional development disbursements made in fiscal year 8 1996-97 equal to the amount of funds distributed in fiscal year 1998-99. Any 9 increase in the amount of funds in the Work Force 2000 Development Fund above the amount distributed in fiscal year 1998-99 shall be supervised by the 10 11 Arkansas Higher Education Coordinating Board and shall be distributed after a 12 review of needs including, but not limited to, equity considerations and 13 workforce development and after consultation with the presidents and 14 chancellors of the technical and former technical colleges. 15 16 SECTION 2. Arkansas Code Title 52, Chapter 51, Subchapter 2, is 17 amended by adding an additional section to read as follows: 26-51-207. Income tax surcharge. 18 (a) In addition to the tax levied by §§ 26-51-201 through 26-51-206, 19 26-51-301 and 26-51-302, there is levied an income tax surcharge of ten 20 21 percent (10%) of the tax liability of every person required to file an 22 Arkansas income tax return. 23 (b)(1) If an individual is a resident of an Arkansas border city 24 described in §§ 26-52-601 through 26-52-607, then the individual shall be 25 liable for the income tax surcharge levied in subsection (a) of this section. 26 (2) The surcharge shall be computed on the tax liability that 27 would have been due had the income tax exemption of §§ 26-52-601 through 26-28 52-607 not been available. 29 (3) The income tax exemption of *§§* 26-52-601 through 26-52-607 30 shall not apply to the income tax levied in subsection (a) of this section. (c) The revenues derived from the additional tax imposed by this 31 32 section shall be credited to the General Revenue Fund Account of the State 33 Apportionment Fund, there to be distributed with the other gross general revenue collections in accordance with the Revenue Stabilization Law. 34 35 SECTION 3. This act shall become effective for tax years beginning on 36

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1	or after January 1, 2003, and shall expire on December 31, 2005.
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3	/s/ Revenue & Tax – Senate
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