

1 State of Arkansas  
2 84th General Assembly  
3 Second Extraordinary Session, 2003  
4

Call Item 6

# A Bill

SENATE BILL 61

5 By: Senator Wooldridge  
6  
7

## For An Act To Be Entitled

9 AN ACT TO AMEND ARKANSAS LAW TO LEVY A FLAT SEVEN  
10 PERCENT (7%) INCOME TAX RATE ON ALL CORPORATIONS  
11 SUBJECT TO ARKANSAS INCOME TAX; TO INCREASE THE  
12 INCOME TAX SURCHARGE AN ADDITIONAL TWO PERCENT  
13 (2%); TO INCREASE THE SEVERANCE TAX ON NATURAL  
14 GAS BY FIFTEEN CENTS (15¢) PER THOUSAND CUBIC  
15 FEET; TO INCREASE THE TAX ON BEER TO NINE DOLLARS  
16 (\$9.00) PER GALLON; TO INCREASE THE PERCENTAGE OF  
17 PROPERTY VALUE THAT IS SUBJECT TO PROPERTY TAX;  
18 AND FOR OTHER PURPOSES.

## Subtitle

21 LEVIES FLAT (7%) CORPORATE INCOME TAX  
22 RATE AND INCREASES INCOME TAX SURCHARGE,  
23 SEVERANCE TAX ON NATURAL GAS, BEER TAX,  
24 AND THE PERCENTAGE OF PROPERTY VALUE  
25 THAT IS SUBJECT TO PROPERTY TAX.  
26  
27

28 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
29

30 SECTION 1. Arkansas Code 26-51-205, concerning the rate structure of  
31 corporate income tax, is amended to read as follows:

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



1           ~~(1) On the first \$3,000 of net income or any part~~  
2 ~~thereof.....1 %~~  
3 ~~On the second \$3,000 net income or any part thereof .....2 %~~  
4 ~~On the next \$5,000 of net income or any part thereof .....3 %~~  
5 ~~On the next \$14,000 of net income or any part thereof .....5 %~~  
6 ~~On the next \$75,000 of net income or any part thereof, but not exceeding~~  
7 ~~\$100,000.....6 %~~

8           ~~(2) On net income exceeding \$100,000, a flat rate of six and~~  
9 ~~one half (6 1/2 %) percent shall be applied to the entire net income~~ Every  
10 corporation organized under the laws of this state shall pay annually an  
11 income tax with respect to carrying on or doing business on the entire net  
12 income of the corporation, as defined by the laws of this state, received by  
13 the corporation during the income year, a flat rate of seven percent (7%) of  
14 net income.

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

19           ~~(1) On the first \$3,000 of net income or any part thereof~~  
20 ~~.....1 %~~  
21 ~~On the second \$3,000 of net income or any part thereof .....2 %~~  
22 ~~On the next \$5,000 of net income or any part thereof .....3 %~~  
23 ~~On the next \$14,000 of net income or any part thereof .....5 %~~  
24 ~~On the next \$75,000 of net income or any part thereof, but not exceeding~~  
25 ~~\$100,000 .....6 %~~

26           ~~(2) On net income exceeding \$100,000, a flat rate of six and~~  
27 ~~one half percent (6 1/2%) shall be applied to the entire net income~~ Every  
28 foreign corporation doing business within the jurisdiction of this state  
29 shall pay annually an income tax on the proportion of its entire net income  
30 as now determined by the income tax laws of this state, a flat rate of seven  
31 percent (7%) of net income.

32           (c)(1) There is hereby created on the books of the Treasurer of State,  
33 the Auditor of State, and the Chief Fiscal Officer of the State a fund to be  
34 known as the "Work Force 2000 Development Fund." This fund shall consist of  
35 those special revenues as specified in § 26-51-205(c)(2) and all other  
36 revenues as may be authorized by law.

1           (2)(A) The Revenue Services Division of the Department of  
2 Finance and Administration shall deposit the funds collected under the  
3 provisions of this section for corporate income tax into the State Treasury,  
4 there to be credited to the Revenue Holding Fund Account of the State  
5 Apportionment Fund.

6           (B)(i) For each of the state's fiscal years, the Chief  
7 Fiscal Officer of the State shall determine as an annual allocation available  
8 under the provisions of this section an amount based on the total net  
9 revenues, as enumerated in § 26-51-205(a) and (b), which were collected in  
10 the immediate past year, multiplied by a factor of six hundred seventy-eight  
11 ten thousandths (.0678). On the last day of each month of the respective  
12 fiscal year, the Chief Fiscal Officer of the State shall certify to the  
13 Treasurer of State an amount based on one-twelfth (1/12) of the annual  
14 allocation provided in this section for transfer as specified in § 26-51-  
15 205(c)(2)(B)(ii).

16           (ii) The Treasurer of State shall then transfer the  
17 amount so certified to the Special Revenue Fund Account as part of the gross  
18 special revenues.

19           (iii) After the deductions as set out in § 19-5-203  
20 have been made, the remaining amount shall be credited to the "Work Force  
21 2000 Development Fund."

22           ~~(iv) The remaining corporate income tax collections~~  
23 ~~remaining in the Revenue Holding Fund Account shall be credited to the~~  
24 ~~General Revenue Fund Account of the State Apportionment Fund, there to be~~  
25 ~~distributed with the other gross general revenue collections for that month~~  
26 ~~in accordance with the provisions of § 19-5-201 et seq.~~

27           (C)(i) For the state fiscal year beginning on July 1,  
28 2005, and subsequent years, the Chief Fiscal Officer of the State shall  
29 determine as an annual allocation available under the provisions of this  
30 section an amount based on the total net revenues, as enumerated in § 26-51-  
31 205(a) and (b), which were collected in the immediate past year, multiplied  
32 by a factor of 0.106. On the last day of each month of the respective  
33 fiscal year, the Chief Fiscal Officer of the State shall certify to the  
34 Treasurer of State an amount based on one-twelfth (1/12) of the annual  
35 allocation provided in this subsection for transfer as specified in § 26-51-  
36 205(c)(2)(C)(ii).

1                   (ii) The Treasurer of State shall transfer the  
 2 amount so certified to the Special Revenue Fund Account as part of the gross  
 3 special revenues.

4                   (iii) After the deductions as set out in § 19-5-203  
 5 have been made, the remaining amount shall be credited to the Educational  
 6 Adequacy Trust Fund Account.

7                   (D) The remaining corporate income tax collections  
 8 remaining in the Revenue Holding Fund Account shall be credited to the  
 9 General Revenue Fund Account of the State Apportionment Fund, there to be  
 10 distributed with the other gross general revenue collections for that month  
 11 in accordance with the provisions of § 19-5-201 et seq.

12           (d)(1) ~~All proceeds derived from the additional tax levied by this~~  
 13 ~~section~~ credited to the Work Force 2000 Development Fund as provided by § 26-  
 14 51-205(c)(2)(B)(iii) shall be used exclusively for the authorized educational  
 15 activities of:

16                   (A) Any postsecondary vocational-technical school,  
 17 technical institute, comprehensive lifelong learning center, technical  
 18 college, community college; or

19                   (B) Any postsecondary vocational-technical school,  
 20 technical institute, comprehensive lifelong learning center, or technical  
 21 college that merges with a two-year branch of a four-year institution, a  
 22 four-year institution, a technical college, or a community college.

23           (2) The distribution of the proceeds shall be supervised by the  
 24 State Board of Workforce Education and Career Opportunities for the  
 25 postsecondary vocational-technical schools, technical institutes, and  
 26 comprehensive lifelong learning centers. The distribution of the proceeds for  
 27 technical colleges, community colleges, or any postsecondary vocational-  
 28 technical school, technical institute, comprehensive lifelong learning  
 29 center, or technical college that merges with a two-year branch of a four-  
 30 year institution, a four-year institution, a technical college, or a  
 31 community college shall continue at the same proportion as those  
 32 distributions made in fiscal year 1996-97, excluding one-time capital  
 33 disbursements and professional development disbursements made in fiscal year  
 34 1996-97 equal to the amount of funds distributed in fiscal year 1998-99. Any  
 35 increase in the amount of funds in the Work Force 2000 Development Fund above  
 36 the amount distributed in fiscal year 1998-99 shall be supervised by the

1 Arkansas Higher Education Coordinating Board and shall be distributed after a  
 2 review of needs including, but not limited to, equity considerations and  
 3 workforce development and after consultation with the presidents and  
 4 chancellors of the technical and former technical colleges.

5  
 6 SECTION 2. Arkansas Code § 26-51-207 is amended to read as follows:

7 26-51-207. Income tax surcharge.

8 (a) In addition to the tax levied by §§ 26-51-201 through 26-51-206,  
 9 26-51-301, and 26-51-302, there is hereby levied an income tax surcharge of  
 10 three percent (3%) of the tax liability of every person required to file an  
 11 Arkansas income tax return.

12 (b) For tax years on and after January 1, 2004, there is levied an  
 13 additional income tax surcharge of two percent (2%) of the tax liability of  
 14 every person required to file an Arkansas income tax return.

15 ~~(b)(1)~~ (c)(1) If an individual is a resident of an Arkansas border city  
 16 described in §§ 26-52-601 through 26-52-607, then the individual shall be  
 17 liable for the income tax surcharge levied in ~~subsection (a)~~ subsections (a)  
 18 and (b) of this section.

19 (2) The surcharge shall be computed on the tax liability that  
 20 would have been due had the income tax exemption of §§ 26-52-601 through 26-  
 21 52-607 not been available.

22 (3) The income tax exemption of §§ 26-52-601 through 26-52-607  
 23 shall not apply to the income tax levied in ~~subsection (a)~~ subsections (a)  
 24 and (b) of this section.

25 ~~(c)~~ (d) The revenues derived from the additional tax imposed by ~~this~~  
 26 ~~section~~ subsection (a) shall be credited to the General Revenue Fund Account  
 27 of the State Apportionment Fund, there to be distributed with the other gross  
 28 general revenue collections.

29 (e) After the deductions as set out in § 19-5-203 have been made from  
 30 the revenues derived from the additional tax imposed by subsection (b), the  
 31 remaining amount shall be credited to the Educational Adequacy Trust Fund  
 32 Account.

33 ~~(d)~~ (f) For purposes of this section, "tax liability" means the tax  
 34 imposed pursuant to §§ 26-51-201 through 26-51-206, 26-51-301, and 26-51-302,  
 35 before the application of any tax credits.

36 ~~(e)~~ (g) ~~This section~~ The income tax surcharge levied in subsection (a)

1 shall apply to tax years beginning in calendar years 2003 and 2004.

2 ~~(f)(1)~~ (h)(1) ~~This section~~ The income tax surcharge levied in  
 3 subsection (a) shall also continue to apply to tax years beginning on and  
 4 after January 1, 2005, except as provided in this subsection ~~(f)~~ (h).

5 (2) When the budget estimates required by § 19-4-202(b) for the fiscal  
 6 year ending June 30, 2006, reflect projected growth in general revenues  
 7 available for distribution equal to or in excess of one hundred twenty-one  
 8 million dollars (\$121,000,000), then the tax rate levied in § 26-51-207(a)  
 9 shall be reduced or expire in accordance with this subsection ~~(f)~~(h).

10 (3)(A) When the budget estimates required by § 19-4-202(b) for the  
 11 fiscal year ending June 30, 2006, reflect projected growth in general  
 12 revenues available for distribution equal to or in excess of one hundred  
 13 fifty-six million dollars (\$156,000,000), then the tax levied in § 26-51-  
 14 207(a) shall expire for tax years beginning on and after January 1, 2005.

15 (B) When the budget estimates required by § 19-4-202(b) for the fiscal  
 16 year ending June 30, 2006, reflect projected growth in general revenues  
 17 available for distribution equal to or in excess of one hundred thirty-nine  
 18 million dollars (\$139,000,000) but less than one hundred fifty-six million  
 19 dollars (\$156,000,000), then the tax rate levied in § 26-51-207(a) shall be  
 20 reduced to one percent (1%) for tax years beginning in calendar year 2005 and  
 21 for subsequent years.

22 (C) When the budget estimates required by § 19-4-202(b) for the fiscal  
 23 year ending June 30, 2006, reflect projected growth in general revenues  
 24 available for distribution equal to or in excess of one hundred twenty-one  
 25 million dollars (\$121,000,000) but less than one hundred thirty-nine million  
 26 dollars (\$139,000,000), then the tax rate levied in § 26-51-207(a) shall be  
 27 reduced to two percent (2%) for tax years beginning in calendar year 2005 and  
 28 for subsequent years.

29 (i) The income tax surcharge levied in subsection  
 30 (b) shall apply to tax years beginning on and after January 1, 2004 and shall  
 31 not be subject to the reduction or expiration provided in subsection (h).  
 32

33 SECTION 3. Arkansas Code § 26-58-111(5), pertaining to the rate of tax  
 34 on the severance of natural gas is amended to read as follows:

35 (5)(A) On natural gas, three-tenths of one cent (3/10 of 1¢) per  
 36 one thousand cubic feet (1,000 cu. ft.).

1                   (B)(i) An additional tax on natural gas, except as  
2 provided in subsections (ii), (iii) and (iv) of this section, fifteen cents  
3 (15¢) per one thousand cubic feet (1,000 cu.ft.);

4                   (ii) In the case of gas produced from an oil well  
5 designated as such by the Director of the Arkansas Oil and Gas Commission,  
6 which has been determined by the Commissioner of Revenue to have a wellhead  
7 pressure of fifty pounds (50 lbs.) per square inch gauge or less under  
8 operating conditions, or, in the case of gas rising in a vaporous state  
9 through the annular space between the casing and tubing of such oil well and  
10 released through lines connected with the casinghead gas which has been  
11 determined by the Commissioner of Revenue to have a casinghead pressure of  
12 fifty pounds (50 lbs.) per square inch gauge or less under operating  
13 conditions, the rate shall be three cents (3¢) per one thousand cubic feet  
14 (1,000 cu.ft.). For purposes of applying this reduced rate, an oil well  
15 being produced by the method commonly known as gas lift shall be presumed, in  
16 the absence of a determination to the contrary by the Commissioner of  
17 Revenue, to have a wellhead pressure of fifty pounds (50 lbs.) per square  
18 inch or less under operating conditions. To qualify for the reduced rate, an  
19 oil well must have a casinghead pressure of fifty pounds (50 lbs.) or less  
20 per square inch for the entire taxable month.

21                   (iii) In the case of gas produced from a gas well  
22 designated as such by the Director of the Arkansas Oil and Gas Commission,  
23 which has been determined by the Commissioner of Revenue to be incapable of  
24 producing an average of five hundred thousand cubic feet (500,000 cu. ft.) of  
25 gas per day, the tax rate applicable to the gas severed from such well shall  
26 be one and three-tenths cents (1 3/10¢). To qualify for the reduced rate, a  
27 gas well must be incapable of producing five hundred thousand cubic feet  
28 (500,000 cu. ft.) of gas per day during the entire taxable month.

29                   (iv) In the case of gas that is produced from a  
30 natural gas well that has an approved contract price of less than fifty-two  
31 cents (52¢) cents per one thousand cubic feet (1,000 cu. ft.), the tax  
32 applicable to the gas severed from such well shall be seven cents (7¢) per  
33 one thousand cubic feet (1,000 cu. ft.).

34  
35                   SECTION 4. Arkansas Code 3-7-104(6), concerning the rate of beer  
36 gallonage tax, is amended to read as follows:

1           (6)(A)(i) A tax at the rate of seven dollars and fifty cents  
2 (\$7.50) per barrel of thirty-two (32) gallons, and proportionately for larger  
3 and smaller gallonages per barrel, on all beer having an alcoholic content of  
4 five percent (5%) or less by weight sold or offered for sale in the State of  
5 Arkansas.

6                           (ii) An additional tax at the rate of one dollar and  
7 fifty cents (\$1.50) per barrel of thirty-two (32) gallons, and  
8 proportionately for larger and smaller gallonages per barrel, on all beer  
9 having an alcoholic content of five percent (5%) or less by weight sold or  
10 offered for sale in the State of Arkansas.

11                           (B) This tax shall be paid in the manner prescribed by § 3-  
12 7-401 et seq.; and

13  
14           SECTION 5. Arkansas Code 3-5-1408(3), concerning the rate of beer  
15 gallonage tax levied on native brewers, is amended to read as follows:

16                           (3)(A) Pay a tax at the rate of seven dollars and fifty cents  
17 (\$7.50) per barrel, and proportionately for larger and smaller gallonages per  
18 barrel, on all beer and malt beverages in quantities of up to sixty-thousand  
19 (60,000) barrels per year and sold or offered for sale in the state.

20                           (B) Pay an additional tax at the rate of one dollar and  
21 fifty cents (\$1.50) per barrel, and proportionately for larger and smaller  
22 gallonages per barrel, on all beer and malt beverages in quantities of up to  
23 sixty-thousand (60,000) barrels per year and sold or offered for sale in the  
24 state.

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26           SECTION 6. Arkansas Code Title 26, Chapter 26, Subchapter 3 is amended  
27 to add a new section to read as follows:

28           26-26-312. Assessed value.

29           (a) As used in this section:

30                           (1) "Appraised value" means the market or current use value of  
31 property estimated by an appraiser in accordance with the provisions of  
32 Article 16, Section 5 of the Arkansas Constitution or Article 16, Section 15  
33 of the Arkansas Constitution;

34                           (2) "Assessment level" means the percentage of the appraised  
35 value of property that equals the full assessed value of property;

36                           (3) "Full assessed value" means the value of property determined



1 by multiplying the appraised value by the assessment level; and

2 (4) "Taxable assessed value" means the value of property that is  
 3 subject to property tax after adjustments required by Amendment 79 to the  
 4 Arkansas Constitution.

5 (b) For assessment years 2005 and 2006, all real and personal property  
 6 subject to ad valorem tax shall be assessed at an assessment level of twenty-  
 7 two percent (22%). Ad valorem tax shall be levied upon the taxable assessed  
 8 value.

9 (c) For assessment year 2007 and subsequent years, all real and  
 10 personal property subject to ad valorem tax shall be assessed at an  
 11 assessment level of twenty-four percent (24%). Ad valorem tax shall be  
 12 levied upon the taxable assessed value.

13  
 14  
 15 SECTION 7. Arkansas Code § 26-26-304(e)(1), concerning the ratio of  
 16 assessed value or property to market value, is amended to read as follows:

17 (e)(1) ~~In~~ (A) For assessment years prior to 2005 and in addition to  
 18 the other provisions of this section, whenever the August 1 ratio for the  
 19 classifications of market value real estate, personal property (business),  
 20 personal property (auto and other), or agri (agricultural and timber) falls  
 21 below eighteen percent (18%) or above twenty-two percent (22%) of full fair  
 22 market value, the county shall be deemed to have failed the ratio study and  
 23 shall be subject to the corrective actions outlined in subdivision (f) of  
 24 this section.

25 (B) For assessment year 2005 and 2006, and in addition to  
 26 the other provisions of this section, whenever the August 1 ratio for the  
 27 classifications of market value real estate, business personal property,  
 28 personal property other than business, or agricultural and timber property  
 29 falls below twenty percent (20%) or above twenty-four percent (24%) of full  
 30 fair market value, the county shall be deemed to have failed the ratio study  
 31 and shall be subject to the corrective actions outlined in subdivision (f) of  
 32 this section.

33 (C) For assessment year 2007 and subsequent years, and in  
 34 addition to the other provisions of this section, whenever the August 1 ratio  
 35 for the classifications of market value real estate, business personal  
 36 property, personal property other than business, or agricultural and timber

1 property falls below twenty-two percent (22%) or above twenty-six percent  
 2 (26%) of full fair market value, the county shall be deemed to have failed  
 3 the ratio study and shall be subject to the corrective actions outlined in  
 4 subdivision (f) of this section.

5 SECTION 8. Arkansas Code 26-26-303 is repealed.

6 ~~26-26-303. Percentage of value to be used in appraisal.~~

7 ~~(a) The appraisal and assessment shall be according to value as~~  
 8 ~~required by Arkansas Constitution, Article 16, Section 5.~~

9 ~~(b) The percentage of true and full market or actual value to be used~~  
 10 ~~in the appraisal and assessment shall be fixed and certified by the Arkansas~~  
 11 ~~Public Service Commission as provided by § 26-24-104.~~

12 ~~(c) Until and unless a budget system is adopted with provisions for~~  
 13 ~~eliminating excessive and illegal tax rates and expenditures, the commission~~  
 14 ~~shall not fix and certify a percentage of true and full market or actual~~  
 15 ~~value in excess of twenty percent (20%).~~

16  
 17 SECTION 9. EDUCATIONAL ADEQUACY TRUST FUND.

18 (a) There is created on the books of the Treasurer of State, the  
 19 Auditor of State, and the Chief Fiscal Officer of the State a special revenue  
 20 fund to be known as the Educational Adequacy Trust Fund.

21 (b) The fund shall consist of the revenues generated by Arkansas Code  
 22 §§ 26-51-205(c)(2)(C), 26-51-207(b), 26-58-111(5)(B), 3-7-104(6)(A)(ii), 3-  
 23 5-1408(3)(B), and other revenues provided by law.

24 (c) On the last day of the month, the Treasurer of State shall transfer  
 25 amounts available in the Educational Adequacy Fund to the Department of  
 26 Education Public School Fund Account established in Arkansas Code §19-5-305,  
 27 to be used for the purposes as provided by law. The Treasurer of State shall  
 28 make the transfer after making the deductions required from the net special  
 29 revenues as set out in Arkansas Code § 19-5-203(b)(2)(A).

30  
 31 SECTION 10. EFFECTIVE DATE. Sections 1 and 2 shall become effective  
 32 for tax years beginning on or after January 1, 2004. Section 3 shall  
 33 become effective on March 1, 2004. Sections 4 and 5 shall become effective  
 34 on March 1, 2004.

35  
 36 SECTION 11. EMERGENCY CLAUSE. It is found and determined by the

1 General Assembly, that the provision of an equal opportunity for an adequate  
2 education to all the citizens of the state is imperative; that additional  
3 funds are immediately needed to provide an equal opportunity for an adequate  
4 education; that this act is designed to provide the additional revenues  
5 needed to provide this equal opportunity to all citizens; and that a delay in  
6 the effective date of this act will cause irreparable harm upon the provision  
7 of essential education opportunities and the proper administration of  
8 educational programs. Therefore, an emergency is declared to exist and this  
9 act being immediately necessary for the preservation of the public peace,  
10 health and safety shall be in full force and effect from and after the date  
11 of March 1, 2004.

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