

1 State of Arkansas As Engrossed: S1/13/04 S1/20/04 S1/26/04
2 84th General Assembly
3 Second Extraordinary Session, 2003

Call Item 6

A Bill

SENATE BILL 61

5 By: Senator Wooldridge

For An Act To Be Entitled

9 AN ACT TO INCREASE THE TOP CORPORATE INCOME TAX
10 RATE TO SEVEN PERCENT (7%); TO INCREASE THE
11 SEVERANCE TAX ON NATURAL GAS BY FIFTEEN CENTS
12 (15¢) PER ONE THOUSAND CUBIC FEET (1,000 CU.
13 FT.); TO INCREASE THE CORPORATE FRANCHISE TAX;
14 AND FOR OTHER PURPOSES.

Subtitle

17 INCREASES TOP CORPORATE INCOME TAX RATE
18 TO SEVEN PERCENT (7%), INCREASES
19 SEVERANCE TAX ON NATURAL GAS BY FIFTEEN
20 CENTS (15¢) PER ONE THOUSAND CUBIC FEET
21 (1,000 CU. FT.), AND INCREASES THE
22 CORPORATE FRANCHISE TAX.

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

27 SECTION 1. Arkansas Code § 26-51-205(a)(2), concerning corporate
28 income tax on domestic corporations, is amended to read as follows:

29 (2) ~~On net income exceeding \$100,000, a flat rate of six and~~
30 ~~one half (6 1/2 %) percent shall be applied to net income~~ Tax at the rate of
31 seven percent (7%) shall be applied to net income exceeding one hundred
32 thousand dollars (\$100,000) for tax years beginning on or after January 1,
33 2004.

35 SECTION 2. Arkansas Code § 26-51-205(b)(2), concerning corporate
36 income tax on foreign corporations, is amended to read as follows:



1 (2) ~~On net income exceeding \$100,000, a flat rate of six and~~
2 ~~one half percent (6 1/2%) shall be applied to the entire net income~~ Tax at the
3 rate of seven percent (7%) shall be applied to net income exceeding one
4 hundred thousand dollars (\$100,000) for tax years beginning on or after
5 January 1, 2004.

6
7 SECTION 3. Arkansas Code § 26-51-205(c), concerning the distribution
8 of corporate income tax, is amended to read as follows:

9 (c)(1) There is hereby created on the books of the Treasurer of State,
10 the Auditor of State, and the Chief Fiscal Officer of the State a fund to be
11 known as the "Work Force 2000 Development Fund." This fund shall consist of
12 those special revenues as specified in § ~~26-51-205(e)(2)~~ 26-51-
13 205(c)(2)(B)(iii) and all other revenues as may be authorized by law.

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

19 (B)(i) For each of the state's fiscal years, the Chief
20 Fiscal Officer of the State shall determine as an annual allocation available
21 under the provisions of this section an amount based on the total net
22 revenues, as enumerated in § 26-51-205(a) and (b), which were collected in
23 the immediate past year, multiplied by a factor of six hundred seventy-eight
24 ten thousandths (.0678). On the last day of each month of the respective
25 fiscal year, the Chief Fiscal Officer of the State shall certify to the
26 Treasurer of State an amount based on one-twelfth (1/12) of the annual
27 allocation provided in this section for transfer as specified in § 26-51-
28 205(c)(2)(B)(ii).

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

32 (iii) After the deductions as set out in § 19-5-203
33 have been made, the remaining amount shall be credited to the "Work Force
34 2000 Development Fund."

35 ~~(iv) The remaining corporate income tax collections~~
36 ~~remaining in the Revenue Holding Fund Account shall be credited to the~~

1 ~~General Revenue Fund Account of the State Apportionment Fund, there to be~~
2 ~~distributed with the other gross general revenue collections for that month~~
3 ~~in accordance with the provisions of § 19-5-201 et seq.~~

4 (C)(i) For the fiscal year beginning July 1, 2005, the
5 Chief Fiscal Officer of the State shall determine as an annual allocation
6 available under the provisions of this section an amount equal to the total
7 net revenues collected under § 26-51-205(a) and (b) in the immediate past
8 year, multiplied by a factor of forty-nine thousandths (0.049).

9 (ii) On the last day of each month of the fiscal
10 year, the Chief Fiscal Officer of the State shall certify to the Treasurer of
11 State an amount equal to one-twelfth (1/12) of the annual allocation
12 calculated in subdivision (c)(2)(C)(i) of this section.

13 (iii) The Treasurer of State shall transfer the
14 amount certified in subdivision (c)(2)(C)(ii) of this section from the
15 Revenue Holding Fund Account of the State Apportionment Fund to the Special
16 Revenue Fund Account as part of the gross special revenues.

17 (iv) After the deductions under § 19-5-203 have been
18 made, the remaining amount shall be credited to the Educational Adequacy
19 Trust Fund Account.

20 (D)(i) For the fiscal year beginning July 1, 2006, and
21 fiscal years thereafter, the Chief Fiscal Officer of the State shall
22 determine as an annual allocation available under the provisions of this
23 section an amount equal to the total net revenues collected under § 26-51-
24 205(a) and (b) in the immediate past year, multiplied by a factor of seventy-
25 four thousandths (0.074).

26 (ii) On the last day of each month of the fiscal
27 year, the Chief Fiscal Officer of the State shall certify to the Treasurer of
28 State an amount equal to one-twelfth (1/12) of the annual allocation
29 calculated in subdivision (c)(2)(D)(i) of this section.

30 (iii) The Treasurer of State shall transfer the
31 amount certified in subdivision (c)(2)(D)(i) of this section from the Revenue
32 Holding Fund Account of the State Apportionment Fund to the Special Revenue
33 Fund Account as part of the gross special revenues.

34 (iv) After the deductions under § 19-5-203 have been
35 made, the remaining amount shall be credited to the Educational Adequacy
36 Trust Fund Account.

1 (E) The corporate income tax collections remaining in the
2 Revenue Holding Fund Account after the transfers required under subdivisions
3 (c)(2)(B) - (D) of this section shall be credited to the General Revenue Fund
4 Account of the State Apportionment Fund, there to be distributed with the
5 other gross general revenue collections for that month in accordance with the
6 provisions of § 19-5-201, et. seq.

7
8 SECTION 4. Arkansas Code § 26-51-205(d)(1), concerning the Work Force
9 2000 Development Fund, is amended to read as follows:

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

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

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

21
22 SECTION 5. Arkansas Code § 26-54-104 is amended to read as follows:

23 26-54-104. Annual franchise tax.

24 (a) Every corporation shall file an annual franchise tax report and
25 pay an annual franchise tax, unless exempted under § 26-54-105, as follows:

26 (1) Each life, fire, accident, surety, liability, steam boiler,
27 tornado, health, or other kind of insurance company of whatever nature,
28 having an outstanding capital stock of less than five hundred thousand
29 dollars (\$500,000) shall pay ~~one hundred dollars (\$100)~~ three hundred dollars
30 (\$300). Each such company having an outstanding capital stock of five
31 hundred thousand dollars (\$500,000) or more shall pay ~~two hundred dollars~~
32 ~~(\$200)~~ four hundred dollars (\$400);

33 (2) Each legal reserve mutual insurance corporation having
34 assets of less than one hundred million dollars (\$100,000,000) shall pay ~~one~~
35 ~~hundred dollars (\$100)~~ three hundred dollars (\$300). Each such corporation
36 having assets of one hundred million dollars (\$100,000,000) or more shall pay

1 ~~two hundred dollars (\$200)~~ four hundred dollars (\$400);

2 (3) Each mutual assessment insurance corporation shall pay ~~one~~
3 ~~hundred dollars (\$100)~~ three hundred dollars (\$300);

4 (4) Each mortgage loan corporation shall pay an amount
5 equivalent to ~~twenty-seven one hundredths of one percent (0.27%)~~ thirty one-
6 hundredths of one percent (0.30%) of that proportion of the par value of its
7 outstanding capital stock that its aggregate outstanding loans made in the
8 State of Arkansas bears to the total aggregate outstanding loans made in all
9 states. No corporation shall pay an annual tax of less than ~~one hundred~~
10 ~~dollars (\$100)~~ three hundred dollars (\$300) ~~nor more than one million~~
11 ~~seventy five thousand dollars (\$1,075,000)~~;

12 (5) Each corporation, other than those in subdivisions (2)-(4)
13 of this section, without authorized capital stock shall pay ~~one hundred~~
14 ~~dollars (\$100)~~ three hundred dollars (\$300);

15 (6) Each corporation, other than those in subdivisions (1)-(5)
16 of this section, shall pay an amount equivalent to ~~twenty-seven one-~~
17 ~~hundredths of one percent (0.27%)~~ thirty one-hundredths of one percent
18 (0.30%) of that proportion of the par value of its outstanding capital stock
19 that the value of its real and personal property in the State of Arkansas
20 bears to the total value of the real and personal property of the
21 corporation. No corporation shall pay an annual tax of less than ~~fifty~~
22 ~~dollars (\$50.00)~~ two hundred fifty dollars (\$250) ~~nor more than one million~~
23 ~~seventy five thousand dollars (\$1,075,000)~~;

24 (7) Each corporation, actually and actively in the process of
25 liquidation and which does not rent or lease its property but which retains
26 its corporate charter or authority for the sole purpose of winding up its
27 affairs, shall pay an annual tax as provided in subdivision (6) of this
28 section or an amount equivalent to ~~twenty-seven one hundredths of one percent~~
29 ~~(0.27%)~~ thirty one-hundredths of one percent (0.30%) of the value of its real
30 and tangible personal property in Arkansas, whichever is smaller, but in no
31 instance shall the tax be less than ~~fifty dollars (\$50.00)~~ two hundred fifty
32 dollars (\$250) ~~nor more than one million seventy five thousand dollars~~
33 ~~(\$1,075,000)~~;

34 (8) Organizations formed pursuant to the Small Business Entity
35 Tax Pass Through Act, § 4-32-101 et seq., shall pay the minimum franchise
36 tax.

1 (b)(1) In addition to the annual franchise taxes levied in subsection
2 (a) of this section, there is hereby levied a franchise tax of three dollars
3 (\$3.00) per year on each corporation required to report and remit franchise
4 taxes under that subsection. All revenues derived from the additional
5 franchise tax levied in subsection (a) of this section shall be deposited in
6 the State Treasury as special revenues and shall be credited to the Voter
7 Registration Signature Imaging System Fund and shall be used exclusively for
8 acquiring and operating a voter registration signature imaging system in the
9 office of the Secretary of State.

10 (2) There is hereby created on the books of the Treasurer of
11 State, the Auditor of State, and the Chief Fiscal Officer of the State a fund
12 to be known as the "Voter Registration Signature Imaging System Fund".

13 (c) This section shall be effective for tax years beginning January 1,
14 2004.

15
16 SECTION 6. Arkansas Code § 26-54-105(c), concerning the filing of
17 franchise tax reports, is amended to read as follows:

18 (c)(1) Each corporation subject to the requirements of this chapter
19 shall file a franchise tax report with the Secretary of State which shows its
20 condition and status as of the close of business on December 31, ~~last~~
21 ~~preceding~~, of the preceding calendar year, and other information required by
22 the Secretary of State.

23 (2) The franchise tax as computed on the report shall be
24 remitted with the franchise tax report on or before ~~June 1~~ May 1 of the
25 reporting year.

26
27 SECTION 7. Arkansas Code Title 26, Chapter 58, Subchapter 1 is amended
28 to add a new section to read as follows:

29 26-58-127. Additional severance tax on natural gas.

30 (a) Except as provided in subsections (b)--(d) of this section, in
31 addition to the tax levied by § 26-58-111(5), there is levied an additional
32 severance tax on natural gas at the rate of fifteen cents (15¢) per one
33 thousand (1,000) cubic feet.

34 (b)(1) The additional severance tax on natural gas shall be at the
35 rate of three cents (3¢) per one thousand (1,000) cubic feet on gas:

36 (A) Produced from a well that has been designated as an

1 oil well by the Director of the Arkansas Oil and Gas Commission and
2 determined by the Commissioner of Revenues to have a wellhead pressure of
3 fifty (50) pounds per square inch gauge or less under operating conditions;
4 or

5 (B) That has risen in a vaporous state through the annular
6 space between the casing and tubing of the oil well and has been released
7 through lines connected with the casing head if the gas has been determined
8 by the Commissioner of Revenues to have a casing head pressure of fifty (50)
9 pounds per square inch gauge or less under operating conditions.

10 (2) For purposes of applying the reduced tax rate provided in
11 this subsection (b), an oil well being produced by the method commonly known
12 as gas lift shall be presumed, in the absence of a determination to the
13 contrary by the Commissioner of Revenues, to have a wellhead pressure of
14 fifty (50) pounds per square inch or less under operating conditions.

15 (3) To qualify for the reduced tax rate provided in this
16 subsection (b), an oil well must have a casing head pressure of fifty (50)
17 pounds or less per square inch for the entire taxable month.

18 (c)(1) The additional severance tax on natural gas shall be at the
19 rate of one and three-tenths cents (1 3/10¢) per one thousand (1,000) cubic
20 feet on gas produced from a well that has been designated as a gas well by
21 the Director of the Arkansas Oil and Gas Commission and determined by the
22 Commissioner of Revenues to be incapable of producing an average of five
23 hundred thousand (500,000) cubic feet of gas per day.

24 (2) To qualify for the reduced tax rate provided in this
25 subsection (c), a gas well must be incapable of producing five hundred
26 thousand (500,000) cubic feet of gas per day during the entire taxable month.

27 (d) The additional severance tax on natural gas shall be at the rate
28 of seven cents (7¢) per one thousand (1,000) cubic feet on gas that is
29 produced from a natural gas well that has an approved contract price of less
30 than fifty-two cents (52¢) per one thousand (1,000) cubic feet.

31 (e) The additional severance tax levied under this section shall begin
32 on March 1, 2004.

33
34 SECTION 8. (a) There is created on the books of the Treasurer of
35 State, the Auditor of State, and Chief Fiscal Officer of the State a special
36 revenue fund to be known as the "Educational Adequacy Trust Fund."

