

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 85th General Assembly
3 Regular Session, 2005

A Bill

HOUSE BILL 2424

4
5 By: Representative Anderson
6
7

For An Act To Be Entitled

9 AN ACT TO REPEAL THE ADJUSTMENT TO THE PERSONAL
10 INCOME TAX CREDIT; TO ADD A WORKING TAXPAYER
11 COMPONENT TO THE PERSONAL INCOME TAX CREDIT; AND
12 FOR OTHER PURPOSES.
13

Subtitle

14 TO AMEND THE PERSONAL INCOME TAX CREDIT
15 AND ADD A WORKING TAXPAYER COMPONENT TO
16 THE PERSONAL INCOME TAX CREDIT.
17
18
19

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
21

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

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

25 (1) For a single individual, ~~the adjusted individual credit~~
26 thirty dollars (\$30.00). However, a taxpayer who was blind or deaf at any
27 time during the income year shall be entitled to an additional tax credit of
28 ~~twenty dollars (\$20.00)~~ thirty dollars (\$30.00). A single individual who is
29 deaf-blind shall be entitled to an additional tax credit of ~~forty dollars~~
30 ~~(\$40.00)~~ sixty dollars (\$60.00). A single individual of sixty-five (65)
31 years of age or older shall be entitled to an additional tax credit of ~~twenty~~
32 ~~dollars (\$20.00)~~ thirty dollars (\$30.00);

33 (2)(A)(i) For the head of household, surviving spouse, or a
34 married individual living with husband or wife, ~~the adjusted joint credit~~
35 sixty dollars (\$60.00). A husband and wife living together and filing either
36 jointly or separately on the same income tax form shall receive but one (1)



1 adjusted joint credit against their aggregate tax.

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

6 (B) However, in the event that the husband or wife shall
 7 be sixty-five (65) years of age or older, each of them who is sixty-five (65)
 8 years of age or older shall be entitled to an additional tax credit of ~~twenty~~
 9 ~~dollars (\$20.00)~~ thirty dollars (\$30.00).

10 (C) However, any husband or wife filing a separate return
 11 on a separate tax form shall receive ~~the adjusted individual credit~~ a tax
 12 credit of thirty dollars (\$30.00) on each return so filed, but if the husband
 13 or wife is sixty-five (65) years of age or older, each of them who is sixty-
 14 five (65) years of age or older shall be entitled to an additional tax credit
 15 of ~~twenty dollars (\$20.00)~~ thirty dollars (\$30.00).

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

19 (E) The term "surviving spouse" shall have the same
 20 meaning as defined in section 2(a) of the Internal Revenue Code of 1986, as
 21 in effect on January 1, 2001;

22 (3)(A) For each individual, other than husband or wife, who has
 23 a gross income for the tax year of less than three thousand dollars (\$3,000),
 24 who has not filed a joint return with his or her spouse for the taxable year,
 25 and who is dependent upon and receives his or her chief support from the
 26 taxpayer, ~~the adjusted individual credit~~ thirty dollars (\$30.00).

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

- 30 (i) A son or daughter or descendant of either;
- 31 (ii) A stepson or stepdaughter;
- 32 (iii) A brother, sister, stepbrother, or stepsister;
- 33 (iv) The father or mother or an ancestor of either;
- 34 (v) A stepfather or stepmother;
- 35 (vi) A son or daughter of a brother or sister;
- 36 (vii) A brother or sister of the father or mother;

1 or

2 (viii) A son-in-law, daughter-in-law, father-in-law,
3 mother-in-law, brother-in-law, or sister-in-law of the taxpayer.

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

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

12 (4) In the case of a fiduciary:

13 (A) If taxable under § 26-51-203(a)(1), ~~the adjusted~~
14 ~~individual credit~~ thirty dollars (\$30.00);

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

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

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

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

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

28 (A) Who is totally blind, cannot tell light from darkness;

29 (B) A person whose central visual acuity does not exceed
30 20/200 in the better eye with correcting lenses; or

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

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

35 (A) An individual is deaf only if his or her average loss
36 in the speech frequencies which are 500 to 2,000 Hertz in the better ear is

1 86 decibels, I.S.O. or worse; and

2 (B) An individual is deaf-blind only if he or she is both
3 deaf and blind.

4 ~~(d) For the purposes of this section:~~

5 ~~(1) "Adjusted individual credit" shall be twenty dollars~~
6 ~~(\$20.00); and~~

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

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

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

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

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

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

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

27 ~~(4) The director shall not increase the adjusted credit for any~~
28 ~~calendar year unless the conditions of subsection (f) of this section are~~
29 ~~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) ~~Either:~~

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

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

10 ~~(g)(d)~~ Section 151(c)(6) of the Internal Revenue Code of 1986, as in
11 effect on January 1, 2003, regarding the tax treatment of kidnapped children,
12 is adopted for the purpose of computing Arkansas income tax liability.

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14 SECTION 2. Arkansas Code § 26-51-307(d), concerning the exemption from
15 income tax for retirement and disability benefits, is amended to read as
16 follows:

17 (d) An individual who is sixty-five (65) years of age or older and who
18 does not claim an exemption under subsection (a) of this section shall be
19 entitled to an additional state income tax credit of ~~twenty dollars (\$20.00)~~
20 thirty dollars (\$30.00). This credit is in addition to all other credits
21 allowed by law.

22
23 SECTION 3. This act shall become effective for tax years beginning on
24 and after January 1, 2005.