

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 2829

4
5 By: Representative Sumpter
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For An Act To Be Entitled

8
9 AN ACT TO PROVIDE INCOME TAX RELIEF TO INDIVIDUAL
10 TAXPAYERS; TO PROVIDE ADDITIONAL GENERAL REVENUE;
11 AND FOR OTHER PURPOSES.
12

Subtitle

13
14 AN ACT TO PROVIDE INCOME TAX RELIEF TO
15 INDIVIDUAL TAXPAYERS AND TO PROVIDE
16 ADDITIONAL GENERAL REVENUE.
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 SECTION 1. Arkansas Code Title 26 is amended to add a new chapter as
22 follows:

23 26-63-101. Definitions – Indebtedness.

24 (a) As used in this chapter, "indebtedness" means the principal debt
25 or obligation that is reasonably contemplated by the parties to be included
26 within the terms of the agreement.

27 (b) "Indebtedness" does not include interest, collection expenses,
28 including, but not limited to, attorney's fees and expenses incurred in
29 preserving, protecting, improving, or insuring property that serves as
30 collateral for the indebtedness, or any other amount, other than the
31 principal debt or obligation, for which a debtor becomes liable unless that
32 amount is added to the principal debt or obligation and is used to calculate
33 additional interest pursuant to refinancing, reamortization, amendment, or
34 similar transaction or occurrence.

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36 26-63-102. Tax on mortgages, deeds of trust, and other instruments.



1 (a)(1) Prior to the public recordation of any instrument evidencing an
2 indebtedness secured by real property in the State of Arkansas, including,
3 but not limited to, mortgages, deeds of trust, and conditional sales
4 contracts, there shall be paid a tax of eleven and one-half cents (11.5¢) on
5 each one hundred dollars (\$100) or major fraction of a dollar of the
6 indebtedness evidenced by the instrument.

7 (2) However, the tax shall not apply to the first two thousand
8 dollars (\$2,000) of the indebtedness.

9 (b) The tax shall not be due for the recordation of judgment liens,
10 contractors' liens, subcontractors' liens, or any transfer of property that
11 is subject to the real property transfer tax under § 26-60-101 et seq.

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13 26-63-103. Collection of tax.

14 (a) The tax levied under this chapter shall be collected by the
15 Director of the Department of Finance and Administration through the use of
16 documentary stamps in the same manner as the real estate transfer tax under
17 § 26-60-109 and at the time that the instrument is filed with the county
18 recorder of deeds.

19 (b) The tax shall be paid by the debtor, mortgagor, or grantor as
20 evidenced by the instrument.

21 (c) The tax collected under this chapter shall be credited to the
22 General Revenue Fund Account of the State Apportionment Fund.

23 (d) The director shall promulgate rules and forms for the
24 administration, collection, and enforcement of this tax.

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26 SECTION 2. Arkansas Code § 26-51-201 is amended to read as follows:

27 26-51-201. Individuals, trusts, and estates. [Effective November 15,
28 1998.]

29 (a) A tax is imposed upon, and with respect to, the entire income of
30 every resident, individual, trust, or estate. The tax shall be levied,
31 collected, and paid annually upon the entire net income as defined and
32 computed in this chapter at the following rates, giving effect to the tax
33 credits provided hereafter, in the manner set forth:

34 (1) On the first two thousand nine hundred ninety-nine dollars
35 (\$2,999) of net income or any part thereof, one percent (1%);

36 (2) On the next three thousand dollars (\$3,000) of net income or

1 any part thereof, two and one-half percent (2 1/2%);

2 (3) On the next three thousand dollars (\$3,000) of net income or
 3 any part thereof, three and one-half percent (3 1/2%);

4 (4) On the next six thousand dollars (\$6,000) of net income or
 5 any part thereof, four and one-half percent (4 1/2%);

6 (5) On the next ten thousand dollars (\$10,000) of net income or
 7 any part thereof, six percent (6%);

8 (6) On net income of twenty-five thousand dollars (\$25,000) and
 9 above, seven percent (7%).

10 (b) However, no state income tax shall be due this state from a trust
 11 or estate created by a nonresident donor, trustor, or settlor, or by a
 12 nonresident testator even though administered by a resident trustee or
 13 personal representative except on income derived from:

14 (1) Lands situated in this state, including gains from any sale
 15 thereof;

16 (2) Any interest in lands situated in this state, including,
 17 without limitation, chattels real, including gains from any sale thereof;

18 (3) Tangible personal property located in Arkansas, including
 19 gains from any sale thereof; and

20 (4) Unincorporated businesses domiciled in Arkansas.

21 (c) No income tax shall be due the State of Arkansas from a
 22 nonresident beneficiary on income received from a trust being administered by
 23 a resident trustee except on income derived by the trust from:

24 (1) Lands situated in this state, including gains from any sale
 25 thereof;

26 (2) Any interest in lands situated in this state, including,
 27 without limitation, chattels real, including gains from any sale thereof;

28 (3) Tangible personal property located in Arkansas, including
 29 gains from any sale thereof; and

30 (4) Unincorporated businesses domiciled in Arkansas.

31 (d)(1) Not later than December 15 of 1998, and each subsequent
 32 calendar year, the director shall prescribe a table which shall apply in lieu
 33 of the table contained in § 26-51-201(a) with respect to taxable years
 34 beginning in the succeeding calendar year. The director shall increase the
 35 minimum and maximum dollar amounts for each rate bracket (rounding to the
 36 nearest \$100) for which a tax is imposed under such table by the cost-of-

1 living adjustment (COLA) for such calendar year and by not changing the rate
2 applicable to any rate bracket as adjusted. The yearly COLA increase in each
3 rate bracket as provided in subdivision (d)(2) of this section shall apply to
4 the brackets as contained in § 26-51-201(a) as in effect on January 1, 1998.

5 (2) For purposes of subdivision (d)(1) of this section, the
6 cost-of-living adjustment for any calendar year is the percentage (if any) by
7 which the CPI for the calendar year preceding the taxable year exceeds the
8 CPI for the calendar year 1997, not to exceed three percent (3%). The CPI for
9 any calendar year is the average of the Consumer Price Index as of the close
10 of the 12-month period ending on August 31 of such calendar year. "Consumer
11 Price Index" means the last Consumer Price Index for all urban consumers
12 published by the Department of Labor.

13 (3) The new tables, as adjusted, shall apply for tax returns
14 filed for taxable year 1999 and thereafter, and shall be used by the director
15 in preparing the income tax withholding tables pursuant to § 26-51-907.

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17 SECTION 3. This act shall be effective January 1, 2006.
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