

1 State of Arkansas
2 88th General Assembly
3 Regular Session, 2011
4

A Bill

SENATE BILL 885

5 By: Senators Rapert, G. Jeffress
6 By: Representative Sanders
7

For An Act To Be Entitled

9 AN ACT TO PROVIDE ECONOMIC RELIEF TO CITIZENS OF THE
10 STATE OF ARKANSAS IN ORDER TO ENSURE THAT ITS
11 CITIZENS HAVE THE OPPORTUNITY TO SUCCEED BY AMENDING
12 THE INCOME TAX ACT OF 1929 REGARDING THE INCOME TAX
13 RATES FOR PERSONS LIVING IN CERTAIN COUNTIES; AND FOR
14 OTHER PURPOSES.
15

Subtitle

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17
18 THE ARKANSAS ECONOMIC REHABILITATION,
19 DEVELOPMENT, AND GROWTH ACT OF 2011.
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21

22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
23

SECTION 1. Intent.

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25 The General Assembly finds that:

26 (1) Arkansas as a whole falls into the top ten (10) states with
27 the highest poverty rates and is currently ranked second in the nation for
28 persons living below the poverty level;

29 (2) The most critical levels of poverty are occurring in the
30 Delta Region and the southeast corner of the state;

31 (3) A large percentage of persons living in the southeast corner
32 of the state and along the southern end of the state are unemployed and
33 living in poverty;

34 (4) Persons living in poverty often times have to deal with a
35 constant negative stigma attached to the area in which they live;

36 (5) The negative stigma causes businesses to be hesitant before



1 investing in the area, causes families to migrate away from the area, and
2 makes it an unattractive place to work for teachers and health care
3 professionals;

4 (6) The negative stigma and poverty rates are increasing due to
5 persons leaving the area as confirmed by the most recent census data;

6 (7) Persons working in these areas often do not earn enough
7 money to provide for their families; and

8 (8) In order to help the citizens in these areas succeed, the
9 state must work to encourage its residents to stay and to encourage
10 businesses to continue to operate in these parts of Arkansas.

11
12 SECTION 2 Arkansas Code § 26-51-201(a) concerning the imposition of
13 income taxes, is amended to read as follows:

14 26-51-201. Individuals, trusts, and estates.

15 (a) A Except as provided in § 26-51-208, a tax is imposed upon, and
16 with respect to, the entire income of every resident, individual, trust, or
17 estate. The tax shall be levied, collected, and paid annually upon the entire
18 net income as defined and computed in this chapter at the following rates,
19 giving effect to the tax credits provided hereafter, in the manner set forth:

20 (1) On the first two thousand nine hundred ninety-nine dollars
21 (\$2,999) of net income or any part thereof, one percent (1%);

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

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

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

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

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

32
33 SECTION 3. Arkansas Code Title 26, Chapter 51, Subchapter 2 is amended
34 to add a new section to read as follows:

35 26-51-208. Reduced income tax rates.

36 (a) Subsection (b) of this section establishes the tax rates imposed

1 upon the entire net income of every resident, individual, trust, or estate
 2 located in a county in which:

3 (1) A net loss of ten percent (10%) of the population has
 4 occurred over the last ten-year census period as recorded in the most recent
 5 federal census;

6 (2) The poverty rate of the county as reported by the United
 7 States Department of Agriculture is at least fifty percent (50%) above the
 8 state average;

9 (3) The unemployment rate is equal to or in excess of one
 10 hundred thirty-five percent (135%) of the state’s average unemployment rate
 11 for the preceding calendar year as specified by statewide annual labor force
 12 statistics compiled by the Department of Workforce Services; or

13 (4) The county currently qualifies as a “distressed county” as
 14 defined by the Economic Development Administration or the Delta Regional
 15 Authority.

16 (b)(1) The tax under this section shall be levied, collected, and paid
 17 annually upon the entire net income as defined and computed in this chapter
 18 at the following rates:

19 (A) On the first twenty-four thousand dollars (\$24,000) of
 20 net income, zero percent (0%);

21 (B) On net income of twenty-four thousand and one dollars
 22 (\$24,001) to fifty thousand dollars (\$50,000), five percent (5%);

23 (C) On net income of fifty thousand and one dollars
 24 (\$50,001) to seventy-five thousand dollars (\$75,000), five and one-half
 25 percent (5.5%); and

26 (D) On net income of seventy five thousand and one dollars
 27 (\$75,001) and above, six percent (6%).

28 (2) Subdivision (b)(1) of this section shall include tax rebates
 29 provided by this chapter.

30 (c) The status of the taxpayer under this section shall be established
 31 following each federal census and shall be effective for ten (10) years.

32
 33 SECTION 4. Arkansas Code § 26-51-303(a)(9) and (10), concerning
 34 exemption from the Income Tax Act of 1929, § 26-51-101 et seq., are amended
 35 to read as follows:

36 (9) Corporations, trusts, and any community chest, fund, or

1 foundation, organized and operated exclusively for religious, charitable,
2 scientific, literary, or educational purposes, or for the prevention of
3 cruelty to children or animals, no part of the net earnings of which inures
4 to the benefit of any private shareholder or individual, no substantial part
5 of the activities of which is carrying on propaganda or otherwise attempting
6 to influence legislation, and which does not participate in, or intervene in,
7 including the publishing or distributing of statements, any political
8 campaign on behalf of or in opposition to any candidate for public office;
9 and

10 (10) A political organization that does not have political
11 organization taxable income for the tax year under 26 U.S.C. § 527, as in
12 effect on January 1, 2009; and

13 (11)(A) A partnership, limited liability company, or corporation
14 that that is located in a county in which:

15 (i) A net loss of ten percent (10%) of the
16 population has occurred over the last ten-year census period as recorded in
17 the most recent federal census;

18 (ii) The poverty rate of the county as reported by
19 the United States Department of Agriculture is at least fifty percent (50%)
20 above the state average;

21 (iii) The unemployment rate is equal to or in excess
22 of one hundred thirty-five percent (135%) of the state’s average unemployment
23 rate for the preceding calendar year as specified by statewide annual labor
24 force statistics compiled by the Department of Workforce Services; or

25 (iv) The county currently qualifies as a “distressed
26 county” as defined by the Economic Development Administration or the Delta
27 Regional Authority.

28 (B) A change in the population of the county shall not
29 affect the exempt status of a partnership, limited liability company, or
30 corporation in the future.

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32 SECTION 5. EFFECTIVE DATE. This act is effective beginning January 1,
33 2012.