

1 State of Arkansas
2 89th General Assembly
3 Regular Session, 2013
4

A Bill

HOUSE BILL 1585

5 By: Representative Collins
6

For An Act To Be Entitled

8 AN ACT TO PHASE IN CHANGES TO THE INCOME TAX LEVIED
9 ON INDIVIDUALS, TRUSTS, AND ESTATES; TO AMEND THE
10 INCOME TAX RATES AND BRACKETS FOR INDIVIDUALS,
11 TRUSTS, AND ESTATES; TO ADJUST THE MINIMUM AND
12 MAXIMUM DOLLAR AMOUNTS IN CERTAIN INCOME TAX BRACKETS
13 FOR INDIVIDUALS, TRUSTS, AND ESTATES; AND FOR OTHER
14 PURPOSES.

Subtitle

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17 TO PHASE IN CHANGES TO THE INCOME TAX
18 LEVIED ON INDIVIDUALS, TRUSTS, AND
19 ESTATES; TO AMEND THE INCOME TAX RATES
20 AND BRACKETS OVER THREE YEARS; AND TO
21 ADJUST THE MINIMUM AND MAXIMUM DOLLAR
22 AMOUNTS IN CERTAIN INCOME TAX BRACKETS.
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26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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28 SECTION 1. Arkansas Code § 26-51-201(a), concerning the income tax
29 levied on individuals, trusts, and estates, is amended to read as follows:

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

35 (1) On the first ~~two thousand nine hundred ninety-nine dollars~~
36 ~~(\$2,999)~~ four thousand ninety-nine dollars (\$4,099) of net income or any part



1 thereof, one percent (1%);

2 (2)(A) On the next ~~three thousand dollars (\$3,000)~~ four thousand
 3 one hundred dollars (\$4,100) of net income or any part thereof, ~~two and one-~~
 4 half percent (~~2 1/2%~~); two percent (2%).

5 (B) For the tax year beginning on January 1, 2015, on the
 6 next four thousand one hundred dollars (\$4,100) of net income or any part
 7 thereof, one and one-half percent (1 1/2%).

8 (C) For tax years beginning on and after January 1, 2016,
 9 on the next four thousand one hundred dollars (\$4,100) of net income or any
 10 part thereof, one percent (1%);

11 (3) On the next ~~three thousand dollars (\$3,000)~~ four thousand
 12 dollars (\$4,000) of net income or any part thereof, three and one-half
 13 percent (~~3 1/2%~~) (3 1/2%);

14 (4) On the next ~~six thousand dollars (\$6,000)~~ eight thousand two
 15 hundred dollars (\$8,200) of net income or any part thereof, four and one-half
 16 percent (~~4 1/2%~~) (4 1/2%);

17 (5) On the next ~~ten thousand dollars (\$10,000)~~ thirteen thousand
 18 six hundred dollars (\$13,600) of net income or any part thereof, six percent
 19 (6%); and

20 (6)(A) On net income of ~~twenty-five thousand dollars (\$25,000)~~
 21 thirty-four thousand dollars (\$34,000) and above, ~~seven percent (7%)~~ six and
 22 two-thirds percent (6 2/3%).

23 (B) For the tax year beginning on January 1, 2015, on net
 24 income of thirty-four thousand dollars (\$34,000) and above, six and one-third
 25 percent (6 1/3%).

26 (C) For tax years beginning on and after January 1, 2016,
 27 on net income of thirty-four thousand dollars (\$34,000) and above, six
 28 percent (6%).

29
 30 SECTION 2. Arkansas Code § 26-51-201(d), concerning the income tax
 31 levied on individuals, trusts, and estates, is amended to read as follows:

32 (d)(1) ~~Not~~ Except as provided in subdivision (d)(4) of this section,
 33 no later than December 15 ~~of~~, 1998, and each subsequent calendar year, the
 34 Director of the Department of Finance and Administration shall prescribe a
 35 table ~~which~~ that shall apply in lieu of the table contained in subsection (a)
 36 of this section with respect to taxable years beginning in the succeeding

1 calendar year. The director shall increase the minimum and maximum dollar
2 amounts for each rate bracket, rounding to the nearest one hundred dollars
3 (\$100), for which a tax is imposed under such table by the cost-of-living
4 adjustment for such calendar year and by not changing the rate applicable to
5 any rate bracket as adjusted. The yearly cost-of-living adjustment increase
6 in each rate bracket as provided in subdivision (d)(2) of this section shall
7 apply to the brackets as contained in subsection (a) of this section as in
8 effect on January 1, 1998.

9 (2) For purposes of subdivision (d)(1) of this section, the
10 cost-of-living adjustment for any calendar year is the percentage, if any, by
11 which the GPI Consumer Price Index for the calendar year preceding the
12 taxable year exceeds the GPI Consumer Price Index for the calendar year 1997,
13 not to exceed three percent (3%). The GPI Consumer Price Index for any
14 calendar year is the average of the Consumer Price Index as of the close of
15 the twelve-month period ending on August 31 of such calendar year. As used in
16 this section, "Consumer Price Index" means the last Consumer Price Index for
17 All Urban Consumers published by the United States Department of Labor.

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

21 (4)(A) For tax years beginning on and after January 1, 2017, the
22 net income subject to the rate of four and one-half percent (4 1/2%) under
23 this section shall be increased each year by the greater of the following:

24 (i) Ten thousand dollars (\$10,000); or

25 (ii) The cost-of-living adjustment calculated by the
26 director under subdivision (d)(1) of this section.

27 (B) The net income subject to the rate of six percent (6%)
28 under this section is all net income that exceeds the maximum amount subject
29 to the rate of four and one-half percent (4 1/2%) under this section.

30 (C)(i) However, if the net general revenues for the fiscal
31 year are equal to or less than the net general revenues for the prior fiscal
32 year, then the adjustments required under this subdivision (d)(4) shall be
33 suspended until the requirements of subdivision (d)(4)(C)(ii) of this section
34 are met and the cost-of-living adjustment required under subdivision (d)(1)
35 of this section shall be in effect for each rate bracket.

36 (ii) An adjustment that has been suspended under

1 subdivision (d)(4)(C)(i) of this section shall resume when the net general
 2 revenues for the fiscal year exceed the net general revenues received for the
 3 base fiscal year.

4 (D) As used in this subdivision (d)(4):

5 (i) "Base fiscal year" means the twelve-month period
 6 preceding the fiscal year in which the adjustment was suspended under
 7 subdivision (d)(4)(C) of this section;

8 (ii) "Fiscal year" means the twelve-month period
 9 ending on June 30 of the year in which the cost-of-living adjustment is
 10 calculated under subdivision (d)(1) of this section; and

11 (iii) "Prior fiscal year" means the twelve-month
 12 period preceding the fiscal year.

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 14 SECTION 3. EFFECTIVE DATE. This act is effective for tax years
 15 beginning on or after January 1, 2014.