

1 State of Arkansas *As Engrossed: H2/8/21 H2/10/21*

2 93rd General Assembly

A Bill

3 Regular Session, 2021

HOUSE BILL 1361

4

5 By: Representatives Eaves, Beaty Jr., L. Fite, Fortner, D. Garner, Hawks, M. Hodges, Jean, Jett,
6 Lundstrum, Lynch, J. Mayberry, McClure, McCollum, M. McElroy, McGrew, McNair, Milligan, Vaught,
7 Warren, Wooten

8 By: Senators J. Dismang, *B. Ballinger, Beckham, Bledsoe, Caldwell, L. Chesterfield, A. Clark, B. Davis,*
9 *L. Eads, Elliott, J. English, Flippo, T. Garner, Gilmore, K. Hammer, Hester, Hickey, Hill, K. Ingram,*
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11 *D. Sullivan, Teague, D. Wallace*

12

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For An Act To Be Entitled

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AN ACT TO PROVIDE FOR THE TAX TREATMENT OF CERTAIN
15 LOANS, PAYMENTS, AND EXPENSES RELATED TO CORONAVIRUS
16 2019 (COVID-19) RELIEF PROGRAMS; TO PROVIDE
17 CORONAVIRUS 2019 (COVID-19) RELIEF BY CONFORMING TO
18 FEDERAL TAX TREATMENT OF CORONAVIRUS 2019 (COVID-19)
19 RELIEF PROGRAMS; TO DECLARE AN EMERGENCY; AND FOR
20 OTHER PURPOSES.

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22

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Subtitle

24

TO PROVIDE FOR THE TAX TREATMENT OF
25 CERTAIN LOANS, PAYMENTS, AND EXPENSES
26 RELATED TO CORONAVIRUS 2019 (COVID-19)
27 RELIEF PROGRAMS; AND TO DECLARE AN
28 EMERGENCY.

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

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33 SECTION 1. DO NOT CODIFY. Legislative intent.

34 It is the intent of the General Assembly to provide relief to small
35 businesses and others affected by the coronavirus 2019 (COVID-19) pandemic
36 and to ease their tax compliance burdens by:



1 (1) Amending the Arkansas income tax laws to conform to the
2 federal tax treatment of Paycheck Protection Program loan forgiveness and
3 other coronavirus 2019 (COVID-19) relief, as clarified by the recent
4 enactment of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260,
5 on December 27, 2020; and

6 (2) Providing similar tax treatment to payments made under the
7 Coronavirus Food Assistance Program as described in 7 C.F.R. Part 9, as it
8 existed on January 19, 2021.

9
10 SECTION 2. Arkansas Code § 26-51-404(b), concerning exclusions from
11 gross income under the Income Tax Act of 1929, is amended to add additional
12 subdivisions to read as follows:

13 (31)(A) The following, which are adopted for purposes of
14 computing Arkansas income tax liability:

15 (i) Title 15 U.S.C. § 636A(i), as in effect on
16 January 1, 2021, after the redesignation provided by § 304(b) of the
17 Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, and the amendment
18 provided by § 276(a) of the Consolidated Appropriations Act, 2021, Pub. L.
19 No. 116-260, regarding the Paycheck Protection Program loan forgiveness;

20 (ii) Section 276(b) of the Consolidated
21 Appropriations Act, 2021, Pub. L. No. 116-260, regarding subsequent Paycheck
22 Protection Program loan forgiveness;

23 (iii) Section 277 of the Consolidated Appropriations
24 Act, 2021, Pub. L. No. 116-260, concerning the tax treatment of certain
25 emergency financial aid grants; and

26 (iv) Section 278 of the Consolidated Appropriations
27 Act, 2021, Pub. L. No. 116-260, concerning the clarification of tax treatment
28 of certain loan forgiveness and other business financial assistance.

29 (B) Amounts excluded under this subdivision (b)(31) are
30 includable in the adjustments specified in § 26-51-427(2).

31 (C) The Department of Finance and Administration may
32 provide an exception from any requirement to file an information return with
33 respect to any amount excluded from gross income under this subdivision
34 (b)(31); and

35 (32)(A) Payments received under the Coronavirus Food Assistance
36 Program, described in 7 C.F.R. Part 9, as it existed on January 19, 2021.

1 (B) A tax deduction or a basis increase shall not be
2 denied as a result of the exclusion from gross income provided in subdivision
3 (32)(A) of this section.

4 (C) Amounts excluded under this subdivision (b)(32) are
5 includable in the adjustments specified in § 26-51-427(2).

6 (D) The department may provide an exception from any
7 requirement to file an information return with respect to any amount excluded
8 from gross income under this subdivision (b)(32).

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10 SECTION 3. EFFECTIVE DATE. Section 2 of this act is effective for tax
11 years beginning on or after January 1, 2019.

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13 SECTION 4. EMERGENCY CLAUSE. It is found and determined by the
14 General Assembly of the State of Arkansas that the coronavirus 2019 (COVID-
15 19) pandemic caused an economic crisis in the state; that the intent of the
16 Paycheck Protection Program and other coronavirus 2019 (COVID-19) federal
17 relief programs was to allow businesses to receive a tax break during the
18 coronavirus 2019 (COVID-19) pandemic and the resulting economic downturn,
19 which would enable more businesses to continue to operate and provide
20 employment thereby preventing further economic collapse; that the enactment
21 of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, on
22 December 27, 2020, clarified the federal income tax treatment of Paycheck
23 Protection Program loan forgiveness and other coronavirus 2019 (COVID-19)
24 relief payments; that Arkansas should conform its income tax laws to the
25 federal tax treatment of these loans, payments, and expenses to enable
26 Arkansas taxpayers to receive the full benefit of the tax laws so that they
27 can continue to provide jobs for Arkansans and avoid higher rates of
28 unemployment and financial distress; and that this act is immediately
29 necessary because the 2020 tax return season is underway and immediate
30 conformity to the federal tax laws will assist the state with its economic
31 recovery and will enable businesses to continue providing jobs that are
32 necessary to the public peace, health, and safety. Therefore, an emergency is
33 declared to exist, and this act being immediately necessary for the
34 preservation of the public peace, health, and safety shall become effective
35 on:

36 (1) The date of its approval by the Governor;

