

State of Arkansas

As Engrossed: H3/13/25

95th General Assembly

## A Bill

Regular Session, 2025

HOUSE BILL 1116

By: Representatives Ray, *R. Burkes, Eaton, Lundstrum, McClure, Rye*

By: Senator J. Dismang

### For An Act To Be Entitled

AN ACT TO CREATE THE REMOTE AND MOBILE WORK  
MODERNIZATION AND COMPETITIVENESS ACT; TO AMEND THE  
INCOME TAX LAWS APPLICABLE TO NONRESIDENTS; TO AMEND  
THE INCOME TAX AND INCOME TAX WITHHOLDING LAWS  
APPLICABLE TO CERTAIN REMOTE AND MOBILE EMPLOYEES; TO  
EXEMPT CERTAIN REMOTE AND MOBILE EMPLOYEES FROM THE  
INCOME TAX LEVIED ON INDIVIDUALS; TO EXEMPT EMPLOYERS  
FROM THE REQUIREMENT TO WITHHOLD INCOME TAX FROM THE  
WAGES OF CERTAIN REMOTE AND MOBILE EMPLOYEES; TO  
PROVIDE THAT EMPLOYERS ARE NOT LIABLE FOR FAILING TO  
WITHHOLD INCOME TAX FROM THE WAGES OF CERTAIN REMOTE  
AND MOBILE EMPLOYEES IN CERTAIN CIRCUMSTANCES; TO  
AUTHORIZE THE DEPARTMENT OF FINANCE AND  
ADMINISTRATION TO ENTER INTO RECIPROCITY AGREEMENTS  
WITH OTHER STATES REGARDING THE IMPOSITION OF INCOME  
TAX ON CERTAIN NONRESIDENT INDIVIDUALS; AND FOR OTHER  
PURPOSES.

### Subtitle

TO CREATE THE REMOTE AND MOBILE WORK  
MODERNIZATION AND COMPETITIVENESS ACT;  
AND TO PROVIDE INCOME TAX AND  
WITHHOLDING EXEMPTIONS RELATED TO  
CERTAIN REMOTE AND MOBILE EMPLOYEES AND  
NONRESIDENTS.

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



1  
2 SECTION 1. DO NOT CODIFY. Title.

3 This act shall be known and may be cited as the "Remote and Mobile Work  
4 Modernization and Competitiveness Act".

5  
6 SECTION 2. DO NOT CODIFY. Legislative findings.

7 The General Assembly finds that:

8 (1) Remote and hybrid work is a fast-growing trend in the United  
9 States;

10 (2) Surveys have found that thirteen percent (13%) of employees  
11 in the United States work from home, and twenty-eight percent (28%) work a  
12 hybrid model;

13 (3) Arkansas's tax code has been found to be ranked forty-fifth  
14 out of the fifty (50) states because of its complicated and burdensome filing  
15 and withholding requirements;

16 (4) Remote and mobile work can be an opportunity to states  
17 willing to make their tax codes hospitable and convenient to remote and  
18 mobile workers; and

19 (5) While the state has an understandable desire to collect  
20 taxes owed by individuals who spend significant time working in the state,  
21 there is no compelling reason to place an outsized burden on those briefly  
22 passing through the state, particularly those who have no income tax  
23 liability.

24  
25 SECTION 3. Arkansas Code § 26-51-202, concerning the application of  
26 income tax laws to nonresidents, is amended to add an additional subsection  
27 to read as follows:

28 (f)(1) The Department of Finance and Administration may enter into a  
29 reciprocity agreement with another state to exempt residents of the other  
30 state who earn income in this state from the tax levied under this chapter if  
31 the other state has a provision in its tax laws that provides an income tax  
32 exemption to Arkansas residents.

33 (2) The department shall not enter into a reciprocity agreement  
34 under subdivision (f)(1) of this section unless the reciprocity agreement has  
35 been reviewed and approved by the Legislative Council.

1 SECTION 4. Arkansas Code Title 26, Chapter 51, Subchapter 3, is  
2 amended to add an additional section to read as follows:

3 26-51-317. Remote and mobile employees.

4 There is allowed an exemption from the income tax imposed by this  
5 chapter for income received by an individual as compensation for employment  
6 duties performed by the individual while he or she was present in the state  
7 if:

8 (1) The total aggregate amount of income received by the  
9 individual for employment duties performed while the individual was present  
10 in the state is two thousand five hundred dollars (\$2,500) or less for the  
11 tax year; and

12 (2) The individual performed employment duties for an employer  
13 in more than one (1) state during the tax year.

14  
15 SECTION 5. Arkansas Code § 26-51-905 is amended to read as follows:

16 26-51-905. Withholding of tax.

17 (a)(1) ~~Every~~ Except as otherwise provided in this section, an employer  
18 making payments of wages to employees shall deduct and withhold from the  
19 employees' wages an amount determined from withholding tables promulgated by  
20 the Secretary of the Department of Finance and Administration and furnished  
21 to the employer.

22 (2) The full amount deducted and withheld from ~~any~~ an employee's  
23 wages during the income year shall be credited against the tax liability of  
24 the employee under the Income Tax Act of 1929, § 26-51-101 et seq., for that  
25 year.

26 (b)(1) Notwithstanding the provisions of subsection (a) of this  
27 section, ~~every~~ an employer who withholds less than one thousand dollars  
28 (\$1,000) for a full year's withholding shall report and remit annually on a  
29 date specified by the secretary any amounts so withheld by the employer.

30 (2) An employer shall be advised by the secretary of the  
31 employer's classification and shall report as classified until such time as  
32 the employer advises the secretary in writing that the employer no longer has  
33 employees or the employer is closing the business.

34 (3) However, it shall be the duty of the employer to report to  
35 the secretary at the end of each income year all wages paid to any such  
36 employees on the same forms provided in this subchapter for making employer

1 annual withholding statements in order that the secretary may determine the  
2 tax liability, if any, of those employees during that income year.

3 (c)(1) An employer is not required to deduct and withhold from an  
4 employee's wages the amount determined from the withholding tables  
5 promulgated by the secretary and furnished to the employer if:

6 (A) The employee performed employment duties while the  
7 employee was present in the state for fifteen (15) or fewer calendar days  
8 during the tax year;

9 (B) The employee performed employment duties for the  
10 employer in more than one (1) state during the tax year; and

11 (C) The employee is not being paid for employment duties  
12 performed in the employee's capacity as:

13 (i) An athlete who receives wages for performing  
14 services in a professional athletic event;

15 (ii) An entertainer who receives wages on a per-  
16 event basis for performing services in the professional performing arts; or

17 (iii) A public figure who receives wages on a per-  
18 event basis for performing services at discrete events, including without  
19 limitation speeches, public appearances, and similar events.

20 (2) If an employee performs employment duties for an employer  
21 while the employee was present in the state for more than fifteen (15)  
22 calendar days during the tax year, the employer shall withhold and remit  
23 taxes for every day the employee performed employment duties while present in  
24 this state during the tax year, including the first fifteen (15) days in  
25 which the employee performed employment duties in this state.

26 (3)(A) For purposes of this subsection, an employee is  
27 considered present and performing employment duties in this state for a day  
28 if the employee performs more of the employee's employment duties in this  
29 state than in any other state during that day.

30 (B) A portion of a day during which an employee is in  
31 transit shall not be considered in determining the location of the employee's  
32 performance of employment duties.

33  
34 SECTION 6. Arkansas Code § 26-51-916 is amended to read as follows:

35 26-51-916. Employer liable for amounts required to be withheld –  
36 Exceptions – Definition.

1       (a) As used in this section, "time and attendance system" means a  
2 system:

3               (1) Through which an employee is required to record the  
4 employee's work location for every day worked outside the state where the  
5 employee's employment duties are primarily performed; and

6               (2) That is designed to allow an employer to allocate an  
7 employee's wages for income tax purposes among all states in which the  
8 employee performs employment duties for the employer.

9       (b)(1) Every ~~Except~~ as otherwise provided in this section, an employer  
10 shall be liable for amounts required to be deducted and withheld by this  
11 subchapter regardless of whether or not the amounts were in fact deducted and  
12 withheld.

13               (2) However, if the employer fails to deduct and withhold the  
14 required amounts and if the tax against which the required amounts would have  
15 been credited is paid, the employer shall not be liable for those amounts not  
16 deducted and withheld if the failure was due to reasonable cause.

17       (c) An employer is not liable for any penalties or interest otherwise  
18 applicable for failing to deduct and withhold the amount required under this  
19 subchapter from the wages of an employee who performed employment duties for  
20 the employer in more than one (1) state if the employer:

21               (1) Maintains a time and attendance system specifically designed  
22 to allocate employee wages for income tax purposes among all taxing  
23 jurisdictions in which the employee performs employment duties for the  
24 employer and relies on data from the time and attendance system in making its  
25 determination regarding whether withholding is required; or

26               (2) Does not maintain a time and attendance system and relies on  
27 one (1) or more of the following in making its determination regarding  
28 whether withholding is required:

29                       (A) The employer's own records, maintained in the regular  
30 course of business, concerning the employee's location while performing his  
31 or her employment duties;

32                       (B) The employee's reasonable determination of the time  
33 the employee expected to spend performing employment duties in the state, if  
34 the employer did not:

35                               (i) Have actual knowledge of fraud on the part of  
36 the employee in making the determination; or

1                   (ii) Conspire with the employee to evade taxation in  
2 making the determination;

3                   (C) Travel records;

4                   (D) Travel expense reimbursement records; or

5                   (E) A signed, written statement from the employee of the  
6 time spent performing employment duties for the employer in the state during  
7 the tax year.

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9           SECTION 7. DO NOT CODIFY. Severability.

10           The provisions of this act are severable, and the invalidity of any  
11 provision of this act shall not affect other provisions of this act that can  
12 be given effect without the invalid provision.

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14           SECTION 8. EFFECTIVE DATE. Sections 1-6 of this act are effective for  
15 tax years beginning on or after January 1, 2026.

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17                                   /s/Ray  
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