

1 State of Arkansas  
2 95th General Assembly  
3 Regular Session, 2025  
4

# A Bill

HOUSE BILL 1500

5 By: Representative Beaty Jr.  
6 By: Senator Gilmore  
7

## For An Act To Be Entitled

8 AN ACT TO ENHANCE ECONOMIC COMPETITIVENESS BY  
9 REPEALING THE THROWBACK RULE; TO AMEND THE INCOME TAX  
10 PROVISIONS CONCERNING THE APPORTIONMENT OF BUSINESS  
11 INCOME; AND FOR OTHER PURPOSES.  
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## Subtitle

15 TO ENHANCE ECONOMIC COMPETITIVENESS BY  
16 REPEALING THE THROWBACK RULE.  
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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21 SECTION 1. DO NOT CODIFY. Legislative findings and intent.

22 (a) The General Assembly finds that:

23 (1) The income tax apportionment throwback rule causes the  
24 Arkansas income tax to unduly burden job creation and investment in the  
25 state, thus harming economic competitiveness, especially in comparison to  
26 states that do not have a throwback rule or that do not impose an income tax;  
27 and

28 (2) The Arkansas Tax Reform and Relief Legislative Task Force  
29 recommended repeal of the throwback rule.

30 (b) The General Assembly intends to repeal the throwback rule to  
31 encourage investment and job creation in Arkansas by multistate enterprises.  
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33 SECTION 2. Arkansas Code § 26-5-101, Article IV, paragraph 16,  
34 concerning the division of income under the Multistate Tax Compact, is  
35 amended to read as follows:

36 16. Sales of tangible personal property are in this



1 state if:

2 (a) ~~The the property is delivered or shipped to a~~  
 3 purchaser within this state regardless of the f.o.b. point or other  
 4 conditions of the sale; ~~or~~

5 (b) ~~The property is shipped from an office, store,~~  
 6 warehouse, factory, or other place of storage in this state and the taxpayer  
 7 is not taxable in the state of the purchaser, in which case the sales shall  
 8 be sourced as follows:

9 (1) ~~For the tax year beginning on January 1,~~  
 10 2024, sales shall be sourced eighty five and seventy one hundredths percent  
 11 (85.71%) within this state and fourteen and twenty nine hundredths percent  
 12 (14.29%) outside this state;

13 (2) ~~For the tax year beginning on January 1,~~  
 14 2025, sales shall be sourced seventy one and forty two hundredths percent  
 15 (71.42%) within this state and twenty eight and fifty eight hundredths  
 16 percent (28.58%) outside this state;

17 (3) ~~For the tax year beginning on January 1,~~  
 18 2026, sales shall be sourced fifty seven and thirteen hundredths percent  
 19 (57.13%) within this state and forty two and eighty seven hundredths percent  
 20 (42.87%) outside this state;

21 (4) ~~For the tax year beginning on January 1,~~  
 22 2027, sales shall be sourced forty two and eighty four hundredths percent  
 23 (42.84%) within this state and fifty seven and sixteen hundredths percent  
 24 (57.16%) outside this state;

25 (5) ~~For the tax year beginning on January 1,~~  
 26 2028, sales shall be sourced twenty eight and fifty five hundredths percent  
 27 (28.55%) within this state and seventy one and forty five hundredths percent  
 28 (71.45%) outside this state;

29 (6) ~~For the tax year beginning on January 1,~~  
 30 2029, sales shall be sourced fourteen and twenty six hundredths percent  
 31 (14.26%) within this state and eighty five and seventy four hundredths  
 32 percent (85.74%) outside this state; and

33 (7) ~~For tax years beginning on or after~~  
 34 January 1, 2030, sales shall be sourced one hundred percent (100%) outside  
 35 this state.

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1 SECTION 3. Arkansas Code § 26-51-716 is amended to read as follows:  
2 26-51-716. Sales of tangible personal property.

3 Sales of tangible personal property are in this state if+

4 (a) the property is delivered or shipped to a purchaser within  
5 this state regardless of the f.o.b. point or other conditions of the sale; or

6 (b) ~~the property is shipped from an office, store, warehouse,  
7 factory, or other place of storage in this state and the taxpayer is not  
8 taxable in the state of the purchaser, in which case the sales shall be  
9 sourced as follows:~~

10 (1) ~~For the tax year beginning on January 1, 2024, sales  
11 shall be sourced eighty five and seventy one hundredths percent (85.71%)  
12 within this state and fourteen and twenty nine hundredths percent (14.29%)  
13 outside this state;~~

14 (2) ~~For the tax year beginning on January 1, 2025, sales  
15 shall be sourced seventy one and forty two hundredths percent (71.42%) within  
16 this state and twenty eight and fifty eight hundredths percent (28.58%)  
17 outside this state;~~

18 (3) ~~For the tax year beginning on January 1, 2026, sales  
19 shall be sourced fifty seven and thirteen hundredths percent (57.13%) within  
20 this state and forty two and eighty seven hundredths percent (42.87%) outside  
21 this state;~~

22 (4) ~~For the tax year beginning on January 1, 2027, sales  
23 shall be sourced forty two and eighty four hundredths percent (42.84%) within  
24 this state and fifty seven and sixteen hundredths percent (57.16%) outside  
25 this state;~~

26 (5) ~~For the tax year beginning on January 1, 2028, sales  
27 shall be sourced twenty eight and fifty five hundredths percent (28.55%)  
28 within this state and seventy one and forty five hundredths percent (71.45%)  
29 outside this state;~~

30 (6) ~~For the tax year beginning on January 1, 2029, sales  
31 shall be sourced fourteen and twenty six hundredths percent (14.26%) within  
32 this state and eighty five and seventy four hundredths percent (85.74%)  
33 outside this state; and~~

34 (7) ~~For tax years beginning on or after January 1, 2030,  
35 sales shall be sourced one hundred percent (100%) outside this state.~~

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1           SECTION 4. EFFECTIVE DATE. Sections 2 and 3 of this act are effective  
2 for tax years beginning on or after January 1, 2025.

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