

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB6**

**Amendment Number: S2**

**Bill Subtitle: TO CREATE THE MIDDLE CLASS TAX RELIEF ACT OF 2015.**

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**Basic Change :** Sponsors: Sen. Dismang and Rep. Gillam

The bill reduces the income taxes owed by many Arkansas taxpayers. Beginning with tax year 2015, taxpayer's having taxable incomes of less than \$21,000 will pay income tax using the reduced tax rates of 0.9%, 2.4%, 3.4%, and 4.4% rather than the rates of 0.9%, 2.5%, 3.5% and 4.5% as in effect in 2014.

For tax year 2016 and after, taxpayers having taxable income between \$21,000 and \$75,000 will pay tax on that portion of their income between \$21,000 and \$35,099 at the rate of 5% rather than the 6% rate in effect for 2014. That portion of their income between \$35,100 and \$75,000 will be taxed at the rate of 6% rather than the 7% rate previously applicable. For 2015, these taxpayers will pay tax at the tax rates in effect in 2014.

For tax year 2016 and after, taxpayers having taxable incomes in excess of \$75,000 will pay tax on that portion of their income in excess of \$35,100 at the rate of 6.9%. The remainder of their income will be taxed at the tax rates in effect in 2014. Also, those persons having taxable income in excess of \$75,000 but not more than \$80,000 may claim a bracket adjustment of between \$440 and \$40. This bracket adjustment offsets a portion of the additional tax liability resulting from the fact that person making more than \$75,000 do not receive the benefits of the 5% and 6% tax rates received by those making between \$21,000 and \$75,000. For 2015, these taxpayers will pay tax at the tax rates in effect in 2014.

**Revenue Impact :**

FY 2016 - \$33.7M reduction

FY 2017 - \$102.1M reduction

**Taxpayer Impact :**

Taxpayers will have their income tax liability reduced as a result of this bill.

**Resources Required :**

None

**Time Required :**

Adequate time is provided.

**Procedural Changes :**

Individual income tax brackets and tables will need to be updated. Withholding tables will need to be updated. Tax community will need to be informed.

**Other Comments :**

None

**Legal Analysis :**

The bill eliminates portions of the reduced income tax rate decreases enacted by Act 1459 of 2013. This change will increase an income tax rate which requires a  $\frac{3}{4}$  vote of both houses of the General Assembly under Ark. Const. Art. 5, § 38. Also, an emergency clause should be included to comply with the requirements of Art. 5, § 38.