

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1152

Bill Subtitle: TO CREATE AN INCOME TAX EXEMPTION FOR TEACHERS.

Basic Change :

Sponsor: Rep. Vaught

HB1152 exempts from state income tax the first \$50,000 of wages received by an individual for their work as a teacher. To qualify for the exemption, a teacher must:

- Be employed by a public school or an open-enrollment charter school in a teaching, instructional, or educational capacity; and
- Be engaged in student instruction in kindergarten through grade 12 for more than 70% of their contracted or employed time.

HB1152 is effective for tax years beginning on or after January 1, 2023.

Revenue Impact :

FY2023 - \$38.7M General Revenue Reduction

FY2024 - \$77.5M General Revenue Reduction

[The average salaries and number of potentially qualified teachers was obtained from the Arkansas Public School Computer Network (APSCN) Annual Statistical report for the 2020/2021 year. Based on this data, the State of Arkansas has 32,335 public school teachers and 1,242 charter school teachers for a total of 33,577 potentially eligible teachers for the exemption. The estimated number of eligible individuals was multiplied by the maximum allowed exemption of \$50,000 since the average salary for teachers was above at \$52,552, and then multiplied by the effective tax rate for 2020 of 4.6135% to determine the overall estimated fiscal impact.]

Taxpayer Impact :

A taxpayer employed as public school teacher or an open-enrollment charter school teacher would be allowed an exemption from income tax for the first \$50,000 of wages received for employment as a teacher.

Resources Required :

Computer programs, tax forms, and instructions will need to be updated. Programming costs for the Arkansas Integrated Revenue System (AIRS) is estimated at \$8,000.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Department employees will need to be educated as to the exemption as well as the tax community.

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Other Comments :

None.

Legal Analysis :

None.