

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB8**

**Bill Subtitle: TO REDUCE THE INCOME TAX RATES APPLICABLE TO INDIVIDUALS, TRUSTS, ESTATES, AND CORPORATIONS; TO CREATE AN INFLATIONARY RELIEF INCOME TAX CREDIT FOR CERTAIN TAXPAYERS; AND TO DECLARE AN EMERGENCY.**

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### Sponsors:

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### Basic Change :

**Individual Income Tax --- Top Rate Reduction to 4.4% in 2024 ---** SB8 amends the income tax tables contained in § 26-51-201 to reduce the top individual income tax rate in Arkansas to 4.4% effective for the 2024 and following tax years. SB8 also recalculates the bracket adjustments based on the reduced tax rate to maintain a smooth transition between the standard income table and the upper income table. For tax year 2024, individuals with net taxable income of more than \$87,000 but less than \$90,801 will reduce their income tax due by the appropriate bracket adjustment amount.

The individual income tax tables will be as follows effective for the 2024 and following tax years:

#### **2024 and Following Tax Years**

| <b>Standard Income Table</b> |      | <b>Upper Income Table</b> |      |
|------------------------------|------|---------------------------|------|
| \$0 to \$5,099               | 0%   | \$0 to \$4,400            | 2%   |
| \$5,100 to \$10,299          | 2%   | \$4,401 to \$8,800        | 4%   |
| \$10,300 to \$14,699         | 3%   | \$8,801 +                 | 4.4% |
| \$14,700 to \$24,299         | 3.4% |                           |      |
| \$24,300 to \$87,000         | 4.4% |                           |      |

**Corporation Income Tax --- Top Rate Reduction to 4.8% in 2024 ---** SB8 reduces the top corporation income tax rate imposed on both domestic and foreign corporations to 4.8% for the 2024 and following tax years. The corporation income tax table will be as follows effective for the 2024 and following tax years:

#### **2024 and Following Tax Years**

|                     |      |
|---------------------|------|
| \$0 to \$3,000      | 1%   |
| \$3,001 to \$6,000  | 2%   |
| \$6,001 to \$11,000 | 3%   |
| \$11,001 +          | 4.8% |

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**Inflationary Relief \$150 Income Tax Credit for Full-Year Arkansas Residents** --- SB8 provides a \$150 nonrefundable income tax credit for individual taxpayers with net income up to \$89,600 that file a full-year Arkansas resident return. The credit phases out for individual taxpayers with net income up to \$103,600. Married taxpayers that meet the income thresholds for the credit that file separately or separately on the same return may each claim a \$150 credit against the tax due on the return of each spouse. Married taxpayers filing jointly with net income up to \$179,200 will receive a \$300 nonrefundable income tax credit against their income tax due provided that a full-year Arkansas resident return is filed. The credit for married taxpayers filing jointly phases out for filers having income up to \$207,200. Part-year resident and nonresident filers are not eligible for the credit. The credit is created through temporary language and will be effective only for tax year 2023.

**Revenue Impact :**

**FY2024** - \$248,500,000 General Revenue Reduction

**FY2025 and after** - \$184,500,000 General Revenue Reduction

**Revenue Impact of Each Tax Change**

|  | <b>FY2024</b>        | <b>FY2025</b>        |
|--|----------------------|----------------------|
| Individual Income Tax Reduction to 4.4% (2024)     | \$75,000,000         | \$150,000,000        |
| Corporation Income Tax Reduction to 4.8% (2024)    | \$17,200,000         | \$34,500,000         |
| Inflationary Relief \$150 Income Tax Credit (2023) | \$156,300,000        | \$0                  |
| <b>Total</b>                                       | <b>\$248,500,000</b> | <b>\$184,500,000</b> |

**Taxpayer Impact :**

Individual and corporation income taxpayers will receive a reduction in their tax liability. Approximately 1.1 million individual income taxpayers would receive a tax reduction. Approximately 7,500 corporations with net taxable income greater than \$11,000 would receive a tax reduction.

**Resources Required :**

Computer programs, tax forms, and instructions will need to be updated.

**Time Required :**

Adequate time is provided for implementation.

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### **Procedural Changes :**

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

### **Other Comments :**

None.

### **Legal Analysis :**

None.