

Department of Finance and Administration

Legislative Impact Statement

Bill: SB1

Bill Subtitle: TO REDUCE THE INCOME TAX LEVIED ON INDIVIDUALS, TRUSTS, ESTATES, AND CORPORATIONS; TO TRANSFER SURPLUS FUNDS TO THE ARKANSAS RESERVE FUND SET-ASIDE; AND TO DECLARE AN EMERGENCY.

Sponsors:

Sens. Dismang, Boyd, Bryant, Caldwell, Clark, Crowell, Davis, Dees, Dotson, English, Flippo, Gilmore, Hammer, Hester, Hickey, Hill, Irvin, B. Johnson, M. Johnson, McKee, Payton, Penzo, Petty, Rice, Stone, Stubblefield, Sullivan, and Wallace

Reps. Eaves, M. Shepherd, Beaty, Ray, Achor, Andrews, Barker, Beck, Bentley, M. Berry, S. Berry, Breaux, Brooks, K. Brown, M. Brown, Burkes, Joey Carr, Cavanaugh, Cooper, Cozart, Crawford, Dalby, Duke, Eubanks, Evans, C. Fite, L. Fite, Fortner, Furman, Gazaway, Gonzales, Gramlich, Haak, Hawk, D. Hodges, G. Hodges, Holcomb, Hollowell, Jean, Johnson, Ladyman, Long, Lundstrum, Lynch, Maddox, Mayberry, McAlindon, McClure, McCollum, McElroy, McGrew, McKenzie, McNair, Meeks, Miller, Milligan, J. Moore, K. Moore, Painter, Pearce, Pilkington, Puryear, R. Scott Richardson, Richmond, Rose, Rye, Schulz, Steimel, Tosh, Underwood, Unger, Vaught, Walker, Warren, Watson, Wing, Womack, Wooldridge, and Wooten

Basic Change:

Individual Income Tax --- Top Rate Reduction to 3.9% in 2024 --- SB1 amends the income tax tables contained in § 26-51-201 to reduce the top individual income tax rate in Arkansas to 3.9% effective for the 2024 and following tax years. The bill 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 \$89,600 but less than \$92,701 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

Standard Income Table		Upper Income Table	
\$0 to \$5,299	0%	\$0 to \$4,500	2%
\$5,300 to \$10,599	2%	\$4,501 +	3.9%
\$10,600 to \$15,099	3%		
\$15,100 to \$24,999	3.4%		
\$25,000 to \$89,600	3.9%		

Corporation Income Tax --- Top Rate Reduction to 4.3% in 2024 --- SB1 reduces the top corporation income tax rate imposed on both domestic and foreign corporations to 4.3% for the 2024 and following tax years. The corporation income tax table will be as follows effective for the 2024 and following tax years:

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2024 and Following Tax Years

\$0 to \$3,000	1%
\$3,001 to \$6,000	2%
\$6,001 to \$11,000	3%
\$11,001 +	4.3%

Transfer to Arkansas Reserve Fund Set-Aside --- SB1 directs the Chief Fiscal Officer to transfer \$290,000,000 from the General Revenue Allotment Reserve Fund to the Arkansas Reserve Fund Set-Aside on July 2, 2024.

Fiscal Impact:

FY2025 - \$483,500,000 General Revenue Reduction

FY2026 and after - \$322,300,000 General Revenue Reduction

Revenue Impact of Each Tax Change		
	FY2025	FY2026
Individual Income Tax Reduction to 3.9% (2024)	\$384,200,000	\$256,100,000
Corporation Income Tax Reduction to 4.3% (2024)	\$99,300,000	\$66,200,000
Total	\$483,500,000	\$322,300,000

Taxpayer Impact:

Individual and corporation income taxpayers will receive a reduction in their tax liability. Approximately 1.1 million individual income taxpayers with net taxable income greater than \$25,000 would receive a tax reduction. Approximately 7,800 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.