



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1190

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

Sponsor:

Rep. Vaught

Basic Change:

HB1190 creates an income tax exemption for the first \$50,000 of wages earned by a teacher. A teacher is defined as an individual who:

- Is employed in a teaching, instructional, or educational capacity;
- Is employed by a public school or open-enrollment charter school; and
- Spends more than 70% of his or her contracted or employed time in student instruction for grades K-12.

HB1190 is effective for tax years beginning on or after January 1, 2025.

Fiscal Impact:

FY2025 - \$29.1M General Revenue Reduction

FY2026 - \$58.2M 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 2022/2023 year. Based on this data, the State of Arkansas has 32,310 public school teachers and 1,335 charter school teachers for a total of 33,645 potentially eligible teachers for the exemption. The estimated number of eligible individuals was multiplied by the maximum allowed exemption of \$50,000 and then multiplied by the effective tax rate of 3.4608% to determine the overall estimated fiscal impact.

FY2025 fiscal impact assumes adjustments to wage withholding of eligible taxpayers prior to July 1, 2025. If adjustments to withholding are not made prior to the beginning of FY2026, the FY2025 fiscal impact will be reflected in refunds paid to taxpayers when 2025 tax year returns are filed in 2026.]

Taxpayer Impact:

A taxpayer employed as a public school teacher or 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 with no annual maintenance cost.

Time Required:

Adequate time is provided for implementation.



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Procedural Changes:

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

Other Comments:

None.

Legal Analysis:

None.