



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

**Bill: HB1366**

**Bill Subtitle: TO CREATE AN INCOME TAX CREDIT FOR QUALIFIED STORM SHELTERS.**

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**Sponsors:**

**Reps. Ennett and Hudson**

**Basic Change:**

HB1366 creates a non-refundable income tax credit for the construction, acquisition, and installation of a storm shelter on the site of a taxpayer's primary residence. The credit is equal to the lesser of 50% of the cost of the storm shelter or \$3,000. The total amount of income tax credits issued to all taxpayers during a calendar year is capped at \$2,000,000.

A qualified storm shelter must:

- Be a storm shelter or safe room built or installed on the site of a taxpayer's primary residence;
- Be capable of withstanding an EF-5 tornado; and
- Meet or exceed minimum criteria established by FEMA.

A taxpayer who desires to claim the credit must first file an informational report with the Division of Emergency Management (ADEM) detailing the costs associated with the construction, acquisition, and installation of the storm shelter. Upon approval, ADEM will issue an income tax credit certificate to the taxpayer on a first-come, first-served basis until the annual maximum is met. ADEM must notify a taxpayer that submitted a report but did not receive a credit because the maximum had been reached. Each taxpayer receiving such a notice is allowed to resubmit his or her report the next tax year.

The tax credit is effective for income tax years beginning on or after January 1, 2025.

**Fiscal Impact:**

**FY2026 - \$2M General Revenue Reduction**

**Taxpayer Impact:**

An eligible taxpayer who installs a qualified storm shelter at his or her primary residence may receive an income tax credit of up to \$3,000. A taxpayer must file an informational report with ADEM to receive a tax credit certificate before claiming the credit. The credit is non-refundable and cannot exceed the taxpayer's income tax liability for the year.

**Resources Required:**

Computer programs, tax forms, and instructions will need to be updated. AIRS programming costs are estimated at \$14,000 for implementing the new tax credit.

**Time Required:**

Adequate time is provided for implementation.



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**Procedural Changes:**

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

**Other Comments:**

There is an annual cap of \$2,000,000 for all taxpayers on a first-come, first-served basis. There are no carryforward provisions for the taxpayer credit. The annual cap is likely to be reached due to the average cost of a storm shelter ranging from \$2,600 to \$15,000 and assuming approximately 700 or more taxpayers would take advantage of the credit.

Implementing this tax credit program will require coordination between DFA and ADEM. An administrative process must be developed to verify compliance with eligibility requirements, issue tax credit certificates, and track utilization to ensure the annual cap is not exceeded.

**Legal Analysis:**

HB1366 may benefit from an amendment clarifying the treatment of any portion of the tax credit a taxpayer is unable to use because the amount of credit awarded exceeds his or her tax liability.