



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

Bill: HB1438

Bill Subtitle: TO CREATE AN INCOME TAX CREDIT FOR TAXPAYERS SIXTY-FIVE AND OLDER IN AN AMOUNT EQUAL TO THE TAXPAYER'S PROPERTY TAX PAYMENT ON A HOMESTEAD.

Sponsor:

Rep. Cavanaugh

Basic Change:

HB1438 creates a refundable income tax credit for a taxpayer who is 65 years of age or older. The credit is equal to the real property tax paid by the taxpayer during the tax year on the taxpayer's homestead, excluding any amounts paid by the taxpayer for delinquent property tax or penalties.

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

Fiscal Impact:

FY2026 - \$202 Million General Revenue Reduction

FY2027 - \$185 Million General Revenue Reduction

[Fiscal impact estimate is based on data kept by the Assessment Coordination Division of the Department of Finance and Administration (ACD) for taxpayers registered for the 65 and over homestead tax credit. The 2025 tax year homestead credit increases to \$500 for taxes to be paid in 2026 and income tax credits being claimed in FY2027 and after will decrease as a result.]

Taxpayer Impact:

A taxpayer aged 65 years and over who paid property tax on a homestead would be eligible for a refundable income tax credit equal to the amount paid less any amount paid by the taxpayer for delinquent property tax or penalties on delinquent property tax. Because the credit is refundable, a taxpayer may receive the full amount of the credit even if the taxpayer did not have any taxable income or income tax liability by filing a return to claim the credit.

Resources Required:

Computer programs, tax forms, and instructions will need to be updated. Programming costs of the Arkansas Integrated Revenue System (AIRS) is estimated to cost \$360,000 with ongoing maintenance of \$45,000 per year.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Individual Income Tax forms and instructions will need to be updated. Department employees will need to be educated as well as the tax community. Counties would require changes to current software.



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Other Comments:

Currently, some taxpayers claim a deduction for the property taxes paid if the taxpayer itemizes deductions on his or her income tax return. The bill does not specify whether the deduction under § 26-51-416 would still be allowed for itemized filers when the taxpayer is receiving a refundable credit for the same property taxes.

Legal Analysis:

HB1438 may benefit from an amendment to clarify that the amount of the real property tax paid does not include the homestead tax credit. HB1438 may also benefit from an amendment to clarify what documentation a taxpayer must provide to establish entitlement to the tax credit, and whether more than one taxpayer may be entitled to claim a credit if the property tax is paid by more than one individual.

Page 1, Line 28, of the bill appears to contain a drafting error. The bill states, "... a taxpayer who is at sixty-five (65) years of age ...". It is possible that the intended language should state, "... a taxpayer who is at *least* sixty-five (65) years of age ...".