



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

**Bill: HB1538**

**Bill Subtitle: TO AMEND THE LAW CONCERNING THE NET OPERATING LOSS INCOME TAX DEDUCTION; AND TO INCREASE THE CARRY-FORWARD PERIOD FOR THE NET OPERATING LOSS INCOME TAX DEDUCTION.**

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**Sponsor:**

**Rep. Ray**

**Basic Change:**

HB1538 amends the income tax deduction for net operating losses to extend the loss carry-forward period. HB1538 extends the number of years that net operating losses may carry-forward from 10 years to 20 years for steel manufacturers, from 15 years to 20 years for qualified medical companies, and from 10 years to 20 years for all other taxpayers.

HB1538 is effective for tax years beginning on or after January 1, 2025.

**Fiscal Impact:**

**FY2037** - \$13M General Revenue Reduction  
**FY2038** - \$26M General Revenue Reduction  
**FY2039** - \$37M General Revenue Reduction  
**FY2040** - \$48M General Revenue Reduction  
**FY2041** - \$59M General Revenue Reduction  
**FY2042** - \$68M General Revenue Reduction  
**FY2043** - \$77M General Revenue Reduction  
**FY2044** - \$85M General Revenue Reduction  
**FY2045** - \$93M General Revenue Reduction  
**FY2046** - \$100M General Revenue Reduction

**Taxpayer Impact:**

A taxpayer eligible for the net operating loss deduction under §§ 15-4-2404, 26-51-427, 26-51-1203, 26-51-1213, and 26-52-913 will benefit from an extended carry-forward period of 20 years for losses incurred in tax years beginning on or after January 1, 2025. This applies to certain steel manufacturers, qualified medical companies, specific steel mills, and taxpayers qualified under § 26-52-912(2), as well as other taxpayers under § 26-51-427(1)(C)(i). The longer period allows these taxpayers to apply their net operating losses against taxable income for up to 20 years or until exhausted, whichever is earlier.

**Resources Required:**

Computer programs, tax forms, and instructions will need to be updated. AIRS programming costs are estimated at \$10,000.

**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.