



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

**Bill: HB1708**

**Bill Subtitle: THE KEEP THE BONUS, AXE THE TAX: THE NO-TAX BONUS ACT.**

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**Sponsors:**

**Reps. Underwood, A. Brown, McCollum, McKenzie, Pilkington, and Rose**

**Basic Change:**

HB1708 creates the "Keep the Bonus, Axe the Tax: The No-Tax Bonus Act" to provide a state income tax exemption for a bonus. The term "bonus" is defined as a payment made to an employee that:

- Is in addition to the employee's regular or overtime wages;
- Is nonrecurring;
- Does not increase the employee's base rate of pay; and
- Does not include a commitment for payment in a subsequent year.

HB1708 is effective for tax years beginning on or after January 1, 2026.

**Fiscal Impact:**

**FY2026** - \$16.3M General Revenue Reduction

**FY2027** - \$32.6M General Revenue Reduction

[ Fiscal impact was estimated using the average income in Arkansas (\$51,250) multiplied by the average bonus percentage (2.8%) to arrive at the average bonus of \$1,435. Potentially affected Arkansas taxpayers were 650,000 who receive various types of bonuses: longevity bonuses, hiring bonuses, end-of-year, performance, etc. Further multiplying the average bonus by the affected number of taxpayers amounts to \$32.6M. ]

**Taxpayer Impact:**

A bonus as defined under HB1708 would be exempt from Arkansas individual income tax.

**Resources Required:**

Computer programs, tax forms, and instructions will need to be updated. Programming costs are estimated to be \$4,000 to implement the exemption.

**Time Required:**

Adequate time is provided for implementation.

**Procedural Changes:**

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



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**Other Comments:**

None.

**Legal Analysis:**

None.