



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

Bill: HB1750

Bill Subtitle: TO REPEAL THE ARKANSAS CORPORATE FRANCHISE TAX ACT OF 1979; AND TO MAKE CONFORMING CHANGES.

Sponsors:

Rep. Cavanaugh and Sen. Crowell

Basic Change:

HB1750 repeals the Arkansas Corporate Franchise Tax Act of 1979.

The Act requires every corporation and limited liability company to file an annual franchise tax return with the Secretary of State and pay an annual franchise tax. The amount of tax due varies based on the type of entity filing the return and factors such as the amount of the corporation's outstanding capital stock. A minimum annual tax payment of \$150 is required for corporations and limited liability corporations and a \$300 minimum tax payment is required for various types of insurance companies. Under current law, the first \$8,000,000 of franchise tax collections are deposited into state general revenue and the remaining franchise tax collections are deposited into the Educational Adequacy Fund.

Fiscal Impact:

FY2026 - \$8M General Revenue Reduction
 \$28M Education Adequacy Fund Reduction

[Fiscal impact was calculated using the FY2024 franchise tax collections. Fiscal impact assumes the repeal would be effective for franchise taxes that are due to be paid on May 1, 2026.]

Taxpayer Impact:

A taxpayer would no longer be required to report and pay franchise tax.

Resources Required:

Computer programs, tax forms, and instructions will need to be updated.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

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

Other Comments:

None.



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Legal Analysis:

HB1750 would benefit from an amendment to provide an effective date or the specific tax years to which the repeal of the franchise tax would be effective.