



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

Bill: SB204

Bill Subtitle: TO EXEMPT FROM GROSS INCOME A GAIN BY A TAXPAYER RESULTING FROM THE ACQUISITION OF PROPERTY UNDER THE RIGHT OF EMINENT DOMAIN OR THE THREAT OF CONDEMNATION.

Sponsors:

Sen. Penzo and Reps. J. Moore, Ray, and Rose

Basic Change:

SB204 amends § 26-51-404(b) to create a new exclusion from gross income for state income tax purposes. SB204 excludes income that a taxpayer receives from an entity that acquires real property from the taxpayer under eminent domain or threat of condemnation. This includes the involuntary conversion of real property by a state, county, or city, as well as by municipal utilities and other companies with the power of eminent domain.

SB204 is effective for tax years beginning on or after January 1, 2025.

Fiscal Impact:

FY2026 – \$3.8M General Revenue Reduction

Taxpayer Impact:

A taxpayer that has property taken due to eminent domain or threat of condemnation will not have to report gains resulting from the acquisition of property under the right of eminent domain.

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.

Legal Analysis:

Current state law, § 26-51-404(b), adopts 26 U.S.C. § 1033 which excludes from gross income certain gains resulting from the involuntary conversion of property. SB204 adds a blanket exclusion for gains resulting from eminent domain without limitation.