



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

**Bill: SB408**

**Bill Subtitle: TO PROVIDE AN INCOME TAX EXEMPTION FOR CERTAIN PAYMENTS BY THE UNITED STATES DEPARTMENT OF AGRICULTURE.**

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**Sponsors:**

**Sen. B. Johnson and Rep. Eaves**

**Basic Change:**

SB408 creates an income tax exemption for certain disaster relief payments made by the United States Department of Agriculture (USDA). The American Relief Act of 2025 is federal legislation concerning disaster aid and an extension of the farm bill. SB408 creates an exemption from state income tax for payments received by a taxpayer under Division B, Title I, of the American Relief Act of 2025.

SB408 is effective for tax years beginning on or after January 1, 2025.

**Fiscal Impact:**

**FY2026** - \$23M General Revenue Reduction  
**FY2027** - \$31.3M General Revenue Reduction  
**FY2028** - \$2.7M General Revenue Reduction  
**FY2029** - \$2.9M General Revenue Reduction  
**FY2030** - \$870K General Revenue Reduction  
**FY2031** - \$746K General Revenue Reduction  
**FY2032** - \$629K General Revenue Reduction  
**FY2033** - \$482K General Revenue Reduction  
**FY2034** - \$392K General Revenue Reduction  
**FY2035** - \$229K General Revenue Reduction

[ Cost estimates from the Congressional Budget Office for Title I spending for H.R. 10545, American Relief Act, 2025, were gathered to estimate the impact to Arkansas.

In December 2024, Congress enacted the Disaster Relief Supplemental Appropriations Act, 2025 (Division B of *Public Law 118-158*), which provided emergency supplemental funding to help recovery from natural disasters. Title I of Division B focused on agriculture and related agencies, allocating roughly \$33.6 billion in discretionary budget authority for the USDA. The Congressional Budget Office released a cost estimate by fiscal year for 2025 – 2034. In reviewing historical data concerning USDA payments for supplemental and ad hoc disaster assistance, Arkansas receives approximately 5.6% of total Federal payments. ]

**Taxpayer Impact:**

A taxpayer receiving payments from the USDA under the American Relief Act of 2025 programs would benefit from lower tax liability due to the exemption.

**Resources Required:**

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



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**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:**

None.