



**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.

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:

Budget neutral.

The disaster relief payments were recently enacted by Congress and were not included in the FY 2025 revenue forecast nor in the Governor’s FY 2026-2027 biennial budget. Therefore, the bill does not impact the current or proposed state general revenue budget.

If the payments are not exempted from income taxation, DFA projects that the state will collect new general revenues in the following amounts:

FY2025	\$9,897,888
FY2026	\$15,801,978
FY2027	\$1,368,878

[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 as well as information provided by the Arkansas Department of Agriculture. DFA also reviewed 38,700 Arkansas resident 2023 income tax returns that reported a farm income or loss on the taxpayer’s Schedule F (Profit or Loss from Farming). The returns reported aggregate Schedule F farm losses of \$689 million for an average of \$17,800 farm loss per Schedule F. When other sources of non-farm income on the returns were combined with farm losses, taxpayers reported an aggregate net taxable income of \$2.8 billion with an average of \$72,600 net taxable income per return.]

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, a report by the Rural & Farm Finance Policy Analysis Center (RaFF Policy Brief 2025-1(3)) estimates Arkansas will receive approximately 2.86% or \$286M of the projected economic assistance.]



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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.

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.