



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

**Bill: SB73**

**Bill Subtitle: TO CREATE THE ACCESS TO CREDIT FOR OUR RURAL ECONOMY (ACRE) ACT;  
AND TO PROVIDE AN INCOME TAX DEDUCTION FOR CERTAIN AGRICULTURAL LOANS.**

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**Sponsors:**

**Sen. B. Johnson and Rep. Beaty**

**Basic Change:**

SB73 creates the "Access to Credit for Our Rural Economy (ACRE) Act," which provides an income tax deduction for the net interest income received by an eligible lending institution from a qualified agricultural loan. An eligible lending institution includes:

- A national banking association;
- A state bank and a registered out-of-state bank;
- A state trust company; or
- A federal savings bank.

A qualified agricultural loan includes:

- A loan made on personal property used for an agricultural purpose, including equipment and machinery, livestock, and crops; or
- A loan secured by a first or second lien interest in real property that is substantially used to produce one or more agricultural products and meets certain loan balance requirements.

An eligible lending institution may deduct its net interest income resulting from qualified agricultural loans with "net interest income" defined as "the product of the ratio of the interest income earned on qualified agricultural loans over total interest income earned, in relation to the adjusted gross income of the eligible lending institution without regard to the deduction allowed under this section."

SB73 is effective for tax years beginning on or after January 1, 2025.

**Fiscal Impact:**

**FY2026 - \$8.4M General Revenue Reduction**

[ Fiscal impact calculated using the USDA Economic Research Service Farm Income and Wealth Statistics, 2023. ]

**Taxpayer Impact:**

An eligible lending institution will be able to deduct net interest income received from qualified agricultural loans from net income.

**Resources Required:**

Computer programs, tax forms, and instructions will need to be updated. The cost estimate of the Arkansas Integrated Revenue System (AIRS) is \$8,000 with no annual maintenance cost.



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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:**

SB73 may benefit from an amendment to clarify how it is determined whether interest on indebtedness is "attributed" to the state. It is unclear whether interest is "attributed" to the state by means of the location of the lender, the borrower, the property, or a combination of the three. Additionally, SB73 may benefit from clarification as to whether the real or personal property that is the subject of the loan must be located in the state.