



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

Bill: SB1

Bill Subtitle: TO REDUCE THE INCOME TAX RATES FOR INDIVIDUALS, TRUSTS, ESTATES, AND CORPORATIONS.

Sponsors :

Sens. Dismang, Boyd, Bryant, Caldwell, Clark, Crowell, Davis, Dees, Dotson, English, Flippo, Gilmore, Hammer, Hester, Hickey, Hill, Irvin, B. Johnson, M. Johnson, King, McKee, Payton, Penzo, Petty, Rice, Simon, Stone, Sullivan, and Wallace

Rep. Eaves

Basic Change :

Individual Income Tax --- Top Rate Reduction to 3.7% in 2026 --- SB1 amends the income tax tables contained in § 26-51-201 to reduce the top individual income tax rate in Arkansas to 3.7% effective for the 2026 and following tax years. The bill also recalculates the bracket adjustments based on the reduced tax rate to maintain a smooth transition between the standard income table and the upper income table. For tax year 2026, individuals with net taxable income of more than \$94,700 but less than \$97,601 will reduce their income tax due by the appropriate bracket adjustment amount.

The individual income tax tables will be as follows effective for the 2026 and following tax years:

2026 and Following Tax Years

Standard Income Table		Upper Income Table	
\$0 to \$5,599	0%	\$0 to \$4,700	2%
\$5,600 to \$11,199	2%	\$4,701+	3.7%
\$11,200 to \$15,999	3%		
\$16,000 to \$26,399	3.4%		
\$26,400 to \$94,700	3.7%		

Corporation Income Tax --- Top Rate Reduction to 4.1% in 2027 --- SB1 reduces the top corporation income tax rate imposed on both domestic and foreign corporations to 4.1% for the 2027 and following tax years. The corporation income tax table will be as follows effective for the 2027 and following tax years:

2027 and Following Tax Years

\$0 to \$3,000	1%
\$3,001 to \$6,000	2%
\$6,001 to \$11,000	3%
\$11,001+	4.1%



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Fiscal Impact :

FY2027 - \$191.8M General Revenue Reduction

FY2028 and after - \$144.8M General Revenue Reduction

Fiscal Impact of Each Tax Change		
	FY2027	FY2028
Individual Income Tax Reduction to 3.7% (2026)	\$163,500,000	\$109,000,000
Pass Through Entity Tax Reduction to 3.7% (2026)	\$15,600,000	\$10,400,000
Corporation Income Tax Reduction to 4.1% (2027)	\$12,700,000	\$25,400,000
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Total	\$191,800,000	\$144,800,000

It is anticipated that during the remaining months of FY2026, a minimal reduction to general revenue may result as taxpayers adjust withholding and estimated payments that are due prior to the end of the current fiscal year.

Taxpayer Impact :

Individual taxpayers and electing pass-through entities will receive a reduction in their tax liability. Approximately 1.1 million individual income taxpayers with net taxable income \$26,400 and above would receive a tax reduction. All electing pass-through entities would receive a tax reduction. Approximately 7,800 corporations with net taxable income greater than \$11,000 would receive a tax reduction.

Resources Required :

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

Time Required :

Adequate time is provided for implementation.



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Procedural Changes :

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

Other Comments :

None.

Legal Analysis :

None.