

1 State of Arkansas
2 94th General Assembly
3 First Extraordinary Session, 2023
4

A Bill

Call Item 1

HOUSE BILL 1007

5 By: Representatives Eaves, M. Shepherd, Andrews, Beaty Jr., Beck, M. Berry, Brooks, K. Brown,
6 Burkes, Cavenaugh, C. Cooper, Crawford, Fortner, Furman, Gazaway, Haak, Hawk, Hollowell,
7 Ladyman, Long, Lundstrum, Lynch, Maddox, McAlindon, McClure, B. McKenzie, Ray, Rose, Rye,
8 Tosh, Underwood, Unger, Vaught, Wardlaw, Warren, Watson, Wing, Wooten
9 By: Senators J. Dismang, Hickey, J. Boyd, J. Bryant, Caldwell, A. Clark, Crowell, B. Davis, Dees, J.
10 Dotson, J. English, Flippo, Gilmore, K. Hammer, Hester, Hill, Irvin, B. Johnson, M. McKee, J. Payton, C.
11 Penzo, J. Petty, Rice, Stone, D. Sullivan, D. Wallace

For An Act To Be Entitled

14 AN ACT TO AMEND THE LAWS CONCERNING INCOME TAX; TO
15 REDUCE THE INCOME TAX RATES APPLICABLE TO
16 INDIVIDUALS, TRUSTS, ESTATES, AND CORPORATIONS; TO
17 CREATE AN INFLATIONARY RELIEF INCOME TAX CREDIT FOR
18 CERTAIN TAXPAYERS; TO DECLARE AN EMERGENCY; AND FOR
19 OTHER PURPOSES.

Subtitle

23 TO REDUCE THE INCOME TAX RATES APPLICABLE
24 TO INDIVIDUALS, TRUSTS, ESTATES, AND
25 CORPORATIONS; TO CREATE AN INFLATIONARY
26 RELIEF INCOME TAX CREDIT FOR CERTAIN
27 TAXPAYERS; AND TO DECLARE AN EMERGENCY.

30 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

32 SECTION 1. Arkansas Code § 26-51-201(a)(3), concerning the income tax
33 imposed on individuals, trusts, and estates, is amended to read as follows:

34 (3) For tax years beginning on or after January 1, 2024:
35 (A) Every resident, individual, trust, or estate having
36 net income less than or equal to eighty-seven thousand dollars (\$87,000)



1 shall determine the amount of income tax due under this subsection in
 2 accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
<u>\$0</u>	<u>\$5,099</u>	<u>0%</u>
<u>\$5,100</u>	<u>\$10,299</u>	<u>2%</u>
<u>\$10,300</u>	<u>\$14,699</u>	<u>3%</u>
<u>\$14,700</u>	<u>\$24,299</u>	<u>3.4%</u>
<u>\$24,300</u>	<u>\$87,000</u>	<u>4.4%</u>

9 (B) Every resident, individual, trust, or estate having
 10 net income greater than eighty-seven thousand dollars (\$87,000) shall
 11 determine the amount of income tax due under this subsection in accordance
 12 with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
<u>\$0</u>	<u>\$4,400</u>	<u>2%</u>
<u>\$4,401</u>	<u>\$8,800</u>	<u>4%</u>
<u>\$8,801 and above</u>		<u>4.4%</u>

17 (C) Every resident, individual, trust, or estate having
 18 net income greater than or equal to eighty-seven thousand one dollars
 19 (\$87,001) but not greater than ninety thousand eight hundred dollars
 20 (\$90,800) shall reduce the amount of income tax due as determined under
 21 subdivision (a)(3)(B) of this section by deducting a bracket adjustment
 22 amount in accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Bracket Adjustment Amount</u>
<u>\$87,001</u>	<u>\$87,100</u>	<u>\$380</u>
<u>\$87,101</u>	<u>\$87,200</u>	<u>\$370</u>
<u>\$87,201</u>	<u>\$87,300</u>	<u>\$360</u>
<u>\$87,301</u>	<u>\$87,400</u>	<u>\$350</u>
<u>\$87,401</u>	<u>\$87,500</u>	<u>\$340</u>
<u>\$87,501</u>	<u>\$87,600</u>	<u>\$330</u>
<u>\$87,601</u>	<u>\$87,700</u>	<u>\$320</u>
<u>\$87,701</u>	<u>\$87,800</u>	<u>\$310</u>
<u>\$87,801</u>	<u>\$87,900</u>	<u>\$300</u>
<u>\$87,901</u>	<u>\$88,000</u>	<u>\$290</u>
<u>\$88,001</u>	<u>\$88,100</u>	<u>\$280</u>
<u>\$88,101</u>	<u>\$88,200</u>	<u>\$270</u>
<u>\$88,201</u>	<u>\$88,300</u>	<u>\$260</u>

1	<u>\$88,301</u>	<u>\$88,400</u>	<u>\$250</u>
2	<u>\$88,401</u>	<u>\$88,500</u>	<u>\$240</u>
3	<u>\$88,501</u>	<u>\$88,600</u>	<u>\$230</u>
4	<u>\$88,601</u>	<u>\$88,700</u>	<u>\$220</u>
5	<u>\$88,701</u>	<u>\$88,800</u>	<u>\$210</u>
6	<u>\$88,801</u>	<u>\$88,900</u>	<u>\$200</u>
7	<u>\$88,901</u>	<u>\$89,000</u>	<u>\$190</u>
8	<u>\$89,001</u>	<u>\$89,100</u>	<u>\$180</u>
9	<u>\$89,101</u>	<u>\$89,200</u>	<u>\$170</u>
10	<u>\$89,201</u>	<u>\$89,300</u>	<u>\$160</u>
11	<u>\$89,301</u>	<u>\$89,400</u>	<u>\$150</u>
12	<u>\$89,401</u>	<u>\$89,500</u>	<u>\$140</u>
13	<u>\$89,501</u>	<u>\$89,600</u>	<u>\$130</u>
14	<u>\$89,601</u>	<u>\$89,700</u>	<u>\$120</u>
15	<u>\$89,701</u>	<u>\$89,800</u>	<u>\$110</u>
16	<u>\$89,801</u>	<u>\$89,900</u>	<u>\$100</u>
17	<u>\$89,901</u>	<u>\$90,000</u>	<u>\$90</u>
18	<u>\$90,001</u>	<u>\$90,100</u>	<u>\$80</u>
19	<u>\$90,101</u>	<u>\$90,200</u>	<u>\$70</u>
20	<u>\$90,201</u>	<u>\$90,300</u>	<u>\$60</u>
21	<u>\$90,301</u>	<u>\$90,400</u>	<u>\$50</u>
22	<u>\$90,401</u>	<u>\$90,500</u>	<u>\$40</u>
23	<u>\$90,501</u>	<u>\$90,600</u>	<u>\$30</u>
24	<u>\$90,601</u>	<u>\$90,700</u>	<u>\$20</u>
25	<u>\$90,701</u>	<u>\$90,800</u>	<u>\$10</u>
26	<u>\$90,801 and up</u>		<u>\$0</u>

27 (4) The tables set forth in subdivisions ~~(a)(1) and (2)~~ (a)(1)-
 28 (3) of this section shall be adjusted annually in accordance with the method
 29 set forth in subsection (d) of this section.

30

31 SECTION 2. Arkansas Code § 26-51-205(a), concerning the income tax
 32 imposed on domestic corporations, is amended to add an additional subdivision
 33 to read as follows:

34 (5) For tax years beginning on or after January 1, 2024, every
 35 corporation organized under the laws of this state shall pay annually an
 36 income tax with respect to carrying on or doing business on the entire net

1 income of the corporation, as now defined by the laws of this state, received
2 by the corporation during the income year, on the following basis:

3 (A) On the first three thousand dollars (\$3,000) of net
4 income or any part thereof, one percent (1%);

5 (B) On the next three thousand dollars (\$3,000) of net
6 income or any part thereof, two percent (2%);

7 (C) On the next five thousand dollars (\$5,000) of net
8 income or any part thereof, three percent (3%); and

9 (D) On net income exceeding eleven thousand dollars
10 (\$11,000), four and eight-tenths percent (4.8%).

11
12 SECTION 3. Arkansas Code § 26-51-205(b), concerning the income tax
13 imposed on foreign corporations, is amended to add an additional subdivision
14 to read as follows:

15 (5) For tax years beginning on or after January 1, 2024, every
16 foreign corporation doing business within the jurisdiction of this state
17 shall pay annually an income tax on the proportion of its entire net income
18 as now defined by the income tax laws of this state, on the following basis:

19 (A) On the first three thousand dollars (\$3,000) of net
20 income or any part thereof, one percent (1%);

21 (B) On the next three thousand dollars (\$3,000) of net
22 income or any part thereof, two percent (2%);

23 (C) On the next five thousand dollars (\$5,000) of net
24 income or any part thereof, three percent (3%); and

25 (D) On net income exceeding eleven thousand dollars
26 (\$11,000), four and eight-tenths percent (4.8%).

27
28 SECTION 4. DO NOT CODIFY. TEMPORARY LANGUAGE. Inflationary relief
29 income tax credit.

30 (a) As used in this section, "resident" means natural persons and
31 includes, for the purpose of determining liability for the tax imposed by the
32 Income Tax Act of 1929, § 26-51-101 et seq., upon or with reference to the
33 income of any taxable year, any person domiciled in the State of Arkansas and
34 any other person who maintains a permanent place of abode within this state
35 and spends in the aggregate more than six (6) months of the taxable year
36 within this state.

(b)(1)(A) For the tax year beginning January 1, 2023, a resident individual taxpayer who files an Arkansas full-year resident income tax return, other than a joint return, having net income up to one hundred three thousand six hundred dollars (\$103,600) is allowed an income tax credit against the individual income tax imposed by the Income Tax Act of 1929, § 26-51-101 et seq., in accordance with the following table:

<u>From</u>	<u>Less Than or Equal to</u>	<u>Credit Amount</u>
<u>\$1</u>	<u>\$89,600</u>	<u>\$150</u>
<u>\$89,601</u>	<u>\$90,600</u>	<u>\$140</u>
<u>\$90,601</u>	<u>\$91,600</u>	<u>\$130</u>
<u>\$91,601</u>	<u>\$92,600</u>	<u>\$120</u>
<u>\$92,601</u>	<u>\$93,600</u>	<u>\$110</u>
<u>\$93,601</u>	<u>\$94,600</u>	<u>\$100</u>
<u>\$94,601</u>	<u>\$95,600</u>	<u>\$90</u>
<u>\$95,601</u>	<u>\$96,600</u>	<u>\$80</u>
<u>\$96,601</u>	<u>\$97,600</u>	<u>\$70</u>
<u>\$97,601</u>	<u>\$98,600</u>	<u>\$60</u>
<u>\$98,601</u>	<u>\$99,600</u>	<u>\$50</u>
<u>\$99,601</u>	<u>\$100,600</u>	<u>\$40</u>
<u>\$100,601</u>	<u>\$101,600</u>	<u>\$30</u>
<u>\$101,601</u>	<u>\$102,600</u>	<u>\$20</u>
<u>\$102,601</u>	<u>\$103,600</u>	<u>\$10</u>
<u>\$103,601 and up</u>		<u>\$0</u>

(B) Spouses filing separately on the same income tax return may each claim one (1) credit under subdivision (b)(1)(A) of this section against the tax on the return of each spouse.

(2)(A) For the tax year beginning January 1, 2023, resident individual taxpayers who file a joint Arkansas full year resident income tax return having net income up to two hundred seven thousand two hundred dollars (\$207,200) are allowed an income tax credit against the individual income tax imposed by the Income Tax Act of 1929, § 26-51-101 et seq., in accordance with the following table:

<u>From</u>	<u>Less Than or Equal to</u>	<u>Credit Amount</u>
<u>\$1</u>	<u>\$179,200</u>	<u>\$300</u>
<u>\$179,201</u>	<u>\$181,200</u>	<u>\$280</u>
<u>\$181,201</u>	<u>\$183,200</u>	<u>\$260</u>

1	<u>\$183,201</u>	<u>\$185,200</u>	<u>\$240</u>
2	<u>\$185,201</u>	<u>\$187,200</u>	<u>\$220</u>
3	<u>\$187,201</u>	<u>\$189,200</u>	<u>\$200</u>
4	<u>\$189,201</u>	<u>\$191,200</u>	<u>\$180</u>
5	<u>\$191,201</u>	<u>\$193,200</u>	<u>\$160</u>
6	<u>\$193,201</u>	<u>\$195,200</u>	<u>\$140</u>
7	<u>\$195,201</u>	<u>\$197,200</u>	<u>\$120</u>
8	<u>\$197,201</u>	<u>\$199,200</u>	<u>\$100</u>
9	<u>\$199,201</u>	<u>\$201,200</u>	<u>\$80</u>
10	<u>\$201,201</u>	<u>\$203,200</u>	<u>\$60</u>
11	<u>\$203,201</u>	<u>\$205,200</u>	<u>\$40</u>
12	<u>\$205,201</u>	<u>\$207,200</u>	<u>\$20</u>
13	<u>\$207,201 and up</u>		<u>\$0</u>

14 (B) Spouses filing jointly on the same income tax return
 15 shall receive only one (1) credit under subdivision (b)(2)(A) of this section
 16 against their aggregate tax.

17 (c) The income tax credits allowed under subdivisions (b)(1) and (2)
 18 of this section shall not be claimed by a taxpayer:

19 (1) For any tax year other than the tax year beginning on
 20 January 1, 2023; or

21 (2) Who files a nonresident return or a part-year resident
 22 return.

23 (d) The amount of the income tax credit under this section that may be
 24 claimed by a taxpayer in a tax year shall not exceed the amount of income tax
 25 due by the taxpayer.

26
 27 SECTION 5. EMERGENCY CLAUSE. It is found and determined by the
 28 General Assembly of the State of Arkansas that this act would create
 29 significant changes to the state's income tax laws; that taxpayers and
 30 employers plan to meet their obligations on a calendar-year basis; and that
 31 this act is immediately necessary to ensure the financial stability of the
 32 state, to allow taxpayers and employers time both to plan for and to
 33 implement the changes in law created by this act, and to ensure that the
 34 Department of Finance and Administration has sufficient time to update its
 35 forms and software and train its personnel in accordance with this act.
 36 Therefore, an emergency is declared to exist, and this act being immediately

1 necessary for the preservation of the public peace, health, and safety shall
2 become effective on:

3 (1) The date of its approval by the Governor;

4 (2) If the bill is neither approved nor vetoed by the Governor,
5 the expiration of the period of time during which the Governor may veto the
6 bill; or

7 (3) If the bill is vetoed by the Governor and the veto is
8 overridden, the date the last house overrides the veto.

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