

Stricken language would be deleted from and underlined language would be added to present law.

1 State of Arkansas  
2 95th General Assembly  
3 Regular Session, 2025  
4

*As Engrossed: H2/19/25*

## A Bill

HOUSE BILL 1065

5 By: Representatives Ray, Achor, Andrews, Barker, Beaty Jr., Beck, Bentley, S. Berry, Breaux, Brooks, A.  
6 Brown, K. Brown, M. Brown, N. Burkes, R. Burkes, Joey Carr, John Carr, Cavanaugh, C. Cooper,  
7 Cozart, Eaton, Eaves, Gonzales, Gramlich, Hawk, Holcomb, Hollowell, Hudson, Jean, Long, Lundstrum,  
8 Lynch, Maddox, McAlindon, McClure, McCollum, McGrew, B. McKenzie, S. Meeks, Milligan, Pilkington,  
9 R. Scott Richardson, Richmond, Rose, Rye, Schulz, Torres, Underwood, Unger, Wing, Wooten  
10 By: Senator J. Dismang  
11

### For An Act To Be Entitled

12 AN ACT TO CREATE THE INFLATION REDUCTION ACT OF 2025;  
13 TO AMEND THE STATE INCOME TAX LAWS; TO REMOVE THE CAP  
14 ON INCREASES TO THE STANDARD DEDUCTION AND INDIVIDUAL  
15 INCOME TAX TABLES DUE TO INFLATION; TO TIE INCREASES  
16 OF THE STANDARD DEDUCTION AND INDIVIDUAL INCOME TAX  
17 TABLES TO A REGIONAL INDEX OF THE CONSUMER PRICE  
18 INDEX; FOR OTHER PURPOSES.  
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### Subtitle

22 TO CREATE THE INFLATION REDUCTION ACT OF  
23 2025.  
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26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
27

28 SECTION 1. DO NOT CODIFY. Title.

29 This act shall be known and may be cited as the "Inflation Reduction  
30 Act of 2025."  
31

32 SECTION 2. Arkansas Code § 26-51-201(d)(2), concerning the method of  
33 annually adjusting the tables that determine the amount of individual income  
34 tax due, is amended to read as follows:

35 (2) For purposes of subdivision (d)(1) of this section, the  
36 cost-of-living adjustment for a calendar year is the percentage, if any, by



1 which the CPI for the current calendar year exceeds the CPI for the preceding  
2 calendar year, ~~not to exceed three percent (3%)~~. The CPI for any calendar  
3 year is the average of the Consumer Price Index as of the close of the  
4 twelve-month period ending on August 31 of such calendar year. "Consumer  
5 Price Index" means the last Consumer Price Index for ~~All Urban Consumers~~ the  
6 West South Central division of the South Region published by the United  
7 States Department of Labor.

8  
9 SECTION 3. Arkansas Code § 26-51-430(c), concerning the indexing of  
10 the standard income tax deduction to inflation, is amended to read as  
11 follows:

12 (c)(1) The Secretary of the Department of Finance and Administration  
13 shall increase annually the standard deduction provided under subsection (b)  
14 of this section by the cost-of-living adjustment for the current calendar  
15 year, rounding the amount to the nearest ten dollars (\$10.00).

16 (2)(A)(i) For purposes of subdivision (c)(1) of this section,  
17 the cost-of-living adjustment for a calendar year is the percentage, if any,  
18 by which the Consumer Price Index for the current calendar year exceeds the  
19 Consumer Price Index for the preceding calendar year, ~~not to exceed three~~  
20 ~~percent (3%)~~.

21 (ii) If the Consumer Price Index for the current  
22 calendar year does not exceed the Consumer Price Index for the preceding  
23 calendar year, the standard deduction shall not be adjusted under this  
24 subsection for that year.

25 (B) The Consumer Price Index for a calendar year is the  
26 average of the Consumer Price Index as of the close of the twelve-month  
27 period ending on August 31 of that calendar year.

28 (C) As used in this subsection, "Consumer Price Index"  
29 means the most recent Consumer Price Index for ~~All Urban Consumers~~ the West  
30 South Central division of the South Region published by the United States  
31 Department of Labor.

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33 SECTION 4. EFFECTIVE DATE. Sections 2 and 3 of this act are effective  
34 for tax years beginning on or after January 1, 2025.

35  
36 /s/Ray

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