

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

# A Bill

HOUSE BILL 1538

5 By: Representative Ray  
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## For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING THE NET OPERATING  
10 LOSS INCOME TAX DEDUCTION; TO INCREASE THE CARRY-  
11 FORWARD PERIOD FOR THE NET OPERATING LOSS INCOME TAX  
12 DEDUCTION; AND FOR OTHER PURPOSES.  
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## Subtitle

15 TO AMEND THE LAW CONCERNING THE NET  
16 OPERATING LOSS INCOME TAX DEDUCTION; AND  
17 TO INCREASE THE CARRY-FORWARD PERIOD FOR  
18 THE NET OPERATING LOSS INCOME TAX  
19 DEDUCTION.  
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22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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24 SECTION 1. DO NOT CODIFY. Legislative findings.

25 The General Assembly finds that:

26 (1) The state's income tax laws should be amended to modernize  
27 and simplify the tax code, increase Arkansas's competitiveness, create jobs,  
28 and ensure fairness to all taxpayers;

29 (2) Net operating loss carry-forward provisions promote tax  
30 neutrality by reducing tax burdens on businesses with cyclical income streams  
31 or exposure to economic downturns, regardless of size or age;

32 (3) Longer net operating loss carry-forward provisions promote  
33 longevity and facilitate future growth in start-up businesses, expansion of  
34 existing operations, and new facility locations; and

35 (4) Federal net operating losses are carried forward  
36 indefinitely up to eighty percent (80%) in one (1) year, and many states



1 conform to the federal law or provide uncapped twenty-year carry-forward  
2 periods, while Arkansas is in the minority with a ten-year carry-forward  
3 period.

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5 SECTION 2. Arkansas Code § 15-4-2404(a), concerning the net operating  
6 loss deduction carry-forward period for certain steel manufacturers, is  
7 amended to read as follows:

8 (a) Taxpayers qualified for the benefits of this subchapter and  
9 entitled to a net operating loss deduction as provided in § 26-51-427 may  
10 carry forward that deduction to the next-succeeding taxable year following  
11 the year of the net operating loss and annually thereafter for a total period  
12 of ~~ten (10)~~ twenty (20) years or until the net operating loss has been  
13 exhausted, whichever is earlier.

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15 SECTION 3. Arkansas Code § 26-51-427(1)(C)(i), concerning the carry-  
16 forward period for the income tax deduction for net operating loss, is  
17 amended to read as follows:

18 (C)(i) For net operating losses occurring in taxable years  
19 beginning on or after January 1, 2020, the net operating loss may be carried  
20 over to the next succeeding taxable year and annually thereafter for the  
21 following number of years next succeeding the tax year of the net operating  
22 loss or until the net operating loss has been exhausted or absorbed by the  
23 taxable income of a succeeding year, whichever is earlier:

24 (a) For net operating losses occurring in the  
25 tax year beginning January 1, 2020, a total period of eight (8) years; ~~and~~

26 (b) For net operating losses occurring in tax  
27 years beginning on or after January 1, 2021, a total period of ten (10)  
28 years; and

29 (c) For net operating losses occurring in tax  
30 years beginning on or after January 1, 2025, a total period of twenty (20)  
31 years.

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33 SECTION 4. Arkansas Code § 26-51-427(1)(E)(ii), concerning the carry-  
34 forward period for the income tax deduction for net operating loss, is  
35 amended to read as follows:

36 (ii) In the case of a qualified medical company, a

1 net operating loss for any taxable year shall be a net operating loss  
2 carryover to each of the ~~fifteen (15)~~ twenty (20) taxable years following the  
3 taxable year of the loss.

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5 SECTION 5. Arkansas Code § 26-51-427(1)(E)(iv), concerning the carry-  
6 forward period for the income tax deduction for net operating loss, is  
7 amended to read as follows:

8 (iv) The net operating loss provisions stated in  
9 this subdivision (1)(E), which resulted from the operation of a qualified  
10 medical company, are effective for taxable years beginning on and after  
11 January 1, ~~1987~~ 2025;

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13 SECTION 6. Arkansas Code § 26-51-1203(a), concerning the carry-forward  
14 period for the net operating loss deduction for certain steel mills, is  
15 amended to read as follows:

16 (a) Taxpayers qualified under § 26-51-1202(a) and (b), entitled to a  
17 net operating loss deduction as provided in § 26-51-427, may carry forward  
18 that deduction to the next succeeding taxable year following the year of the  
19 net operating loss and annually thereafter for a total period of ~~ten (10)~~  
20 twenty (20) years or until the net operating loss has been exhausted,  
21 whichever is earlier.

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23 SECTION 7. Arkansas Code § 26-51-1213(a), concerning the carry-forward  
24 period for the net operating loss deduction for certain steel mills, is  
25 amended to read as follows:

26 (a) Taxpayers qualified under § 26-51-1212(2) and entitled to a net  
27 operating loss deduction as provided in § 26-51-427 may carry forward that  
28 deduction to the next-succeeding taxable year following the year of such net  
29 operating loss and annually thereafter for a total period of ~~ten (10)~~ twenty  
30 (20) years or until such net operating loss has been exhausted, whichever is  
31 earlier.

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33 SECTION 8. Arkansas Code § 26-52-913 is amended to read as follows:  
34 26-52-913. Net operating loss deduction – Carry forward.

35 Taxpayers qualified under § 26-52-912(2) and entitled to a net  
36 operating loss deduction as provided in § 26-51-427 may carry forward that

1 deduction to the next-succeeding taxable year following the year of the net  
2 operating loss and annually thereafter for a total period of ~~ten (10)~~ twenty  
3 (20) years or until the net operating loss has been exhausted, whichever is  
4 earlier. The net operating loss deduction must be carried forward in the  
5 order named above.

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7 SECTION 9. EFFECTIVE DATE. Sections 1-8 of this act are effective for  
8 tax years beginning on or after January 1, 2025.

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