

**Summary of Tax Bill
November 16, 2021**

1. Long Term Reserve Fund

- The fund's name would change to "Catastrophic Reserve Fund." **[Bill §§ 1–4]**
- Some fiscal measures would be established to ensure the fund stays at 20% of net general revenues disbursed. Specifically, the distribution of the first \$200 million available after the Treasurer of State makes the maximum annual allocations called for under Revenue Stabilization under § 19-5-402 is changed. **[Bill § 1]**
 - Seventy-five percent of the first \$200 million and any remaining funds above the \$200 million would be used to, first, top off the Catastrophic Reserve Fund up to 20% of the general revenues disbursed, at which the Fund would be capped. Any remaining funds would go to the General Revenue Allotment Reserve Fund to be used as otherwise provided by law.
 - The other twenty-five percent of the first \$200 million and any remaining funds above the \$200 million, not to exceed \$50M, would be transferred on the last business day in each calendar month to the State Highway and Transportation Department.

2. Individual income tax brackets and rates. [Bill § 5]

- Reduce the tax tables from three to two by combining the lower and middle tables. Effective January 1, 2022, the new brackets would be as follows:

Low/Medium Income Combined Table: net income ≤ \$84,500		
From	To	Rate of Tax
\$0	\$4,999	0%
\$5,000	\$9,999	2%
\$10,000	\$14,299	3%
\$14,300	\$23,599	3.4%
\$23,600	\$39,699	5%
\$39,700	\$84,500	5.5%

High Income Table: rates for net income > \$84,500		
From	To	Rate of Tax
\$0	\$4,300	2%
\$4,301	\$8,500	4%
\$8,501 and up		5.5%

- On January 1, 2023, the top rate in both tables will drop to 5.3%.
- On January 1, 2024 and January 1, 2025, the top rate in both tables will drop to 5.1% and 4.9%, respectively, **only if** no funds are transferred from the Catastrophic Reserve Fund.
 - If such a transfer is made between January 1, 2022 and December 31, 2023 inclusive, then the 5.1% and 4.9% rate cuts wouldn't just be paused, they'd never occur.
 - If such a transfer is made between January 1, 2024 and December 31, 2024 inclusive, then the 5.1% rate would remain and the 4.9% rate cut wouldn't just be paused but would never occur.
- The rate of the pass-through entity tax is amended to ensure it aligns with the top individual marginal income-tax rates each year as they are reduced. **[Bill § 11]**
- Cliff adjustments **[Bill § 5]**: The bill contains provisions to smooth the cliff for those taxpayers whose net income is barely above the income threshold that bumps them into the

higher table (i.e. > \$84,500). The cliff smoothing is done in the form of bracket adjustments, which diminish year-by-year as the top tax rate itself diminishes.

- Under the credit, taxpayers whose taxable income is between \$84,501 and \$84,600 receive the full amount of the nonrefundable tax credit, which is detailed below.
- The full credit phases out in \$10 increments for every additional \$100 in taxable income over the \$84,501 threshold.
- As the top tax rate drops each year, the cliff becomes smoother on its own, and the amount of the full credit is reduced but continues to phase out as noted above:
 - 2022: \$610
 - 2023: \$548
 - 2024: \$485
 - 2025: \$439
- The amount of the 2024 and 2025 adjustments are dependent on whether the individual income tax rates themselves reduce to the amounts noted above. Therefore, the 2024 and 2025 bracket adjustments will reduce **only if** no funds are transferred from the Catastrophic Reserve Fund.

3. Corporate income tax rates for both domestic and foreign corporations. [Bill §§ 6 & 7]

- On January 1, 2023, the top corporate income tax rate will drop from 5.9% to 5.7%.
- On January 1, 2024 and January 1, 2025, the top rate will drop to 5.5% and 5.3%, respectively, **only if** no funds are transferred from the Catastrophic Reserve Fund.
 - If such a transfer is made between January 1, 2022 and December 31, 2023 inclusive, then the 5.5% and 5.3% rate cuts wouldn't just be paused, they'd never occur.
 - If such a transfer is made between January 1, 2024 and December 31, 2024 inclusive, then the 5.5% rate would remain and the 5.3% rate cut wouldn't just be paused, they'd never occur.

4. Coronavirus Food Assistance Program (CFAP). [Bill § 8]

Update the existing income tax exemption for the Coronavirus Food Assistance Program to provide that payments received under the Coronavirus Food Assistance Program 1, the Coronavirus Food Assistance Program 2, or any successor program or programs is excluded from gross income for purposes of income tax.

5. Standard deduction. Index the standard deduction to the Consumer Price Index. [Bill § 9]

6. Lower Income Nonrefundable Income Tax Credit. [Bill § 10]

- Taxpayers whose taxable income is at or below \$23,600 and who timely file a tax return receive a \$60 nonrefundable tax credit.
- The \$60 credit phases out in \$5 increments for every additional \$100 in taxable income over the \$23,600 threshold. For example, taxpayers with a taxable income up to \$23,650 receive a \$55 nonrefundable credit; taxpayers with income up to \$23,750 receive a \$50 nonrefundable credit. The credit continues being reduced by \$5 increments per each additional \$100 until the credit is exhausted at \$24,700.
- The income thresholds that determine the amount of the credit for which a taxpayer qualifies are indexed to inflation.

7. "Do Not Codify" Section [Bill § 12]

- This section requires the Secretary of DFA to notify the public and BLR about whether or not the triggers in 2024 and 2025 have taken effect.
- This section also makes clear that the Section 4 of the bill (re. individual income tax) does not affect any taxpayer's obligations under individual income tax law that were incurred before January 1, 2022.

8. Effective Date [Bill § 13]

This section clarifies that sections 5, 6, 7, 9, 10, and 11 are effective for tax years beginning on or after January 1, 2022.

9. Emergency Clause [Bill § 14]

The bill contains an emergency clause that renders the bill effective immediately.

1 State of Arkansas
2 93rd General Assembly
3 Second Extraordinary Session, 2021
4

A Bill

DRAFT RWO/RWO
HOUSE BILL

5 By: Representative <NA>
6 By: Senator <NA>
7

For An Act To Be Entitled

9 AN ACT TO PROVIDE FOR INCOME TAX REDUCTIONS THAT
10 PRESERVE THE STATE'S ABILITY TO BUILD AND MAINTAIN
11 RESERVE FUNDS AND ENSURE FINANCIAL SECURITY; TO AMEND
12 THE INCOME TAX BRACKETS AND RATES FOR INDIVIDUALS; TO
13 AMEND THE INCOME TAX RATES FOR CORPORATIONS IF
14 CERTAIN CONDITIONS RELATED TO THE STATE'S RESERVE
15 FUNDS ARE MET; TO CHANGE THE NAME OF THE LONG TERM
16 RESERVE FUND AND ENSURE IT IS ADEQUATELY FUNDED; TO
17 CREATE AN INCOME TAX CREDIT FOR CERTAIN TAXPAYERS; TO
18 INDEX THE STANDARD DEDUCTION TO THE CONSUMER PRICE
19 INDEX; TO DECLARE AN EMERGENCY; AND FOR OTHER
20 PURPOSES.
21
22

Subtitle

23 TO AMEND THE STATE INCOME TAX; TO CHANGE
24 THE NAME AND FUNDING OF THE LONG TERM
25 RESERVE FUND; AND TO DECLARE AN
26 EMERGENCY.
27
28
29

30 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
31

32 SECTION 1. Arkansas Code § 19-5-406 is amended to read as follows:
33 19-5-406. Transfer of remaining revenues.

34 (a) After making the maximum annual allocation as provided for in §
35 19-5-402+,

36 ~~(1)~~—The the first two hundred million dollars (\$200,000,000)

1 shall be distributed as follows:

2 ~~(A)~~(1) Seventy-five percent (75%) of the remaining general
 3 revenues available for distribution during each fiscal year shall be
 4 transferred on the last day of business in each calendar month to the General
 5 Revenue Allotment Reserve Fund, there to be used ~~for the respective purposes~~
 6 ~~as provided by law~~ as stated under subsection (b) of this section; and

7 ~~(B)~~(2) Twenty-five percent (25%) of the remaining general
 8 revenues available for distribution during each fiscal year, but not to
 9 exceed fifty million dollars (\$50,000,000) each fiscal year, shall be
 10 transferred on the last day of business in each calendar month to the State
 11 Highway and Transportation Department Fund; ~~and.~~

12 (b)(1) The Chief Fiscal Officer of the State shall determine whether
 13 the balance of the Catastrophic Reserve Fund is twenty percent (20%) of the
 14 total amount of general revenue funds last distributed under § 19-5-402.

15 (2) If the Chief Fiscal Officer of the State determines that the
 16 balance of the Catastrophic Reserve Fund is less than twenty percent (20%) of
 17 the total amount of general revenue funds last distributed under § 19-5-402,
 18 then after the distributions under subsection (a) of this section, any
 19 additional revenue, including the distributions under subdivision (a)(1) of
 20 this section and any additional revenues in excess of those distributed under
 21 subsection (a), shall be transferred to the Catastrophic Reserve Fund to
 22 ensure that the Catastrophic Reserve Fund balance equals but does not exceed
 23 twenty percent (20%) of the total amount of general revenue funds last
 24 distributed under § 19-5-402.

25 (3) If it is determined that the balance of the Catastrophic
 26 Reserve Fund exceeds twenty percent (20%) of the total amount of general
 27 revenue funds last distributed under § 19-5-402, the amount in excess shall
 28 remain in the Catastrophic Reserve Fund unless the General Assembly directs
 29 otherwise.

30 ~~(2)~~(c) Any additional revenues available after the distributions in
 31 ~~subdivision (1)~~ subsection (b) of this section shall be transferred on the
 32 last day of business in each calendar month to the General Revenue Allotment
 33 Reserve Fund, there to be used for the respective purposes as provided by
 34 law.

35

36 SECTION 2. Arkansas Code § 19-5-905(a)(12), concerning the uses of

1 funds in the Securities Reserve Fund, is amended to read as follows:

2 (12) After all distributions and transfers under this section,
3 less one hundred thousand dollars (\$100,000) under § 19-3-521(a)(2), for a
4 transfer by the Chief Fiscal Officer of the State on the last business day of
5 the fiscal year of the fund balance to the ~~Long-Term~~ Catastrophic Reserve
6 Fund.

7
8 SECTION 3. Arkansas Code § 19-6-486 is amended to read as follows:

9 19-6-486. ~~Long-Term~~ Catastrophic Reserve Fund.

10 (a) There is created on the books of the Treasurer of State, the
11 Auditor of State, and the Chief Fiscal Officer of the State a special revenue
12 fund to be known as the "~~Long-Term~~ Catastrophic Reserve Fund".

13 (b) The ~~Long-Term~~ Catastrophic Reserve Fund shall consist of such
14 funds as may be provided by the General Assembly.

15 (c) The ~~Long-Term~~ Catastrophic Reserve Fund shall be used to
16 distribute moneys to one (1) or more funds or fund accounts in the Revenue
17 Stabilization Law, § 19-5-101 et seq.

18 (d)(1) After determining the estimated amount of general revenue that
19 will be available for allocation to the state agencies under the Revenue
20 Stabilization Law, § 19-5-101 et seq., and after making the determination
21 required by § 19-5-1227(c) and prior to making any transfers deemed necessary
22 by the Chief Fiscal Officer of the State in § 19-5-1227(d), the Chief Fiscal
23 Officer of the State may transfer funds from the ~~Long-Term~~ Catastrophic
24 Reserve Fund in the event a "revenue shortfall" exists to meet the state's
25 financial obligation to provide an adequate educational system for the state
26 and to provide for the effective operation of state government. In the event
27 the Chief Fiscal Officer of the State determines that a "revenue shortfall"
28 exists as defined as a circumstance when the official forecast of gross
29 general revenue certified by the Chief Fiscal Officer of the State is
30 projected to increase less than three percent (3%) over and above the gross
31 general revenue collections of the previous fiscal year due to changes in
32 economic conditions, ~~he or she~~ the Chief Fiscal Officer of the State may then
33 transfer funds from the ~~Long-Term~~ Catastrophic Reserve Fund, as approved by a
34 vote of at least two-thirds (⅔) of the members of the Legislative Council or
35 at least two-thirds (⅔) of the members of the Joint Budget Committee, to
36 various funds and fund accounts, as deemed necessary, in the Revenue

1 Stabilization Law, § 19-5-101 et seq., for the purpose of meeting
2 unanticipated shortfalls in state general revenue.

3 (2) Or the Chief Fiscal Officer of the State may transfer funds
4 from the ~~Long-Term~~ Catastrophic Reserve Fund to the Economic Development
5 Superprojects Project Fund for projects authorized under Arkansas
6 Constitution, Amendment 82, as approved by the Governor and at least two-
7 thirds ($\frac{2}{3}$) of the members of the Legislative Council or at least two-thirds
8 ($\frac{2}{3}$) of the members of the Joint Budget Committee.

9 (e)(1) Upon recommendation by the Chief Fiscal Officer of the State,
10 the Governor may determine that circumstances exist that meet the
11 requirements for the utilization of the ~~Long-Term~~ Catastrophic Reserve Fund
12 as set out in this section, and the procedures ~~set out herein~~ under this
13 section shall apply.

14 (2) When the Governor determines there is a need requiring
15 transfer from the ~~Long-Term~~ Catastrophic Reserve Fund, he or she shall
16 instruct the Chief Fiscal Officer of the State to prepare and submit written
17 documentation to the Legislative Council or the Joint Budget Committee. Such
18 documentation shall include:

19 (A) Sufficient financial data that will enable the
20 verification of the existence of an emergency and the amount necessary to
21 address the need for ~~long-term reserve~~ funds from the Catastrophic Reserve
22 Fund;

23 (B) A proposed distribution of moneys from the ~~Long-Term~~
24 Catastrophic Reserve Fund to one (1) or more funds or fund accounts in the
25 Revenue Stabilization Law, § 19-5-101 et seq., or to the Economic Development
26 Superprojects Project Fund, or both; and

27 (C) A statement certifying that no other funds are
28 available that could be transferred in lieu of the funds in the ~~Long-Term~~
29 Catastrophic Reserve Fund.

30 (3) ~~Such documentation~~ Documentation under subdivision (e)(2) of
31 this section shall be submitted to the Legislative Council or Joint Budget
32 Committee for approval ~~prior to~~ before the implementation of the proposed
33 distribution.

34 (4)(A) The Chief Fiscal Officer of the State, after having
35 sought and received prior approval of at least two-thirds ($\frac{2}{3}$) of the members
36 of the Legislative Council or at least two-thirds ($\frac{2}{3}$) of the members of the

1 Joint Budget Committee, shall cause the required transfers to be made on his
2 or her books and on the books of the Treasurer of State and the Auditor of
3 State from the ~~Long Term~~ Catastrophic Reserve Fund to the appropriate funds
4 and fund accounts in the Revenue Stabilization Law, § 19-5-101 et seq., or to
5 the Economic Development Superprojects Project Fund, or both.

6 (B) In no event shall the amounts transferred in any
7 fiscal year to the funds and fund accounts in the Revenue Stabilization Law,
8 § 19-5-101 et seq., by this section cause the general revenues to exceed the
9 maximum allocations authorized in the Revenue Stabilization Law, § 19-5-101
10 et seq.

11 (f) Determining the maximum amount of appropriation and general
12 revenue funding for a state agency each fiscal year is the prerogative of the
13 General Assembly. This is usually accomplished by delineating such maximums
14 in the appropriation acts for a state agency and the general revenue
15 allocations authorized for each fund and fund account by amendment to the
16 Revenue Stabilization Law, § 19-5-101 et seq. Further, the General Assembly
17 has determined that creating the ~~Long Term~~ Catastrophic Reserve Fund and
18 establishing the procedures for the transfer of funds to various funds and
19 fund accounts in the Revenue Stabilization Law, § 19-5-101 et seq., or to the
20 Economic Development Superprojects Project Fund, or both, provides for the
21 efficient and effective operation of state government if a revenue shortfall
22 is determined to exist. Therefore, it is both necessary and appropriate that
23 the General Assembly maintain oversight by requiring prior approval of the
24 Legislative Council or Joint Budget Committee as provided by this section.
25 The requirement of approval by the Legislative Council or Joint Budget
26 Committee is not a severable part of this section. If the requirement of
27 approval by the Legislative Council or Joint Budget Committee is ruled
28 unconstitutional by a court of competent jurisdiction, this entire section is
29 void.

30 ~~(g) During each fiscal year, after the provisions of § 19-5-1004(b)(2)~~
31 ~~are complied with, the Chief Fiscal Officer of the State shall replenish the~~
32 ~~Long Term Reserve Fund by transferring no more than fifty percent (50%) of~~
33 ~~the balance in the General Revenue Allotment Reserve Fund or an amount equal~~
34 ~~to all transfers made under this section during the fiscal year immediately~~
35 ~~preceding the fiscal year in which such replenishment is made under this~~
36 ~~section, whichever is less, to the Long Term Reserve Fund.~~

1
 2 SECTION 4. Arkansas Code § 26-26-310(b)(2)(D)(iii)(b), concerning the
 3 certification of the amount of property tax reduction, is amended to read as
 4 follows:

5 (b) Except as provided in subdivision (b)(2)(D)(iii)(a) of this
 6 section, the revenues credited to the Property Tax Relief Trust Fund in
 7 excess of the amount determined under subdivision (b)(2)(D)(ii) of this
 8 section shall be transferred from the Property Tax Relief Trust Fund to the
 9 ~~Long Term~~ Catastrophic Reserve Fund.

10
 11 SECTION 5. Arkansas Code § 26-51-201(a), concerning the rate of tax
 12 levied on the income of individuals, trusts, and estates, is amended to read
 13 as follows:

14 (a) ~~For tax years beginning on and after January 1, 2014, a~~ A tax is
 15 imposed upon, ~~and with respect to,~~ the entire income of every resident,
 16 individual, trust, or estate. The tax shall be levied, collected, and paid
 17 annually upon the entire net income as defined and computed in this chapter
 18 at the following rates, giving effect to the tax credits provided hereafter,
 19 in the manner set forth:

20 ~~(1) On the first four thousand two hundred ninety nine dollars~~
 21 ~~(\$4,299) of net income or any part thereof, nine tenths percent (0.9%);~~

22 ~~(2) On the next four thousand one hundred dollars (\$4,100) of~~
 23 ~~net income or any part thereof, two and five tenths percent (2.5%);~~

24 ~~(3) On the next four thousand two hundred dollars (\$4,200) of~~
 25 ~~net income or any part thereof, three and five tenths percent (3.5%);~~

26 ~~(4) On the next eight thousand four hundred dollars (\$8,400) of~~
 27 ~~net income or any part thereof, four and five tenths percent (4.5%);~~

28 ~~(5) On the next fourteen thousand one hundred dollars (\$14,100)~~
 29 ~~of net income or any part thereof, six percent (6%);~~

30 ~~(6) On net income of thirty five thousand one hundred dollars~~
 31 ~~(\$35,100) and above, seven percent (7%);~~

32 ~~(7) Every resident, individual, trust, or estate having net~~
 33 ~~income greater than or equal to twenty two thousand two hundred dollars~~
 34 ~~(\$22,200), but less than or equal to seventy nine thousand three hundred~~
 35 ~~dollars (\$79,300), shall determine the amount of income tax due under this~~
 36 ~~subsection in accordance with the table set forth below:~~

1	From	Less Than or Equal To	Rate
2			
3	\$0	\$4,499	0.75%
4	\$4,500	\$8,899	2.5%
5	\$8,900	\$13,399	3.5%
6	\$13,400	\$22,199	4.5%
7	\$22,200	\$37,199	5%
8	\$37,200	\$79,300	5.9%

9

10 ~~(8) Every resident, individual, trust, or estate having net~~
 11 ~~income of less than twenty-two thousand two hundred dollars (\$22,200) shall~~
 12 ~~determine the amount of income tax due under this subsection in accordance~~
 13 ~~with the table set forth below:~~

14	From	Less Than or Equal To	Rate
15			
16	\$0	\$4,499	0%
17	\$4,500	\$8,899	2%
18	\$8,900	\$13,399	3%
19	\$13,400	\$22,199	3.4%

20

21 ~~(9)(A) For the tax year beginning January 1, 2020, every~~
 22 ~~resident, individual, trust, or estate having net income of more than~~
 23 ~~seventy-nine thousand three hundred dollars (\$79,300) shall determine the~~
 24 ~~amount of income tax due under this subsection in accordance with the table~~
 25 ~~set forth below:~~

26	From	Less Than or Equal To	Rate
27			
28	\$0	\$4,000	2%
29	\$4,001	\$8,000	4%
30	\$8,001	\$79,300	5.9%
31	\$79,301 and above		6.6%

32

33 ~~(B) For tax years beginning on and after January 1, 2021,~~
 34 ~~every resident, individual, trust, or estate having net income of more than~~
 35 ~~seventy-nine thousand three hundred dollars (\$79,300) shall determine the~~
 36 ~~amount of income tax due under this subsection in accordance with the table~~

1 ~~set forth below:~~

2 From	Less Than or Equal To	Rate
3		
4 \$0	\$4,000	2%
5 \$4,001	\$8,000	4%
6 \$8,001 and above		5.9%

7

8 ~~(10) Every resident, individual, trust, or estate having~~
 9 ~~net income of more than seventy nine thousand three hundred dollars~~
 10 ~~(\$79,300), but not more than eighty four thousand six hundred dollars~~
 11 ~~(\$84,600), shall reduce the amount of income tax due as determined under~~
 12 ~~subdivision (a)(9) of this section by deducting a bracket adjustment amount~~
 13 ~~in accordance with the table set forth below:~~

14 From	Less Than or Equal To	Bracket- Adjustment Amount
15		
16		
17		
18 \$79,301	\$80,300	\$440
19 \$80,301	\$81,300	\$340
20 \$81,301	\$82,500	\$240
21 \$82,501	\$83,600	\$140
22 \$83,601	\$84,600	\$40
23 \$84,601 and above		\$0

24

25 (1)(A) On and after January 1, 2022, every resident, individual,
 26 trust, or estate having net income less than or equal to eighty-four thousand
 27 five hundred dollars (\$84,500) shall determine the amount of income tax due
 28 under this subsection in accordance with the table set forth below:

29 <u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
30		
31 <u>\$0</u>	<u>\$4,999</u>	<u>0%</u>
32 <u>\$5,000</u>	<u>\$9,999</u>	<u>2%</u>
33 <u>\$10,000</u>	<u>\$14,299</u>	<u>3%</u>
34 <u>\$14,300</u>	<u>\$23,599</u>	<u>3.4%</u>
35 <u>\$23,600</u>	<u>\$39,699</u>	<u>5%</u>
36 <u>\$39,700</u>	<u>\$84,500</u>	<u>5.5%</u>

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(B) On and after January 1, 2022, every resident, individual, trust, or estate having net income greater than eighty-four thousand five hundred dollars (\$84,500) shall determine the amount of income tax due under this subsection in accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
<u>\$0</u>	<u>\$4,300</u>	<u>2%</u>
<u>\$4,301</u>	<u>\$8,500</u>	<u>4%</u>
<u>\$8,501 and above</u>		<u>5.5%</u>

(C) For tax years beginning on or after January 1, 2022, every resident, individual, trust, or estate having net income greater than or equal to eighty-four thousand five hundred one dollars (\$84,501) but not greater than ninety thousand six hundred dollars (\$90,600) shall reduce the amount of income tax due as determined under subdivision (a)(1)(B) of this section by deducting a bracket adjustment 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>\$84,501</u>	<u>\$84,600</u>	<u>\$610</u>
<u>\$84,601</u>	<u>\$84,700</u>	<u>\$600</u>
<u>\$84,701</u>	<u>\$84,800</u>	<u>\$590</u>
<u>\$84,801</u>	<u>\$84,900</u>	<u>\$580</u>
<u>\$84,901</u>	<u>\$85,000</u>	<u>\$570</u>
<u>\$85,001</u>	<u>\$85,100</u>	<u>\$560</u>
<u>\$85,101</u>	<u>\$85,200</u>	<u>\$550</u>
<u>\$85,201</u>	<u>\$85,300</u>	<u>\$540</u>
<u>\$85,301</u>	<u>\$85,400</u>	<u>\$530</u>
<u>\$85,401</u>	<u>\$85,500</u>	<u>\$520</u>
<u>\$85,501</u>	<u>\$85,600</u>	<u>\$510</u>
<u>\$85,601</u>	<u>\$85,700</u>	<u>\$500</u>
<u>\$85,701</u>	<u>\$85,800</u>	<u>\$490</u>
<u>\$85,801</u>	<u>\$85,900</u>	<u>\$480</u>

1	<u>\$85,901</u>	<u>\$86,000</u>	<u>\$470</u>
2	<u>\$86,001</u>	<u>\$86,100</u>	<u>\$460</u>
3	<u>\$86,101</u>	<u>\$86,200</u>	<u>\$450</u>
4	<u>\$86,201</u>	<u>\$86,300</u>	<u>\$440</u>
5	<u>\$86,301</u>	<u>\$86,400</u>	<u>\$430</u>
6	<u>\$86,401</u>	<u>\$86,500</u>	<u>\$420</u>
7	<u>\$86,501</u>	<u>\$86,600</u>	<u>\$410</u>
8	<u>\$86,601</u>	<u>\$86,700</u>	<u>\$400</u>
9	<u>\$86,701</u>	<u>\$86,800</u>	<u>\$390</u>
10	<u>\$86,801</u>	<u>\$86,900</u>	<u>\$380</u>
11	<u>\$86,901</u>	<u>\$87,000</u>	<u>\$370</u>
12	<u>\$87,001</u>	<u>\$87,100</u>	<u>\$360</u>
13	<u>\$87,101</u>	<u>\$87,200</u>	<u>\$350</u>
14	<u>\$87,201</u>	<u>\$87,300</u>	<u>\$340</u>
15	<u>\$87,301</u>	<u>\$87,400</u>	<u>\$330</u>
16	<u>\$87,401</u>	<u>\$87,500</u>	<u>\$320</u>
17	<u>\$87,501</u>	<u>\$87,600</u>	<u>\$310</u>
18	<u>\$87,601</u>	<u>\$87,700</u>	<u>\$300</u>
19	<u>\$87,701</u>	<u>\$87,800</u>	<u>\$290</u>
20	<u>\$87,801</u>	<u>\$87,900</u>	<u>\$280</u>
21	<u>\$87,901</u>	<u>\$88,000</u>	<u>\$270</u>
22	<u>\$88,001</u>	<u>\$88,100</u>	<u>\$260</u>
23	<u>\$88,101</u>	<u>\$88,200</u>	<u>\$250</u>
24	<u>\$88,201</u>	<u>\$88,300</u>	<u>\$240</u>
25	<u>\$88,301</u>	<u>\$88,400</u>	<u>\$230</u>
26	<u>\$88,401</u>	<u>\$88,500</u>	<u>\$220</u>
27	<u>\$88,501</u>	<u>\$88,600</u>	<u>\$210</u>
28	<u>\$88,601</u>	<u>\$88,700</u>	<u>\$200</u>
29	<u>\$88,701</u>	<u>\$88,800</u>	<u>\$190</u>
30	<u>\$88,801</u>	<u>\$88,900</u>	<u>\$180</u>
31	<u>\$88,901</u>	<u>\$89,000</u>	<u>\$170</u>
32	<u>\$89,001</u>	<u>\$89,100</u>	<u>\$160</u>
33	<u>\$89,101</u>	<u>\$89,200</u>	<u>\$150</u>
34	<u>\$89,201</u>	<u>\$89,300</u>	<u>\$140</u>
35	<u>\$89,301</u>	<u>\$89,400</u>	<u>\$130</u>
36	<u>\$89,401</u>	<u>\$89,500</u>	<u>\$120</u>

1	<u>\$89,501</u>	<u>\$89,600</u>	<u>\$110</u>
2	<u>\$89,601</u>	<u>\$89,700</u>	<u>\$100</u>
3	<u>\$89,701</u>	<u>\$89,800</u>	<u>\$90</u>
4	<u>\$89,801</u>	<u>\$89,900</u>	<u>\$80</u>
5	<u>\$89,901</u>	<u>\$90,000</u>	<u>\$70</u>
6	<u>\$90,001</u>	<u>\$90,100</u>	<u>\$60</u>
7	<u>\$90,101</u>	<u>\$90,200</u>	<u>\$50</u>
8	<u>\$90,201</u>	<u>\$90,300</u>	<u>\$40</u>
9	<u>\$90,301</u>	<u>\$90,400</u>	<u>\$30</u>
10	<u>\$90,401</u>	<u>\$90,500</u>	<u>\$20</u>
11	<u>\$90,501</u>	<u>\$90,600</u>	<u>\$10</u>
12	<u>\$90,601 and up</u>		<u>\$0</u>

13

14 (2)(A) On and after January 1, 2023, every resident, individual,
 15 trust, or estate having net income less than or equal to eighty-four thousand
 16 five hundred dollars (\$84,500) shall determine the amount of income tax due
 17 under this subsection in accordance with the table set forth below:

18	<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
19			
20	<u>\$0</u>	<u>\$4,999</u>	<u>0%</u>
21	<u>\$5,000</u>	<u>\$9,999</u>	<u>2%</u>
22	<u>\$10,000</u>	<u>\$14,299</u>	<u>3%</u>
23	<u>\$14,300</u>	<u>\$23,599</u>	<u>3.4%</u>
24	<u>\$23,600</u>	<u>\$39,699</u>	<u>5%</u>
25	<u>\$39,700</u>	<u>\$84,500</u>	<u>5.3%</u>

26

27 (B) On and after January 1, 2023, every resident,
 28 individual, trust, or estate having net income greater than eighty-four
 29 thousand five hundred dollars (\$84,500) shall determine the amount of income
 30 tax due under this subsection in accordance with the table set forth below:

31	<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
32			
33	<u>\$0</u>	<u>\$4,300</u>	<u>2%</u>
34	<u>\$4,301</u>	<u>\$8,500</u>	<u>4%</u>
35	<u>\$8,501 and above</u>		<u>5.3%</u>

36

(C) For tax years beginning on or after January 1, 2023, every resident, individual, trust, or estate having net income greater than or equal to eighty-four thousand five hundred one dollars (\$84,501) but not greater than ninety thousand dollars (\$90,000) shall reduce the amount of income tax due as determined under subdivision (a)(2)(B) of this section by deducting a bracket adjustment 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>\$84,501</u>	<u>\$84,600</u>	<u>\$548</u>
<u>\$84,601</u>	<u>\$84,700</u>	<u>\$538</u>
<u>\$84,701</u>	<u>\$84,800</u>	<u>\$528</u>
<u>\$84,801</u>	<u>\$84,900</u>	<u>\$518</u>
<u>\$84,901</u>	<u>\$85,000</u>	<u>\$508</u>
<u>\$85,001</u>	<u>\$85,100</u>	<u>\$498</u>
<u>\$85,101</u>	<u>\$85,200</u>	<u>\$488</u>
<u>\$85,201</u>	<u>\$85,300</u>	<u>\$478</u>
<u>\$85,301</u>	<u>\$85,400</u>	<u>\$468</u>
<u>\$85,401</u>	<u>\$85,500</u>	<u>\$458</u>
<u>\$85,501</u>	<u>\$85,600</u>	<u>\$448</u>
<u>\$85,601</u>	<u>\$85,700</u>	<u>\$438</u>
<u>\$85,701</u>	<u>\$85,800</u>	<u>\$428</u>
<u>\$85,801</u>	<u>\$85,900</u>	<u>\$418</u>
<u>\$85,901</u>	<u>\$86,000</u>	<u>\$408</u>
<u>\$86,001</u>	<u>\$86,100</u>	<u>\$398</u>
<u>\$86,101</u>	<u>\$86,200</u>	<u>\$388</u>
<u>\$86,201</u>	<u>\$86,300</u>	<u>\$378</u>
<u>\$86,301</u>	<u>\$86,400</u>	<u>\$368</u>
<u>\$86,401</u>	<u>\$86,500</u>	<u>\$358</u>
<u>\$86,501</u>	<u>\$86,600</u>	<u>\$348</u>
<u>\$86,601</u>	<u>\$86,700</u>	<u>\$338</u>
<u>\$86,701</u>	<u>\$86,800</u>	<u>\$328</u>
<u>\$86,801</u>	<u>\$86,900</u>	<u>\$318</u>
<u>\$86,901</u>	<u>\$87,000</u>	<u>\$308</u>

1	<u>\$87,001</u>	<u>\$87,100</u>	<u>\$298</u>
2	<u>\$87,101</u>	<u>\$87,200</u>	<u>\$288</u>
3	<u>\$87,201</u>	<u>\$87,300</u>	<u>\$278</u>
4	<u>\$87,301</u>	<u>\$87,400</u>	<u>\$268</u>
5	<u>\$87,401</u>	<u>\$87,500</u>	<u>\$258</u>
6	<u>\$87,501</u>	<u>\$87,600</u>	<u>\$248</u>
7	<u>\$87,601</u>	<u>\$87,700</u>	<u>\$238</u>
8	<u>\$87,701</u>	<u>\$87,800</u>	<u>\$228</u>
9	<u>\$87,801</u>	<u>\$87,900</u>	<u>\$218</u>
10	<u>\$87,901</u>	<u>\$88,000</u>	<u>\$208</u>
11	<u>\$88,001</u>	<u>\$88,100</u>	<u>\$198</u>
12	<u>\$88,101</u>	<u>\$88,200</u>	<u>\$188</u>
13	<u>\$88,201</u>	<u>\$88,300</u>	<u>\$178</u>
14	<u>\$88,301</u>	<u>\$88,400</u>	<u>\$168</u>
15	<u>\$88,401</u>	<u>\$88,500</u>	<u>\$158</u>
16	<u>\$88,501</u>	<u>\$88,600</u>	<u>\$148</u>
17	<u>\$88,601</u>	<u>\$88,700</u>	<u>\$138</u>
18	<u>\$88,701</u>	<u>\$88,800</u>	<u>\$128</u>
19	<u>\$88,801</u>	<u>\$88,900</u>	<u>\$118</u>
20	<u>\$88,901</u>	<u>\$89,000</u>	<u>\$108</u>
21	<u>\$89,001</u>	<u>\$89,100</u>	<u>\$98</u>
22	<u>\$89,101</u>	<u>\$89,200</u>	<u>\$88</u>
23	<u>\$89,201</u>	<u>\$89,300</u>	<u>\$78</u>
24	<u>\$89,301</u>	<u>\$89,400</u>	<u>\$68</u>
25	<u>\$89,401</u>	<u>\$89,500</u>	<u>\$58</u>
26	<u>\$89,501</u>	<u>\$89,600</u>	<u>\$48</u>
27	<u>\$89,601</u>	<u>\$89,700</u>	<u>\$38</u>
28	<u>\$89,701</u>	<u>\$89,800</u>	<u>\$28</u>
29	<u>\$89,801</u>	<u>\$89,900</u>	<u>\$18</u>
30	<u>\$89,901</u>	<u>\$90,000</u>	<u>\$8</u>
31	<u>\$90,001 and up</u>		<u>\$0</u>

32

33 (3)(A) On and after January 1, 2024, every resident, individual,
 34 trust, or estate having net income less than or equal to eighty-four thousand
 35 five hundred dollars (\$84,500) shall determine the amount of income tax due
 36 under this subsection in accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
\$0	\$4,999	0%
\$5,000	\$9,999	2%
\$10,000	\$14,299	3%
\$14,300	\$23,599	3.4%
\$23,600	\$39,699	5%
\$39,700	\$84,500	5.1%

(B) On and after January 1, 2024, every resident, individual, trust, or estate having net income greater than eighty-four thousand five hundred dollars (\$84,500) shall determine the amount of income tax due under this subsection in accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
\$0	\$4,300	2%
\$4,301	\$8,500	4%
\$8,501 and above		5.1%

(C) For tax years beginning on or after January 1, 2024, every resident, individual, trust, or estate having net income greater than or equal to eighty-four thousand five hundred one dollars (\$84,501) but not greater than eighty-nine thousand four hundred dollars (\$89,400) shall reduce the amount of income tax due as determined under subdivision (a)(3)(B) of this section by deducting a bracket adjustment amount in accordance with the table set forth below:

<u>From</u>	<u>Less Than or Equal To</u>	<u>Bracket Adjustment Amount</u>
\$84,501	\$84,600	\$485
\$84,601	\$84,700	\$475
\$84,701	\$84,800	\$465
\$84,801	\$84,900	\$455
\$84,901	\$85,000	\$445
\$85,001	\$85,100	\$435

1	<u>\$85,101</u>	<u>\$85,200</u>	<u>\$425</u>
2	<u>\$85,201</u>	<u>\$85,300</u>	<u>\$415</u>
3	<u>\$85,301</u>	<u>\$85,400</u>	<u>\$405</u>
4	<u>\$85,401</u>	<u>\$85,500</u>	<u>\$395</u>
5	<u>\$85,501</u>	<u>\$85,600</u>	<u>\$385</u>
6	<u>\$85,601</u>	<u>\$85,700</u>	<u>\$375</u>
7	<u>\$85,701</u>	<u>\$85,800</u>	<u>\$365</u>
8	<u>\$85,801</u>	<u>\$85,900</u>	<u>\$355</u>
9	<u>\$85,901</u>	<u>\$86,000</u>	<u>\$345</u>
10	<u>\$86,001</u>	<u>\$86,100</u>	<u>\$335</u>
11	<u>\$86,101</u>	<u>\$86,200</u>	<u>\$325</u>
12	<u>\$86,201</u>	<u>\$86,300</u>	<u>\$315</u>
13	<u>\$86,301</u>	<u>\$86,400</u>	<u>\$305</u>
14	<u>\$86,401</u>	<u>\$86,500</u>	<u>\$295</u>
15	<u>\$86,501</u>	<u>\$86,600</u>	<u>\$285</u>
16	<u>\$86,601</u>	<u>\$86,700</u>	<u>\$275</u>
17	<u>\$86,701</u>	<u>\$86,800</u>	<u>\$265</u>
18	<u>\$86,801</u>	<u>\$86,900</u>	<u>\$255</u>
19	<u>\$86,901</u>	<u>\$87,000</u>	<u>\$245</u>
20	<u>\$87,001</u>	<u>\$87,100</u>	<u>\$235</u>
21	<u>\$87,101</u>	<u>\$87,200</u>	<u>\$225</u>
22	<u>\$87,201</u>	<u>\$87,300</u>	<u>\$215</u>
23	<u>\$87,301</u>	<u>\$87,400</u>	<u>\$205</u>
24	<u>\$87,401</u>	<u>\$87,500</u>	<u>\$195</u>
25	<u>\$87,501</u>	<u>\$87,600</u>	<u>\$185</u>
26	<u>\$87,601</u>	<u>\$87,700</u>	<u>\$175</u>
27	<u>\$87,701</u>	<u>\$87,800</u>	<u>\$165</u>
28	<u>\$87,801</u>	<u>\$87,900</u>	<u>\$155</u>
29	<u>\$87,901</u>	<u>\$88,000</u>	<u>\$145</u>
30	<u>\$88,001</u>	<u>\$88,100</u>	<u>\$135</u>
31	<u>\$88,101</u>	<u>\$88,200</u>	<u>\$125</u>
32	<u>\$88,201</u>	<u>\$88,300</u>	<u>\$115</u>
33	<u>\$88,301</u>	<u>\$88,400</u>	<u>\$105</u>
34	<u>\$88,401</u>	<u>\$88,500</u>	<u>\$95</u>
35	<u>\$88,501</u>	<u>\$88,600</u>	<u>\$85</u>
36	<u>\$88,601</u>	<u>\$88,700</u>	<u>\$75</u>

1	<u>\$88,701</u>	<u>\$88,800</u>	<u>\$65</u>
2	<u>\$88,801</u>	<u>\$88,900</u>	<u>\$55</u>
3	<u>\$88,901</u>	<u>\$89,000</u>	<u>\$45</u>
4	<u>\$89,001</u>	<u>\$89,100</u>	<u>\$35</u>
5	<u>\$89,101</u>	<u>\$89,200</u>	<u>\$25</u>
6	<u>\$89,201</u>	<u>\$89,300</u>	<u>\$15</u>
7	<u>\$89,301</u>	<u>\$89,400</u>	<u>\$5</u>
8	<u>\$89,401 and up</u>		<u>\$0</u>

9

10 (D) If, on or after July 1, 2022, but before January 1,
 11 2024, funds are transferred from the Catastrophic Reserve Fund, then:

12 (i) Subdivisions (a)(3)(A)-(C) and (a)(4)(A)-(C) of
 13 this section shall not take effect; and

14 (ii) For tax years beginning on and after January 1,
 15 2024, every resident, individual, trust, or estate shall determine the amount
 16 of income tax due under this subsection in accordance with the tables set
 17 forth in subdivision (a)(2) of this section.

18 (4)(A) On and after January 1, 2025, every resident, individual,
 19 trust, or estate having net income less than or equal to eighty-four thousand
 20 five hundred dollars (\$84,500) shall determine the amount of income tax due
 21 under this subsection in accordance with the table set forth below:

22	<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
23			
24	<u>\$0</u>	<u>\$4,999</u>	<u>0%</u>
25	<u>\$5,000</u>	<u>\$9,999</u>	<u>2%</u>
26	<u>\$10,000</u>	<u>\$14,299</u>	<u>3%</u>
27	<u>\$14,300</u>	<u>\$23,599</u>	<u>3.4%</u>
28	<u>\$23,600</u>	<u>\$84,500</u>	<u>4.9%</u>

29

30 (B) On and after January 1, 2025, every resident,
 31 individual, trust, or estate having net income greater than eighty-four
 32 thousand five hundred dollars (\$84,500) shall determine the amount of income
 33 tax due under this subsection in accordance with the table set forth below:

34	<u>From</u>	<u>Less Than or Equal To</u>	<u>Rate</u>
35			
36	<u>\$0</u>	<u>\$4,300</u>	<u>2%</u>

1	<u>\$4,301</u>	<u>\$8,500</u>	<u>4%</u>
2	<u>\$8,501 and above</u>		<u>4.9%</u>

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(C) For tax years beginning on or after January 1, 2025, every resident, individual, trust, or estate having net income greater than or equal to eighty-four thousand five hundred one dollars (\$84,501) but not greater than eighty-eight thousand nine hundred dollars (\$88,900) shall reduce the amount of income tax due as determined under subdivision (a)(5)(B) of this section by deducting a bracket adjustment amount in accordance with the table set forth below:

11	<u>From</u>	<u>Less Than or Equal To</u>	<u>Bracket</u>
12			<u>Adjustment</u>
13			<u>Amount</u>
14			
15	<u>\$84,501</u>	<u>\$84,600</u>	<u>\$439</u>
16	<u>\$84,601</u>	<u>\$84,700</u>	<u>\$429</u>
17	<u>\$84,701</u>	<u>\$84,800</u>	<u>\$419</u>
18	<u>\$84,801</u>	<u>\$84,900</u>	<u>\$409</u>
19	<u>\$84,901</u>	<u>\$85,000</u>	<u>\$399</u>
20	<u>\$85,001</u>	<u>\$85,100</u>	<u>\$389</u>
21	<u>\$85,101</u>	<u>\$85,200</u>	<u>\$379</u>
22	<u>\$85,201</u>	<u>\$85,300</u>	<u>\$369</u>
23	<u>\$85,301</u>	<u>\$85,400</u>	<u>\$359</u>
24	<u>\$85,401</u>	<u>\$85,500</u>	<u>\$349</u>
25	<u>\$85,501</u>	<u>\$85,600</u>	<u>\$339</u>
26	<u>\$85,601</u>	<u>\$85,700</u>	<u>\$329</u>
27	<u>\$85,701</u>	<u>\$85,800</u>	<u>\$319</u>
28	<u>\$85,801</u>	<u>\$85,900</u>	<u>\$309</u>
29	<u>\$85,901</u>	<u>\$86,000</u>	<u>\$299</u>
30	<u>\$86,001</u>	<u>\$86,100</u>	<u>\$289</u>
31	<u>\$86,101</u>	<u>\$86,200</u>	<u>\$279</u>
32	<u>\$86,201</u>	<u>\$86,300</u>	<u>\$269</u>
33	<u>\$86,301</u>	<u>\$86,400</u>	<u>\$259</u>
34	<u>\$86,401</u>	<u>\$86,500</u>	<u>\$249</u>
35	<u>\$86,501</u>	<u>\$86,600</u>	<u>\$239</u>
36	<u>\$86,601</u>	<u>\$86,700</u>	<u>\$229</u>

1	<u>\$86,701</u>	<u>\$86,800</u>	<u>\$219</u>
2	<u>\$86,801</u>	<u>\$86,900</u>	<u>\$209</u>
3	<u>\$86,901</u>	<u>\$87,000</u>	<u>\$199</u>
4	<u>\$87,001</u>	<u>\$87,100</u>	<u>\$189</u>
5	<u>\$87,101</u>	<u>\$87,200</u>	<u>\$179</u>
6	<u>\$87,201</u>	<u>\$87,300</u>	<u>\$169</u>
7	<u>\$87,301</u>	<u>\$87,400</u>	<u>\$159</u>
8	<u>\$87,401</u>	<u>\$87,500</u>	<u>\$149</u>
9	<u>\$87,501</u>	<u>\$87,600</u>	<u>\$139</u>
10	<u>\$87,601</u>	<u>\$87,700</u>	<u>\$129</u>
11	<u>\$87,701</u>	<u>\$87,800</u>	<u>\$119</u>
12	<u>\$87,801</u>	<u>\$87,900</u>	<u>\$109</u>
13	<u>\$87,901</u>	<u>\$88,000</u>	<u>\$99</u>
14	<u>\$88,001</u>	<u>\$88,100</u>	<u>\$89</u>
15	<u>\$88,101</u>	<u>\$88,200</u>	<u>\$79</u>
16	<u>\$88,201</u>	<u>\$88,300</u>	<u>\$69</u>
17	<u>\$88,301</u>	<u>\$88,400</u>	<u>\$59</u>
18	<u>\$88,401</u>	<u>\$88,500</u>	<u>\$49</u>
19	<u>\$88,501</u>	<u>\$88,600</u>	<u>\$39</u>
20	<u>\$88,601</u>	<u>\$88,700</u>	<u>\$29</u>
21	<u>\$88,701</u>	<u>\$88,800</u>	<u>\$19</u>
22	<u>\$88,801</u>	<u>\$88,900</u>	<u>\$9</u>
23	<u>\$88,901 and up</u>		<u>\$0</u>

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(D) If, during the 2024 calendar year, funds are transferred from the Catastrophic Reserve Fund, then:

(i) Subdivisions (a)(4)(A)-(C) of this section shall not take effect; and

(ii) For tax years beginning on and after January 1, 2025, every resident, individual, trust, or estate shall determine the amount of income tax due under this subsection in accordance with the tables set forth in subdivision (a)(3) of this section.

~~(11)(5)~~ The tables set forth in subdivisions (a)(1)-~~(10)(4)~~ of this section shall be adjusted annually in accordance with the method set forth in subsection (d) of this section.

1 SECTION 6. Arkansas Code § 26-51-205(a), concerning the rate of tax
2 levied on corporations organized under the laws of this state, is amended to
3 add additional subdivisions to read as follows:

4 (4) For tax years beginning on or after January 1, 2023, every
5 corporation organized under the laws of this state shall pay annually an
6 income tax with respect to carrying on or doing business on the entire net
7 income of the corporation, as now defined by the laws of this state, received
8 by the corporation during the income year, on the following basis:

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

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

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

15 (D) On the next fourteen thousand dollars (\$14,000) of net
16 income or any part thereof, five percent (5%); and

17 (E) On net income exceeding twenty-five thousand dollars
18 (\$25,000), five and seven-tenths percent (5.7%).

19 (5)(A) Except as provided in subdivision (a)(5)(B) of this
20 section, for tax years beginning on or after January 1, 2024, every
21 corporation organized under the laws of this state shall pay annually an
22 income tax with respect to carrying on or doing business on the entire net
23 income of the corporation, as now defined by the laws of this state, received
24 by the corporation during the income year, on the following basis:

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

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

29 (iii) On the next five thousand dollars (\$5,000) of
30 net income or any part thereof, three percent (3%);

31 (iv) On the next fourteen thousand dollars (\$14,000)
32 of net income or any part thereof, five percent (5%); and

33 (v) On net income exceeding twenty-five thousand
34 dollars (\$25,000), five and five-tenths percent (5.5%).

35 (B) If, on or after July 1, 2022, but before January 1,
36 2024, funds are transferred from the Catastrophic Reserve Fund, then:

1 (i) Subdivisions (a)(5)(A) and (a)(6)(A) of this
2 section shall not take effect; and

3 (ii) For tax years beginning on and after January 1,
4 2024, every corporation organized under the laws of this state shall pay
5 annually an income tax with respect to carrying on or doing business on the
6 entire net income of the corporation, as now defined by the laws of this
7 state, received by the corporation during the income year as provided under
8 subdivision (a)(4) of this section.

9 (6)(A) Except as provided in subdivisions (a)(5)(B) and
10 (a)(6)(B) of this section, for tax years beginning on or after January 1,
11 2025, every corporation organized under the laws of this state shall pay
12 annually an income tax with respect to carrying on or doing business on the
13 entire net income of the corporation, as now defined by the laws of this
14 state, received by the corporation during the income year, on the following
15 basis:

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

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

20 (iii) On the next five thousand dollars (\$5,000) of
21 net income or any part thereof, three percent (3%);

22 (iv) On the next fourteen thousand dollars (\$14,000)
23 of net income or any part thereof, five percent (5%); and

24 (v) On net income exceeding twenty-five thousand
25 dollars (\$25,000), five and three-tenths percent (5.3%).

26 (B) If subdivision (a)(5)(A) of this section takes effect
27 and funds are transferred from the Catastrophic Reserve Fund during calendar
28 year 2024, then:

29 (i) Subdivision (a)(6)(A) of this section shall not
30 take effect; and

31 (ii) For tax years beginning on and after January 1,
32 2025, every corporation organized under the laws of this state shall pay
33 annually an income tax with respect to carrying on or doing business on the
34 entire net income of the corporation, as now defined by the laws of this
35 state received by the corporation during the income year as provided under
36 subdivision (a)(5) of this section.

1
2 SECTION 7. Arkansas Code § 26-51-205(b), concerning the rate of tax
3 levied on foreign corporations doing business in this state, is amended to
4 add additional subdivisions to read as follows:

5 (4) Except as provided under subdivision (b)(4)(B) of this
6 section, for tax years beginning on or after January 1, 2023, every foreign
7 corporation doing business within the jurisdiction of this state shall pay
8 annually an income tax on the proportion of its entire net income as now
9 defined by the income tax laws of this state, on the following basis:

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

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

14 (iii) On the next five thousand dollars (\$5,000) of
15 net income or any part thereof, three percent (3%);

16 (iv) On the next fourteen thousand dollars (\$14,000)
17 of net income or any part thereof, five percent (5%); and

18 (v) On net income exceeding twenty-five thousand
19 dollars (\$25,000), five and seven-tenths percent (5.7%).

20 (5)(A) Except as provided in subdivision (b)(5)(B) of this
21 section, for tax years beginning on or after January 1, 2024, every foreign
22 corporation doing business within the jurisdiction of this state shall pay
23 annually an income tax on the proportion of its entire net income, as now
24 defined by the income tax laws of this state, on the following basis:

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

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

29 (iii) On the next five thousand dollars (\$5,000) of
30 net income or any part thereof, three percent (3%);

31 (iv) On the next fourteen thousand dollars (\$14,000)
32 of net income or any part thereof, five percent (5%); and

33 (v) On net income exceeding twenty-five thousand
34 dollars (\$25,000), five and five-tenths percent (5.5%).

35 (B) If, on or after July 1, 2022, but before January 1,
36 2024, funds are transferred from the Catastrophic Reserve Fund, then:

1 (i) Subdivisions (a)(5)(A) and (a)(6)(A) of this
2 section shall not take effect; and

3 (ii) For tax years beginning on and after January 1,
4 2024, every corporation organized under the laws of this state shall pay
5 annually an income tax with respect to carrying on or doing business on the
6 entire net income of the corporation, as now defined by the laws of this
7 state, received by the corporation during the income year as provided under
8 subdivision (a)(4) of this section.

9 (6)(A) Except as provided in subdivisions (a)(5)(B) and
10 (a)(6)(B) of this section, for tax years beginning on or after January 1,
11 2025, every corporation organized under the laws of this state shall pay
12 annually an income tax with respect to carrying on or doing business on the
13 entire net income of the corporation, as now defined by the laws of this
14 state, received by the corporation during the income year, on the following
15 basis:

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

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

20 (iii) On the next five thousand dollars (\$5,000) of
21 net income or any part thereof, three percent (3%);

22 (iv) On the next fourteen thousand dollars (\$14,000)
23 of net income or any part thereof, five percent (5%); and

24 (v) On net income exceeding twenty-five thousand
25 dollars (\$25,000), five and three-tenths percent (5.3%).

26 (B) If subdivision (a)(5)(A) of this section takes effect
27 and funds are transferred during calendar year 2024 from the Catastrophic
28 Reserve Fund, then:

29 (i) Subdivision (a)(6)(A) of this section shall not
30 take effect; and

31 (ii) For tax years beginning on and after January 1,
32 2025, every corporation organized under the laws of this state shall pay
33 annually an income tax with respect to carrying on or doing business on the
34 entire net income of the corporation, as now defined by the laws of this
35 state, received by the corporation during the income year as provided under
36 subdivision (a)(5) of this section.

1
2 SECTION 8. Arkansas Code § 26-51-404(b)(34)(A), concerning exclusions
3 from gross income, is amended to read as follows:

4 (34)(A) Payments received under the Coronavirus Food Assistance
5 Program 1 or Coronavirus Food Assistance Program 2, described in 7 C.F.R.
6 Part 9, as it existed on January 19, 2021, or under any successor program or
7 programs.

8
9 SECTION 9. Arkansas Code § 26-51-430, concerning the standard income
10 tax deduction, is amended to add an additional subsection to read as follows:

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

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

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

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

27 (C) As used in this subsection, "Consumer Price Index"
28 means the most recent Consumer Price Index for all Urban Consumers published
29 by the United States Department of Labor.

30
31 SECTION 10. Arkansas Code § 26-51-501(a), concerning personal tax
32 credits, is amended to add an additional subdivision to read as follows:

33 (6)(A) An individual taxpayer having net income up to twenty-
34 four thousand seven hundred dollars (\$24,700) who timely files a tax return
35 is allowed an income tax credit against the income tax imposed by this
36 chapter in accordance with the table set forth below:

	<u>From</u>	<u>Less Than or Equal To</u>	<u>Credit Amount</u>
3	<u>\$0</u>	<u>\$23,600</u>	<u>\$60</u>
4	<u>\$23,601</u>	<u>\$23,700</u>	<u>\$55</u>
5	<u>\$23,701</u>	<u>\$23,800</u>	<u>\$50</u>
6	<u>\$23,801</u>	<u>\$23,900</u>	<u>\$45</u>
7	<u>\$23,901</u>	<u>\$24,000</u>	<u>\$40</u>
8	<u>\$24,001</u>	<u>\$24,100</u>	<u>\$35</u>
9	<u>\$24,101</u>	<u>\$24,200</u>	<u>\$30</u>
10	<u>\$24,201</u>	<u>\$24,300</u>	<u>\$25</u>
11	<u>\$24,301</u>	<u>\$24,400</u>	<u>\$20</u>
12	<u>\$24,401</u>	<u>\$24,500</u>	<u>\$15</u>
13	<u>\$24,501</u>	<u>\$24,600</u>	<u>\$10</u>
14	<u>\$24,601</u>	<u>\$24,700</u>	<u>\$5</u>
15	<u>\$24,701 and up</u>		<u>\$0</u>

16
 17 (B) The amount of the income tax credit under subdivision
 18 (a)(6)(A) of this section that may be claimed by the taxpayer in a tax year
 19 shall not exceed the amount of income tax due by the taxpayer.

20 (C) The table in subdivision (a)(6)(A) of this section
 21 shall be adjusted annually in accordance with the method set forth in § 26-
 22 51-201(d).

23
 24 SECTION 11. Arkansas Code § 26-65-103(b)(1)(A), concerning income tax
 25 due under the Elective Pass-Through Entity Tax Act effective on January 1,
 26 2022, is amended to read as follows:

27 (b)(1)(A) Except as provided in subdivision (b)(1)(B) of this section,
 28 a tax ~~of five and nine tenths percent (5.9%)~~ equal to the top marginal
 29 income-tax rate under § 26-51-201(a) is levied on the net taxable income of
 30 an affected business entity, as determined under Chapter 51 of this title,
 31 including any applicable basis adjustments, to the extent that the income is
 32 reported to the secretary as business income derived from the affected
 33 business entity.

34
 35 SECTION 12. DO NOT CODIFY – TEMPORARY LANGUAGE.

36 (a) By January 5, 2024, the Secretary of the Department of Finance and

1 Administration shall notify the public and the Bureau of Legislative Research
 2 about whether or not the following have taken effect:

- 3 (1) Section 26-51-201(a)(3);
- 4 (2) Section 26-51-205(a)(5); and
- 5 (3) Section 26-51-205(b)(5).

6 (b) By January 5, 2025, the Secretary of the Department of Finance and
 7 Administration shall notify the public and the Bureau of Legislative Research
 8 about whether or not the following have taken effect:

- 9 (1) Section 26-51-201(a)(4);
- 10 (2) Section 26-51-205(a)(6); and
- 11 (3) Section 26-51-205(b)(6).

12 (c) Section 5 of this act does not affect any taxpayer’s obligations
 13 under § 26-51-201 that were incurred before January 1, 2022.

14
 15 SECTION 13. EFFECTIVE DATE. Sections 5, 6, 7, 9, 10, and 11 of this
 16 act are effective for tax years beginning on or after January 1, 2022.

17
 18 SECTION 14. EMERGENCY CLAUSE. It is found and determined by the
 19 General Assembly of the State of Arkansas that this act would create
 20 significant changes to the state’s income tax laws; that this act would
 21 create significant changes to the fiscal policy of the state; that taxpayers
 22 and employers plan to meet their obligations on a calendar-year basis; and
 23 that this act is immediately necessary to ensure the financial stability of
 24 the state, to allow taxpayers and employers time both to plan for and to
 25 implement the changes in law created by this act, and to ensure that the
 26 Department of Finance and Administration has sufficient time to update its
 27 forms and software and train its personnel in accordance with this act.
 28 Therefore, an emergency is declared to exist, and this act being immediately
 29 necessary for the preservation of the public peace, health, and safety shall
 30 become effective on:

- 31 (1) The date of its approval by the Governor;
- 32 (2) If the bill is neither approved nor vetoed by the Governor,
 33 the expiration of the period of time during which the Governor may veto the
 34 bill; or
- 35 (3) If the bill is vetoed by the Governor and the veto is
 36 overridden, the date the last house overrides the veto.