



## Daily Legislative Update

91st General Assembly

Monday, January 23, 2017 – Day 15

### TODAY AT THE CAPITOL

The Senate will convene at 1 p.m. and the House will convene at 1:30 p.m.

To view schedules for all of today's activities, committee agendas, bills and other information related to the Session, visit [www.arkleg.state.ar.us](http://www.arkleg.state.ar.us).

### GOVERNOR'S INCOME TAX CUT

This week should be dominated by consideration of the Governor's income tax cut plan. **SB 115** is on this afternoon's Senate Calendar. It is identical to **HB 1159** by **Rep. Matt Pitsch, R-Fort Smith, and Sen. Jim Hendren, R-Gravette**, which received a Do Pass recommendation from the House Revenue & Taxation Committee last week but has not yet been placed on the House Calendar. These bills would reduce the income taxes paid by those making less than \$21,000 per year. The bill also forms a Blue Ribbon task force to review and recommend further tax cuts prior to the 2019 Legislative Session.

### SENATE JUDICIARY COMMITTEE MEETING THIS AFTERNOON

The Senate Judiciary Committee is scheduled to meet this afternoon 10 minutes after the Senate adjourns. This is typically a schedule used at the end of a session when the legislature is working to complete its work. But this committee met in a similar manner last week. These meetings are likely to address a criminal law change by Committee Chairman Sen. Jeremy Hutchinson, R-Little Rock. There are three bills we are watching closely in this committee.

### MAXIMUM THC LEVELS

**SB 130** by **Sen. Gary Stubblefield, R-Branch**, would set a maximum allowable blood level of THC and other cannabinoids at 5 nanograms for purposes of the Omnibus DWI or BWI Act. This is likely a good thing that the state needs. However, we provided a draft bill to Rep. Doug House on Thursday that will be filed this week. Our bill addresses multiple issues that employers must deal with in following the adoption of the Medical Marijuana Amendment. Our lawyers believe there may be some inconsistencies between the manner our bill defines "under the influence" and the fixed measurements in **SB 130**. We will seek to get our attorneys in touch with Sen. Stubblefield to discuss and resolve any inconsistencies.

### GUNS IN BUSINESS PARKING LOTS

**SB 37 by Sen. Alan Clark, R-Lonsdale, and SB 33 by Sen. Jimmy Hickey, R-Texarkana**, are parking lot gun bills for which we have a long-standing position of protecting employers' property rights over employees' individual rights to own a gun. We are in discussions with both senators.

**SB 33** and **SB 37** both prohibit a private employer from restricting a licensed employee's ability to possess a legally owned handgun in the employer's parking lot in a motor vehicle.

### **STATE CHAMBER/AIA PRIORITY BILL PACKAGE**

It is likely we will have bills filed this week regarding the Marijuana Amendment's impact on employers and possibly our workers' compensation bill.

### **LAST WEEK AT THE CAPITOL COMPETING TAX CUTS**

As mentioned above, the Senate will vote this afternoon on a major part of Governor Hutchinson's income tax cut, **SB 115**, by Senate Majority Leader Sen. Jim Hendren, R-Gravette. Meanwhile last week, the House Revenue and Taxation committee gave a Do Pass recommendation to the House version of **SB 115**, which is **HB 1159**, by House Majority Leader Matt Pitsch, R-Fort Smith. But the House Tax Committee also gave a Do Pass recommendation to **HB 1161** by Rep. Warwick Saban, D-Little Rock. This bill is known as the "Working Families Opportunity Credit" and would mirror the Earned Income Tax Credit program that has been part of the U.S. tax code for nearly 30 years.

According to a news report late last week by *Talk Business and Politics*, officials from Entergy Arkansas, Southern Bancorp. Inc., and Arkansas Advocates for Children and Families (AACF) all testified in support of Sabin's bill. Southern Bancorp CEO Darrin Williams, a former Democratic House leader, said his banking group promotes the federal EITC program across the Delta.

After nearly an hour of debate, the House committee gave **HB 1161** a "do pass" recommendation following a voice vote that included several "nays." Rep. Joe Jett, R-Success, told reporters after the meeting that the full House would not likely support both bills at a cost of \$90 million to taxpayers.

"My hope is that the governor and Rep. Sabin will get together, sit down and work through the process and see how we can come to some kind of general consensus on how we can work through this," said Jett, chair of the House panel.

J.R. Davis, spokesman for Gov. Hutchinson, said he would not venture to say how the governor would respond if both House bills were approved, or if the House preferred Sabin's EITC measure over the governor's tax cut plan. "I cannot speculate on the "what if" question, but I can tell you we don't expect that to happen," Davis responded.

The bipartisan bill, which failed to gain House approval in the 2015 session, has also signed on Jett and Sen. Jake Files, R-Fort Smith, the respective chairmen of the House and Senate committees that oversee state tax policy, as co-sponsors. Earlier in the day, Files said he does plan to run Sabin's bill through his Senate committee at some point during the session.

### **TAXES**

We incorrectly reported last week that the House lead sponsor of **SB 140** was Charlotte Douglas, R-Alma. It should have said that Dan Douglas, R-Bentonville, is the House lead sponsor of **SB 140**, along with Sen. Jake Files, R-Fort Smith.

Another piece of Governor Hutchinson's tax cuts is a plan to cut the income taxes paid by retired military veterans. **HB 1003**, **SB 13** and **SB 120** address this part of the Governor's tax cut plan. **HB 1003**, by Rep. Charlene Fite, R-Van Buren, has been withdrawn. **SB 140** will become part of this plan or similar provisions will be amended into one of the remaining Senate bills or a new bill could be filed.

**SB 13** by Sen. Jane English, R-North Little Rock, as currently written, would roll back taxes on all retirement pay for veterans and their surviving spouses from state income taxes at a total cost of \$13 million. Currently, state law exempts the first \$6,000 of veterans' retirement incomes from state income tax considerations.

To pay for the tax cut to military veterans, the governor's proposal would remove the exclusion from income on unemployment benefits, which he said would create \$3.1 million in additional generation revenue. The plan also calls for applying the sales tax on the full cost of manufactured housing and candy and soft drinks, which would raise an extra \$2.4 million and \$13.8 million, respectively. Sen. English told *Talk Business & Politics* that once changes are made to her bill, she plans to run it this Wednesday.

Sen. Jake Files, R-Fort Smith, lead Senate sponsor of **SB 140**, told *Talk Business & Politics* that he expects English's amended bill to tax digital downloads instead of manufactured housing. For instance, if a person buys Turbo Tax at Wal-Mart, they pay sales tax, but if they download it on a home computer, they don't. According to state tax law, any "canned or custom" software delivered electronically or by the "load-and-leave" method is not taxable.

Files said the revenue that would be raised from applying sales tax to digital downloads would raise approximately \$3.7 million – money that would eliminate the tax increase on manufactured housing and would allow room for a possible reduction of the soft drink tax.

J.D. Harper, executive director of the Arkansas Manufactured Housing Association, has been pushing lawmakers in both chambers to make changes to Fite's and English's proposal. Although Harper said he personally supports a tax break for military veterans, his group opposes the governor's proposal to hike the sales tax on manufactured housing. He has publicly said Arkansas taxes on manufactured housing are already the highest in the region, explaining that an additional tax would raise the levy on mobile homes to nearly twice that of a newly constructed house.

**SB 140** has caused concern among businesses, which purchase a lot of software online, that their costs will rise dramatically.

## **STATE CHAMBER/AIA BILL TRACKING** **NEW BILLS**

**HR 1010**, by Rep. Bob Ballinger, R-Hindsville, seeks to repeal the requirement that proposed constitutional amendments first be approved by each chamber's State Agencies Committee before being sent to either Chamber of the General Assembly and creates a new approval process for proposed amendments.

## TRACKED BILLS

The House has filed 237 bills and the Senate has filed 53 bills. We are now tracking 91 bills.

To view a list of bills we've added most recently to our tracking recently, click [here](#).

To view a progress matrix of all bills we are tracking, click [here](#).

Our entire list of tracked bills are posted on our website by category, which you can access by clicking [here](#).

## LEGISLATIVE SESSION INFORMATION AND MESSAGE CENTER

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