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93rd General Assembly December 10, 2021

SPECIAL SESSION ADJOURNS SINE DIE YESTERDAY HISTORIC TAX REDUCTION PASSES

The 93rd Arkansas General Assembly adjourned its 2nd Extraordinary Session yesterday morning after taking up all items on the governor's proclamation calling the session. Since convening Tuesday, legislators passed eight bills, including identical House and Senate versions ([SB1](#)) and ([HB1001](#)) of a tax cut measure that will reduce the top personal and corporate income tax rates, consolidate the low and middle-income tax tables, and create a non-refundable low-income tax credit.

Other measures were largely clean-up items, in addition to economic development measures and a bill allowing the House and Senate to employ their own security personnel. There was an unsuccessful effort by a handful of members in both the House and Senate to expand the session up to an additional 15 days to take up a number of outside issues, including a bill to enhance abortion restrictions in the state similar to the recently adopted bill in Texas. Below is a summary of all legislation passed this week. The Legislature next convenes February 14 for the fiscal session.

TAX CUT MEASURE

By 2025, **Acts 1 & 2** of the 2nd Extraordinary Session, 2021 (by Sen. Jonathan Dismang and Rep. John Maddox) will amount to \$500 million in annual tax relief for Arkansans. The measure reduces the top individual tax rate from 5.9% to 4.9% in the next four years. The current top corporate rate is already set to drop to 5.9% on January 1 (per the existing 2019 law change). Under the bill passed this week, the top corporate rate will drop to 5.7% on January 1, 2023; 5.5% January 1, 2024, and 5.3% January 2025. These reductions only happen if no funds are transferred out of the Catastrophic Reserve Fund during certain periods.

These bills reduce the current three individual tax tables to two by combining the lower and middle-income tables, effective January 1. The new table will apply to those with net taxable income up to \$84,500 per year. The high-income table will apply to those with taxable incomes above \$84,500. The top rate would fall from 5.9% to 5.5% on January 1; 5.3% on January 1, 2023; 5.1% on January 1, 2024, and 4.9% in January of 2025. Again, this is if no funds are transferred from the Catastrophic Reserve Fund. The governor signed this measure into law yesterday.

ECONOMIC DEVELOPMENT

Both chambers also approved measures to support a pending economic development project in Mississippi County. **Acts 3 & 4** (SB10 and [HB1007](#) by Sen. Dave Wallace and Rep. Joe Jett) will create a new way for a steel manufacturing project to qualify for a tax credit for purchase of waste reduction, reuse, or recycling equipment. The measure is aimed at getting U.S. Steel to commit to a proposed \$3 billion expansion at its current location in Mississippi County. Two other states are competing for the project. The credit will cost the state an estimated \$11 million a year for 14 years and \$8.8 million a year if the state buys back the credits at a 20% discount. The House and Senate also passed

identical measures to allow the state's chief fiscal officer to transfer up to \$50 million from the long-term reserve fund to the general revenue allotment reserve fund for economic development incentives.

TAX APPEALS COMMISSION

A measure passed easily in both chambers to correct language in a State Chamber/AIA Priority Legislation bill from the Regular Session that established a Tax Appeals Commission. **Acts 5 & 14** ([HB1006](#) and SB2 by Rep. Joe Jett and Sen. Jonathan Dismang) allows members appointed to the newly created commission to have different length terms, so they don't all roll off at the same time.

LIMITED LIABILITY COMPANY CORRECTION

Members gave swift approval to a measure cleaning up a drafting error in the statute governing LLC formation, passed last regular session. **Acts 7 & 12** ([HB1004](#) and SB4 by Rep. Carol Dalby and Sen. Jonathan Dismang) corrects the effective date of the new law, which when initially approved did not correspond with the repeal date of the old law, creating a gap.

ARPA FUND SPENDING APPROVAL

Legislators also passed **Act 6** ([SB3](#) by Sen. Jonathan Dismang and Rep. Joe Jett) giving spending authority to the Arkansas Department of Finance and Administration for an additional \$3 billion, to continue disbursing federal American Rescue Plan Act (ARPA) funds. (Agencies would still have to receive legislative approval from the Arkansas Legislative Council for individual funding requests.)

SECURITY OFFICERS

Both chambers approved a measure, **Act 11** ([HB1003](#) by Reps. Keith Slape, Bruce Cozart and Sen. Bill Sample), to clarify that security hired by either the House or Senate are considered full-time law enforcement officers, allowing each chamber to set its own qualifications.

INSULIN REBATES

Acts 9 & 13 ([HB1005](#) and SB7 by Rep. John Payton and Sen. Dan Sullivan) repeal a statute put on the books last session. The initial measure prohibited most manufacturer discounts on insulin products, but wound up having unintended consequences. An independent consultant review found a repeal of the measure could result in significant annual savings for the state.

LEGISLATIVE SESSION INFORMATION

To view schedules, calendars, bill information, and legislator information, click www.arkleg.state.ar.us.

Legislative Message Center

House of Representatives: 501-682-6211
Senate: 501-682-2902

Live Streaming from the Capitol

The House and Senate have links to live streaming of their committee meetings and floor session online.

- House: <https://www.arkansashouse.org/>
- Senate: <http://www.arkansas.gov/senate/>

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