

Income/Franchise:

Arkansas: New Law Includes Some Corporate and Individual Income Tax Rate Reductions

H.B. 1001, signed by gov. 12/9/21. Effective immediately and applicable for tax years beginning on or after January 1, 2022, but partially contingent upon the lack of certain transfers from the “Catastrophic Reserve Fund,” new law provides for some Arkansas individual and corporation income tax rate reductions. Regarding Arkansas’ corporation income tax, the new law lowers the top tax rate for tax years beginning on or after January 1, 2023 from 5.9% to 5.7%. Furthermore, subject to contingencies involving transfers from the Catastrophic Reserve Fund, the top corporation income tax rate may be further reduced to 5.5% for tax years beginning on or after January 1, 2024, and 5.3% for tax years beginning on or after January 1, 2025. Specifically, the legislation provides that these planned Arkansas corporation income tax reductions for tax year 2024 and going forward shall *not* take effect if a transfer from the Catastrophic Reserve Fund occurs for any reason between July 1, 2022 and January 1, 2024; similarly, the planned Arkansas corporation income tax reductions for tax year 2025 shall *not* take effect if such a transfer occurs between January 1, 2024 and December 31, 2024. Under the new law, the Arkansas Department of Finance and Administration must notify the public if the contemplated 2024 and 2025 state corporation and individual income tax rate reductions have taken effect. Please contact us with any questions.

URL: <https://www.arkleg.state.ar.us/Bills/Detail?id=hb1001&ddBienniumSession=2021%2F2021S2&Search=>

— Scott Bedunah (Dallas)
Senior Manager
Deloitte Tax LLP
scbedunah@deloitte.com

Joe Garrett (Birmingham)
Managing Director
Deloitte Tax LLP
jogarrett@deloitte.com

John Paek (Atlanta)
Principal
Deloitte Tax LLP
jpaek@deloitte.com

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