

## Income/Franchise:

### Arkansas: New Law Lowers Corporate Income Tax Rate and Repeals Throwback Rule

*S.B. 549*, signed by gov. 4/10/23. Applicable for tax years beginning on or after January 1, 2023, new law lowers the top tax rate (*i.e.*, on net income exceeding \$25,000) for Arkansas corporate income tax purposes from 5.3% to 5.1%. This rate change applies for both foreign and domestic corporations.

**URL:** <https://www.arkleg.state.ar.us/Bills/Detail?id=SB549&ddBienniumSession=2023%2F2023R&Search=>

*H.B. 1045*, signed by gov. 4/10/23. Another recently signed bill gradually phases in by 2030 a complete repeal of Arkansas' current "throwback rule" for state corporate income tax apportionment purposes in an effort to "encourage investment and job creation in Arkansas by multistate enterprises." The incremental phase-out starts for the tax year beginning on January 1, 2024, and gradually increases each year until 100% phase-out applies for tax years beginning on or after January 1, 2030. The bill also eliminates any distinction on whether the sale is made to the federal government or another purchaser. Accordingly, the sole consideration when deciding if a sale is subject to the throwback rule is whether the taxpayer is taxable in the state of the purchaser, including if the purchaser is the federal government, as both instances are subject to the general destination-based sourcing rule. Please contact us with any questions.

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