



# Newsletter From Rep. Matthew J. Shepherd District 97

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## 2021 Tax Cut Legislation



**MATTHEW J. SHEPHERD**

SPEAKER OF THE ARKANSAS HOUSE OF REPRESENTATIVES

Legislation passed so far this session reduced taxes by \$84 million for the current fiscal year and is projected to cut another \$197 million in taxes for Fiscal Year 2022.

The vast majority of those tax cuts come from two pieces of legislation drafted to respond quickly to the economic situation created by the health emergency.

Act 154 exempts unemployment benefits paid in 2020 and 2021 from state income tax. It is estimated that more than 281,000 Arkansans received unemployment benefits in 2020.

ACT 248 exempts COVID-19 relief loans for small businesses, such as the Paycheck Protection Program (PPP), from state income tax. It is estimated that more than 42,400 Arkansas businesses received a PPP loan in 2020.

Additional tax cuts and credits passed this session include the following:

HB1912 reduces the sales tax from 6.5% to 3.5% on used cars priced from \$4,000-\$10,000.

Act 970 provides a sales and use tax exemption for water used by a poultry farm.

Act 971 doubles the income tax deduction for a teacher's qualified classroom expense from \$250 to \$500.

Act 841 creates an income tax credit for up to \$3,500 for retired law enforcement officers who work cold cases for Arkansas State Police.

Act 840 allows the Division of Heritage to issue up to \$8 million in historic rehabilitation income tax credits each year. The current maximum amount of credits given is \$4 million.

Act 362-The Elective Pass-Through Entity Tax Act. This bill would give owners of businesses organized as S-corporations or partnerships the option of paying state income tax at the corporate level, which would be fully deductible from federal income tax.

Act 875 increases the water impoundment tax credit allowed from \$90,000 to \$120,000, and for Surface Water Outside Critical Areas Credit, Surface Water Within Critical Area Credit, and Land Leveling Credit, it increases the maximum tax credits allowed from \$27,000 to \$35,000.

Act 972 allows for sales tax exemptions of isolated sales at special events.

SB336 creates an exemption from the sales and use tax for coins, currency, and bullion.

Act 915 reduces the sales tax rate on coal used by manufacturers.

Act 944 expands the sales tax holiday to include certain electronic devices.

Act 914 expands "instructional materials" for purposes of sales tax exemption.

Act 904 creates a tax credit for contribution to an organization under Philanthropic Investment in Arkansas Kids Program.

Act 967 creates an income tax credit for railroad track maintenance expenses.

Act 935 creates an income tax credit for a stillborn child.

Act 895 amends income tax credit for waste reduction, reuse, or recycling equipment.

Act 376 reduces the additional \$100 fee on hybrid vehicles to \$50.

Act 594 creates the Arkansas Wood Energy Products and Forest Maintenance income tax credit.