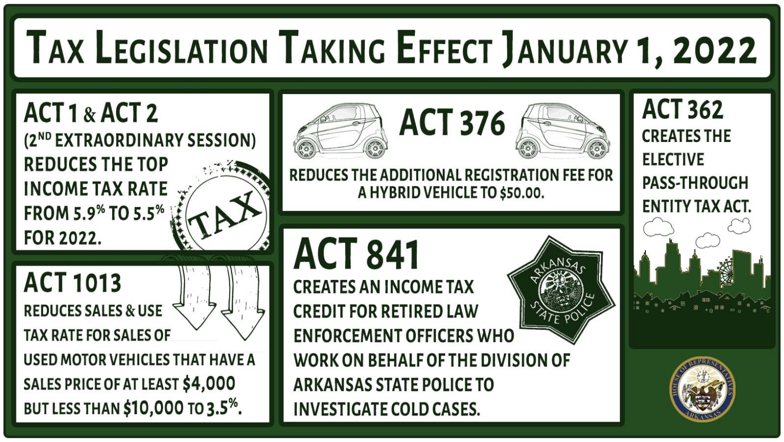
STATE OF ARKANSAS
House of Representatives

Arkansas House Newsletter

December 22, 2021

Tax Legislation for 2022



From reducing income tax to lowering the sales tax on used cars, there are several pieces of tax legislation passed in 2021 that will take effect on January 1, 2022.

In the most recent special session, the General Assembly passed Act 1 and Act 2, which are identical pieces of legislation that reduce the top income tax rate for individuals from 5.9% to 4.9% incrementally over the next four years. For the tax year beginning on January 1, 2022, the top rate is reduced to 5.5%. The legislation also provides a $60 non-refundable tax credit for individuals with an income of less than $24,700.

In the 2021 Regular Session, the General Assembly passed the following tax measures, which will take effect at the beginning of next year:

- ACT 841 creates an income tax credit for retired law enforcement officers who work on behalf of the Division of Arkansas State Police to investigate cold cases.

- ACT 376 reduces the additional registration fee for a hybrid vehicle from $100 to $50.00.
- ACT 1013 reduces the sales tax from 6.5% to 3.5% on used cars priced from $4,000-$10,000.
- ACT 369 modifies the method of calculating the stabilization tax in certain circumstances and provides that, for the year beginning January 1, 2022, and ending December 31, 2022, the stabilization tax shall be capped at .2%
- ACT 368 modifies the definition of "wages" in certain circumstances under the Division of Workforce Services Law for the rate year beginning January 1, 2022, and ending December 31, 2022, to exclude the amount of remuneration that exceeds the lesser of the amount calculated under current law or $10,000.
- ACT 362 creates the Elective Pass-Through Entity Tax Act, which allows pass-through entities to elect to have their income be subject to the pass-through entity tax instead of the state income tax.
- ACT 765 creates the Law Enforcement Family Relief Check-off Program, which allows an individual taxpayer to designate some or all of the taxpayer's income tax refund to the program, which assists the family of an Arkansas-certified law enforcement officer who was killed in the line of duty or diagnosed by a medical professional with a terminal illness.

You can find the legislation and video archives of the presentations and votes on the legislation at www.arkansashouse.org.