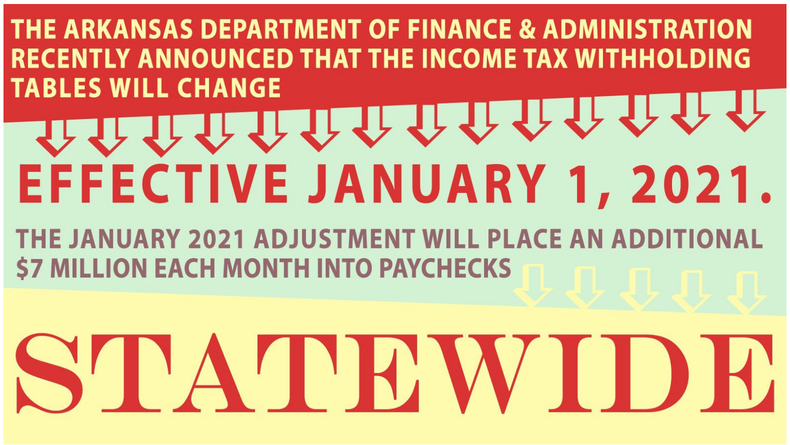
STATE OF ARKANSAS
House of Representatives

Arkansas House Newsletter

December 18, 2020

Income Tax Changes in the New Year



Arkansans may see an increase in the amount of their paychecks next year. The Arkansas Department of Finance and Administration (DFA) announced this week that the income tax withholding tables will change effective January 1, 2021.

DFA says this change is not a tax increase or cut, but with the law change that reduces the top personal income tax rate from 6.6% to 5.9% next month, the withholding change will put that reduction in paychecks beginning January 2021. Without this change, many Arkansans wouldn’t see the bulk of their tax cut until they received it in their tax refund in 2022.

This is the second change DFA has recently implemented to the withholding tables. The first adjustment took place March 1, 2020. The March 2020 adjustment put $15 million each month into the pockets of Arkansans via increased paychecks. The January 2021 adjustment will place an additional $7 million each month into paychecks.

The law that reduced the tax rate was Act 182 passed by the 92nd General Assembly.
We anticipate the 93rd General Assembly will address further tax cut proposals.
Several pieces of legislation addressing future tax cuts have been filed in advance of the 2021 Regular Session.

The latest revenue report shows revenues are 11.4% higher than this time last year. Five months into the fiscal year, revenue is now $283.3 million above forecast.
This week, we also learned that the state’s unemployment rate remained stable at 6.2% between October and November. The national unemployment rate is at 6.7%.

We will continue to monitor the employment rates and revenue reports as we prepare for the next legislative session. The 2021 Regular Session begins on January 11.