

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1833

Bill Subtitle: TO ALLOW CERTAIN WAGES OF CERTAIN CLASSROOM TEACHERS TO BE DEDUCTED FROM NET INCOME.

Basic Change :

**Sponsors: Rep. Beaty
Sens. Gilmore and Beckham**

HB1833 creates a tax deduction from net income for certain classroom teachers. To qualify for the tax deduction, the teacher must:

- Be required to hold a teaching license from the Division of Elementary and Secondary Education;
- Be employed by a public or private elementary school or a public or private secondary school;
- Be employed as a teacher directly instructing students in the classroom for more than 70% of contracted time; a media specialist; a librarian; or a guidance counselor.

Qualifying teachers would be allowed a deduction from their net income as follows:

- For tax year 2021, the first \$12,500 of wages;
- For tax year 2022, the first \$25,000 of wages;
- For tax year 2023, the first \$37,500 of wages; and
- For tax years 2024 and after, the first \$50,000 of wages.

If an otherwise qualifying teacher leaves one school district for another school district, HB1833 would not allow the deduction for the year of the employment change or the following year unless the teacher was in their first year of teaching full-time.

HB1833 is effective for tax years beginning on or after January 1, 2021.

Revenue Impact :

FY2022 - \$24.9 million reduction in State General Revenue

FY2023 - \$49.8 million reduction in State General Revenue

FY2024 - \$74.7 million reduction in State General Revenue

FY2025 - \$98.5 million reduction in State General Revenue

[Revenue Impact is gathered from U.S Bureau of Labor Statistics 2019 Employment and Wage Estimates for Arkansas showing employment of 44,280 teachers with an average income of \$49,457.]

Taxpayer Impact :

Teachers would be allowed a deduction from net income.

Resources Required :

Computer programs, tax forms, and instructions will need to be updated.

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Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Department employees will need to be educated as well as the tax community.

Other Comments :

Impact based on qualified teachers receiving an additional refund for deduction and not adjusting Arkansas wage withholding.

Legal Analysis :

HB1833 requires individuals to hold a teaching license but states that the deduction is available for media specialists, librarians, and guidance counselors. It is unclear whether a media specialist, librarian, or guidance counselor is required to hold a teaching license.