

1 State of Arkansas As Engrossed: S3/19/19 H3/27/19 H3/29/19
2 92nd General Assembly
3 Regular Session, 2019

A Bill

SENATE BILL 571

4
5 By: Senator J. Hendren
6 By: Representative L. Johnson

For An Act To Be Entitled

9 AN ACT TO REDUCE THE INCOME TAX IMPOSED ON CERTAIN
10 INDIVIDUALS, TRUSTS, AND ESTATES; TO FUND INCOME TAX
11 REDUCTIONS THROUGH A TAX ON E-CIGARETTES; TO IMPOSE A
12 PRIVILEGE TAX ON E-CIGARETTES; *TO CREATE THE*
13 *CIGARETTE TAX AND INCOME TAX REFORM STUDY*; AND FOR
14 OTHER PURPOSES.

Subtitle

17
18 *TO PROVIDE FOR AN INDIVIDUAL INCOME TAX*
19 *REDUCTION; TO PROVIDE FUNDING FOR THE*
20 *INCOME TAX REDUCTION THROUGH A TAX ON E-*
21 *CIGARETTES; AND TO CREATE THE CIGARETTE*
22 *TAX AND INCOME TAX REFORM STUDY.*

23
24
25 *BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:*

26
27 *SECTION 1.* Arkansas Code § 26-51-201(a)(8), as amended by Acts
28 2019, No. 182, § 3, concerning the income tax imposed on individuals, trusts,
29 and estates, is amended to read as follows:

30 (8) Every resident, individual, trust, or estate having net
31 income of less than twenty-two thousand two hundred dollars (\$22,200) shall
32 determine the amount of income tax due under this subsection in accordance
33 with the table set forth below:

From	Less Than or Equal To	Rate
\$0	\$4,499	0%
\$4,500	\$8,899	2% <u>1%</u>



1	\$8,900	\$13,399	3%
2	\$13,400	\$22,199	3.4%

3

4 SECTION 2. Arkansas Code Title 26, Chapter 57, is amended to add an
5 *additional subchapter* to read as follows:

6

7 Subchapter 16 – E-Cigarette Privilege Tax

8

9 26-57-1601. Definition.

10 As used in this subchapter, "e-cigarette" means a vapor product or an
11 e-liquid product, as those terms are defined in § 26-57-203.

12

13 26-57-1602. Privilege tax.

14 There is levied a privilege tax on e-cigarettes sold in this state that
15 is equal to the total tax levied on tobacco products, as defined in § 26-57-
16 203, other than cigarettes.

17

18 26-57-1603. Imposition, reporting, remittance, and administration of
19 privilege tax.

20 Except as otherwise provided in this subchapter, the privilege tax
21 levied under § 26-57-1602 shall be imposed, reported, remitted, and
22 administered in the same manner and at the same time as taxes on tobacco
23 products under the Arkansas Tobacco Products Tax Act of 1977, § 26-57-201 et
24 seq.

25

26 26-57-1604. Invoices.

27 The privilege tax levied under § 26-57-1702 shall be separately stated
28 and identified on each invoice or statement as the "E-cigarette Privilege
29 Tax".

30

31 26-57-1605. Distribution of revenues.

32 The revenues collected under this subchapter shall be general revenues
33 and shall be credited to the General Revenue Fund Account of the State
34 Apportionment Fund to be distributed as authorized under § 19-5-
35 202(b)(2)(B)(iii).

36

1 26-57-1606. Applicability.

2 The privilege tax levied under § 26-57-1602 applies to e-cigarettes
3 sold on or after the effective date of this subchapter.

4
5 26-57-1607. Rules.

6 The Director of the Department of Finance and Administration, the
7 Director of Arkansas Tobacco Control, and the Arkansas Tobacco Control Board
8 shall adopt rules necessary to implement and allow for the enforcement of
9 this subchapter.

10
11 SECTION 3. DO NOT CODIFY. Rules.

12 (a) When adopting the initial rules required under this act, the final
13 rules shall be filed with the Secretary of State for adoption under § 25-15-
14 204(f):

15 (1) On or before September 1, 2019; or

16 (2) If approval under § 10-3-309 has not occurred by September
17 1, 2019, as soon as practicable after approval under § 10-3-309.

18 (b) The Director of the Department of Finance and Administration, the
19 Director of Arkansas Tobacco Control, and the Arkansas Tobacco Control Board
20 shall file the proposed rules with the Legislative Council under § 10-3-
21 309(c) sufficiently in advance of September 1, 2019, so that the Legislative
22 Council may consider the rules for approval before September 1, 2019.

23
24 SECTION 4. EFFECTIVE DATES.

25 (a) Section 1 of this act is effective for tax years beginning on or
26 after January 1, 2020.

27 (b) Section 2 of this act is effective on the first day of the second
28 calendar month following the effective date of this act.

29
30 SECTION 5. TEMPORARY LANGUAGE. DO NOT CODIFY. Cigarette Tax and
31 Income Tax Reform Study – Creation – Duties.

32 (a) The General Assembly finds that:

33 (1) Arkansas spends hundreds of millions of dollars a year to
34 help pay for the cost of treating tobacco-related illnesses;

35 (2) The state cigarette tax should be increased, or a new tax on
36 cigarettes should be levied, to help pay for the cost of treating tobacco-

1 related illnesses;

2 (3) The Arkansas Tax Reform and Relief Legislative Task Force
3 studied the state's tax laws and policies to determine how to provide tax
4 relief and reform the state's tax laws;

5 (4) The legislature should continue to study how the state can
6 reform and reduce income taxes in a fiscally responsible manner; and

7 (5) Where possible, revenues resulting from increases in taxes
8 should be used to offset other tax reductions.

9 (b) The House Committee on Revenue and Taxation, the Senate Committee
10 on Revenue and Taxation, the House Committee on Public Health, Welfare, and
11 Labor, and the Senate Committee on Public Health, Welfare, and Labor shall
12 meet jointly to conduct the Cigarette Tax and Income Tax Reform Study.

13 (c)(1) The chairs of the House Committee on Revenue and Taxation, the
14 Senate Committee on Revenue and Taxation, the House Committee on Public
15 Health, Welfare, and Labor, and the Senate Committee on Public Health,
16 Welfare, and Labor shall call the first joint meeting for the purpose of
17 beginning the study within sixty (60) days of the effective date of this act.

18 (2) All meetings shall be open public meetings under the Freedom
19 of Information Act of 1967, Arkansas Code § 25-19-101 et seq.

20 (3) Joint meetings for the purpose of conducting the study shall
21 be held at least one (1) time every three (3) months but may occur more often
22 at the call of the chairs.

23 (d) The purpose of the study is to make recommendations to the General
24 Assembly regarding:

25 (1) Additional taxes on cigarettes to help offset the costs to
26 the state of covering the treatment of tobacco-related illnesses; and

27 (2) The reduction of the income tax burden on individuals,
28 particularly low-income and middle-income individuals.

29 (e) In order to fulfill the purpose of this act, the House Committee
30 on Revenue and Taxation, the Senate Committee on Revenue and Taxation, the
31 House Committee on Public Health, Welfare, and Labor, and the Senate
32 Committee on Public Health, Welfare, and Labor shall conduct a study to
33 include without limitation the following:

34 (1) How much the cigarette tax should be increased or the rate
35 at which a new tax on cigarettes should be levied to help offset the costs to
36 the state of covering the treatment of tobacco-related illnesses;

