

# DAILY LEGISLATIVE UPDATE



*Business matters.*

## Daily Legislative Update

94<sup>th</sup> Arkansas General Assembly  
Monday, April 10, 2023

### **SESSION ADJOURNED**

After 90 days in session, the Arkansas General Assembly adjourned Friday afternoon. They will return on May 1 to address any clean-up issues or vetoes before final (sine die) adjournment. Legislators worked into the night throughout last week, giving final passage to dozens of measures, including the state's budget, a comprehensive prison reform bill, and a measure to set per-pupil spending for Arkansas students. Last week, legislators also approved more than \$186 million in tax cuts and referred one constitutional amendment to the 2024 General Election ballot.

The tax cut measure, agreed to by Governor Sarah Sanders and legislative leaders, reduces the state's corporate income tax rate from 5.3 percent to 5.1 percent and lowers the upper individual income tax rate from 4.9 percent to 4.7 percent. It will be retroactive to January 1, 2023.

The House and Senate passed identical versions of the Revenue Stabilization Act (RSA), which lays out the state budget and prioritizes the distribution of state funds. The RSA sets a \$6.2 billion general revenue budget for the next fiscal year, an increase of \$177.7 million. Most additional spending will go toward education and corrections programs. Legislative leaders say the increase also reflects current inflation.

The Protect Arkansas Act received final passage last week. It will overhaul the state's parole system, requiring those convicted of the most serious crimes to serve most—if not all—of their sentences. The measure also includes provisions to help prepare incarcerated individuals to re-enter the workforce and suspends fines and fees for individuals for 120 days after they are released from prison.

Legislators also approved a bill setting annual per-pupil funding for the state's students at \$7,618 a year, up from \$7,413 last school year. Schools will also receive funds to give

classified non-teaching employees a \$2-per-hour raise, along with a 1.8 percent cost-of-living raise for teachers and secretaries.

Last week, legislators also voted to refer one proposed constitutional amendment to voters. The General Assembly can refer up to three measures to the ballot every session, but only **HJR 1006** received final approval. It would allow lottery proceeds to fund scholarships for vocational/technical schools. (Currently, lottery scholarship funding is restricted to use at two and four-year colleges.)

## **STATE CHAMBER/AIA PRIORITY AGENDA ACCOMPLISHMENTS**

### **Throwback Rule Repeal**

#### **HB 1045 by Rep. Howard Beaty and Sen. Ben Gilmore**

According to the throwback rule, sales are considered to be "in this state" if the tangible personal property is shipped from an office, store, warehouse, factory or other place of storage in this state and: (1) the purchaser is the United States Government; or (2) the taxpayer is not taxable in the state of the purchaser. A full repeal of the throwback rule is estimated to reduce state revenue (savings to employers) by \$37 million in Fiscal Year 2024 and \$74 million in Fiscal Year 2025. **HB 1045** will phase out the throwback rule at just over 14 percent per year. The rule will be fully repealed in seven years.

### **Income Tax Reduction**

#### **SB 549 by Sen. Jonathan Dismang and Rep. Les Eaves**

This bill decreases the top state individual income tax rate from 4.9 percent to 4.7 percent and the corporate income tax rate from 5.3 percent to 5.1 percent, effective January 1, 2023. This will reduce individual state income taxes by \$100 million a year and corporate income taxes by \$24 million, effective January 1, 2023.

### **Unemployment Insurance**

#### **HB 1430/Act 196 by Rep. Robin Lundstrum and Sen. Kim Hammer**

This Act makes several important changes to unemployment insurance laws that benefit employers.

- In 2019, we promoted a bill to index the unemployment insurance (UI) wage base, which is the amount of each employees wages that are subject to UI tax. The indexing lowered the wage base faster than existing law, which saved employers over \$40 million. But after COVID-19, the indexing moved the wage base upward at a time when the UI Trust Fund was very well funded. **Act 196** prevents increases in the wage base if the UI Trust Fund has a minimum balance of \$600 million. Its current balance is just under \$900 million.
- **Act 196** also:
  - Reduces the maximum number of benefit weeks from 16 to 12, effective January 1, 2024.
  - Reduces the new employer UI tax rate from 2.9 percent to 1.9 percent, effective January 1, 2024.
  - Repeals the Stabilization Tax, which had a range of 0.1 percent to 0.8 percent, and replaces it with an administrative assessment of 0.125 percent, which is less than the current 0.2 percent amount of the Stabilization Tax that is applied to administration of the UI program. This reduction is effective from July 1, 2023, until June 30,

2024. Effective July 1, 2024, the administrative assessment reduces to 0.1 percent. Excess funds generated by the administrative assessment can be credited to a fund for modernization of the state's UI computer system, subject to a maximum of \$35 million, and up to \$2.5 million can be deposited to the Training Trust Fund for worker training. Any excess training fund dollars will go into the UI Trust Fund.

- Reduces the maximum UI tax rate from 14 percent to 10 percent.

## **BILLS WE OPPOSED THAT FAILED**

### **Workers' Compensation**

#### **HB 1611 and 1612 by Rep. Josh Miller and Sen. John Payton**

These two bills would have caused one of the—if not the—largest workers' compensation cost increases for employers in a long time.

**HB 1612** sought to remove the current caps on total disability payments an injured employee and his or her dependents can receive, and **HB 1611** would have removed the current prohibition against the Workers' Compensation Commission approving attorneys' fees in relation to claims on medical benefits or services awarded.

### **Prohibition of Covenants Not to Compete Agreements**

#### **HB 1628 by Rep. Stephen Meeks et. al and Sen. Mark Johnson**

This bill sought to implement a blanket prohibition, regardless of industry, of non-compete agreements, with certain exceptions.

### **Economic Development - Retail Sales Facilities**

#### **SB 493 by Sen. Gary Stubblefield and HB 1841 by Rep. Lee Johnson**

These bills sought to amend the Arkansas Constitution to redefine the term "economic development project" to include facilities for retail sales, allowing a county, city, town or other municipal corporation to obtain or appropriate money for facilities for retail sales.

## **BILL TRACKING**

Total Bills Filed 1439 | Senate bills filed: 590 | House bills filed 849

State Chamber Tracking Bills & Resolutions: 570

To view all tracked bills by category, click [State Chamber AIA Bill Tracking Categories](#)

## **2023 STATE CHAMBER AIA LEGISLATIVE AGENDA**

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### **LEGISLATIVE SESSION INFORMATION**

To view schedules, calendars, bill information, and legislator information, click [www.arkleg.state.ar.us](http://www.arkleg.state.ar.us).

### **LEGISLATIVE MESSAGE CENTER**

House of Representatives: 501-682-6211

Senate: 501-682-2902

### **LIVE STREAMING FROM THE CAPITOL**

The House and Senate have links to live streaming of their committee meetings and floor session online.

- House: <https://www.arkansashouse.org/>
- Senate: <http://www.arkansas.gov/senate/>

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#### STAY CONNECTED



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