



This Week in State Tax (TWIST)

April 17, 2023



ARKANSAS



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Arkansas: Corporate Rate Reduction; Throwback Phaseout Enacted

On April 10, 2023, two bills were signed into law in Arkansas that (1) reduce the corporate income tax rate and (2) phaseout the throwback rule. Senate Bill 549 reduces the state's highest corporate income tax rate that applies to net income exceeding \$25,000 from 5.3 percent to 5.1 percent effective for tax years beginning on or after January 1, 2023. The bill also reduces individual rates. House Bill 1045, enacted on April 10, 2023, strikes the statutory language sourcing sales of tangible personal property (TPP) to the U.S. Government to the state where the shipment originated. As such, effective for tax years beginning on or after January 1, 2024, such sales will be sourced to the destination state. The bill also slowly phases out the throwback rule that applies to receipts from sales of TPP shipped from Arkansas when the taxpayer is not taxable in the destination state. For tax years beginning on or after January 1, 2024, 85.71 percent of such "throwback sales" will be sourced to Arkansas, and 14.29 percent will be sourced outside Arkansas. Those percentages change in subsequent years as follows: for the 2025 tax year, 71.42 percent in Arkansas and 28.58 percent outside Arkansas; for the 2026 tax year, 57.13 percent in Arkansas and 42.87 percent outside Arkansas; for the 2027 tax year, 42.84 percent in Arkansas and 57.16 percent outside Arkansas; for the 2028 tax year, 28.55 percent in Arkansas and 71.45 percent outside Arkansas; for the 2029 tax year, 14.26 percent in Arkansas and 85.74 percent outside Arkansas; and for tax years beginning on or after January 1, 2030, throwback sales will be sourced 100 percent outside Arkansas. Please contact [Jennifer Knickel](#) with questions on these law changes.



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