



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1066

Bill Subtitle: TO INCREASE THE STANDARD DEDUCTION.

Sponsors:

Rep. Ray

Basic Change:

HB1066 amends § 26-51-430(b) to increase the individual income tax standard deduction from \$2,200 to \$4,400 per individual taxpayer. The bill also increases the individual income tax standard deduction for married couples from \$2,200 to \$4,400 per spouse. The increased standard deduction is effective for tax years beginning on and after January 1, 2026.

Fiscal Impact:

FY2026 - \$28.9M General Revenue Reduction

FY2027 - \$57.8M General Revenue Reduction

[There are approximately 895,000 taxpayers that would receive an increase in the standard deduction, which is in addition to itemized taxpayers that have deductions greater than the current standard deduction but below the proposed increased standard deduction. The full-year fiscal impact of \$57.8M for FY2027 was calculated by finding the deduction difference between the current and proposed standard deduction of the affected taxpayers and multiplying by the effective rate of 3.46%.]

Taxpayer Impact:

An individual taxpayer or married filer claiming the standard deduction will reduce his or her their taxable income through a higher standard deduction.

Resources Required:

Computer programs, tax forms, and instructions will need to be updated. The cost estimate of the Arkansas Integrated Revenue System (AIRS) to program the new standard deduction is \$4,000 with no annual maintenance cost.

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:

None.



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Legal Analysis:

None.