

1 State of Arkansas
2 95th General Assembly
3 Regular Session, 2025
4
5 By: Representative Ray
6 By: Senator J. Dismang
7

A Bill

HOUSE BILL 1065

For An Act To Be Entitled

9 AN ACT TO CREATE THE INFLATION REDUCTION ACT OF 2025;
10 TO AMEND THE STATE INCOME TAX LAWS; TO REMOVE THE CAP
11 ON INCREASES TO THE STANDARD DEDUCTION AND INDIVIDUAL
12 INCOME TAX TABLES DUE TO INFLATION; TO TIE INCREASES
13 OF THE STANDARD DEDUCTION AND INDIVIDUAL INCOME TAX
14 TABLES TO A REGIONAL INDEX OF THE CONSUMER PRICE
15 INDEX; FOR OTHER PURPOSES.

Subtitle

16
17
18
19 TO CREATE THE INFLATION REDUCTION ACT OF
20 2025.
21

22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
23

24 SECTION 1. DO NOT CODIFY. Title.

25 This act shall be known and may be cited as the "Inflation Reduction
26 Act of 2025."
27

28 SECTION 2. Arkansas Code § 26-51-201(d)(2), concerning the method of
29 annually adjusting the tables that determine the amount of individual income
30 tax due, is amended to read as follows:

31 (2) For purposes of subdivision (d)(1) of this section, the
32 cost-of-living adjustment for a calendar year is the percentage, if any, by
33 which the CPI for the current calendar year exceeds the CPI for the preceding
34 calendar year, ~~not to exceed three percent (3%)~~. The CPI for any calendar
35 year is the average of the Consumer Price Index as of the close of the
36 twelve-month period ending on August 31 of such calendar year. "Consumer



1 Price Index” means the last Consumer Price Index for ~~All Urban Consumers~~ the
 2 West South Central division of the South Region published by the United
 3 States Department of Labor.

4
 5 SECTION 3. Arkansas Code § 26-51-430(c), concerning the indexing of
 6 the standard income tax deduction to inflation, is amended to read as
 7 follows:

8 (c)(1) The Secretary of the Department of Finance and Administration
 9 shall increase annually the standard deduction provided under subsection (b)
 10 of this section by the cost-of-living adjustment for the current calendar
 11 year, rounding the amount to the nearest ten dollars (\$10.00).

12 (2)(A)(i) For purposes of subdivision (c)(1) of this section,
 13 the cost-of-living adjustment for a calendar year is the percentage, if any,
 14 by which the Consumer Price Index for the current calendar year exceeds the
 15 Consumer Price Index for the preceding calendar year, ~~not to exceed three~~
 16 ~~percent (3%)~~.

17 (ii) If the Consumer Price Index for the current
 18 calendar year does not exceed the Consumer Price Index for the preceding
 19 calendar year, the standard deduction shall not be adjusted under this
 20 subsection for that year.

21 (B) The Consumer Price Index for a calendar year is the
 22 average of the Consumer Price Index as of the close of the twelve-month
 23 period ending on August 31 of that calendar year.

24 (C) As used in this subsection, “Consumer Price Index”
 25 means the most recent Consumer Price Index for ~~All Urban Consumers~~ the West
 26 South Central division of the South Region published by the United States
 27 Department of Labor.

28
 29 SECTION 4. EFFECTIVE DATE. Sections 2 and 3 of this act are effective
 30 for tax years beginning on or after January 1, 2025.